

PART 1940 - GENERAL

Subpart L - Methodology and Formulas for Allocation of Loan and Grant  
Program Funds

Table of Contents

<u>Sec.</u>		<u>Page</u>
1940.551	Purpose and general policy.	1
1940.552	Definitions.	1
	(a) Amount available for allocations.	1
	(b) Basic formula criteria, data source and weight.	1
	(c) Basic formula allocation.	2
	(d) Transition formula.	2
	(e) Base allocation.	2
	(f) Administrative allocations.	2
	(g) Reserve.	3
	(h) Pooling of funds.	3
	(i) Availability of the allocation.	3
	(j) Suballocation by the State Director.	3
	(k) Other documentation.	3
1940.553	- 1940.554 [Reserved]	3
1940.555	Insured Farm Operating loan funds.	5
1940.556	Guaranteed Farm Operating loan funds.	7
1940.557	Insured Farm Ownership loan funds.	9
1940.558	Guaranteed Farm Ownership loan funds.	11
1940.559	Farmer Programs appropriations not allocated by State.	13
	(a) Emergency disaster.	13
	(b) Soil and water.	13
1940.560	Guarantee Rural Rental Housing Program.	13
1940.561	- 1940.562 [Reserved]	14
1940.563	Section 502 non-subsidized guaranteed Rural Housing (RH) loans.	14
1940.564	Section 502 subsidized guaranteed Rural Housing (RH) loans.	14B
1940.565	Section 502 subsidized Rural Housing loans.	15
1940.566	Section 504 Housing Repair loans.	17
1940.567	Section 504 Housing Repair grants.	19
1940.568	Single Family Housing programs appropriations not allocated by State.	21

<u>Sec.</u>	<u>Page</u>
1940.569 - 1940.574 [Reserved]	21
1940.575 Section 515 Rural Rental Housing (RRH) loans.	23
1940.576 Rental Assistance (RA) for new construction.	24
1940.577 Rental Assistance (RA) for existing projects.	25
1940.578 Housing Preservation Grant (HPG) program.	26
1940.579 Multiple Family Housing appropriations not allocated by State.	27
(a) Section 514 Farm Labor Housing Loans.	27
(b) Section 516 Farm Labor Housing Grants.	27
1940.580 - 1940.584 [Reserved]	27
1940.585 Community Facility loans.	29
1940.586 - 1940.587 [Reserved]	30
1940.588 Business and Industry guaranteed and direct loans.	35
1940.589 Rural Business Enterprise Grants.	37
1940.590 Community and Business Programs appropriations not allocated by State.	39
1940.591 Community Program Guaranteed loans.	40
1940.592 Community Facilities Grants.	41
1940.593 Rural Business Opportunity Grants.	43
1940.594 - 1940.600 [Reserved]	44
Exhibit A Allocation of Program Funds for Current Fiscal Year. (Available in any Rural Development State Office)	
Exhibit B Section 515 Nonprofit Set Aside (NPSA).	
Exhibit C Housing in Underserved Areas.	
Exhibit D Rural Rental Housing Diversity Demonstration Program (RRHDDP).	

PART 1940 - GENERAL  
Subpart L - Methodology and Formulas for Allocation  
of Loan and Grant Program Funds

§1940.551 Purpose and general policy.

(a) The purpose of this subpart is to set forth the methodology and formulas by which the Under Secretary of Rural Development allocates program funds to the States. (The term "State" means any of the States of the United States, the Commonwealth of Puerto Rico, any territory or possession of the United States, or the Western Pacific Areas.)

(Revised 7-12-88, PN 89.)

(b) The formulas in this subpart are used to allocate program loan and grant funds to State Offices so that the overall mission of the Agency can be carried out. Considerations used when developing the formulas include enabling legislation, congressional direction, and administration policies. Allocation formulas ensure that program resources are available on an equal basis to all eligible individuals and organizations.

(c) The actual amounts of funds, as computed by the methodology and formulas contained herein, allocated to a State for a funding period, are distributed to each State Office by an exhibit to this subpart. The exhibit is available for review in any Rural Development State Office. The exhibit also contains clarifications of allocation policies and provides further guidance to the State Directors on any suballocation within the State. Rural Development will publish a Notice of Availability of Rural Housing funds in the Federal Register each year. (Revised 01-27-92, SPECIAL PN.)

§1940.552 Definitions.

(a) Amount available for allocations. Funds appropriated or otherwise made available to the Agency for use in authorized programs. On occasion, the allocation of funds to States may not be practical for a particular program due to funding or administrative constraints. In these cases, funds will be controlled by the National Office. (Revised 7-12-88, PN 89.)

(b) Basic formula criteria, data source and weight. Basic formulas are used to calculate a basic State factor as a part of the methodology for allocating funds to the States. The formulas take a number of criteria that reflect the funding needs for a particular program and through a normalization and weighting process for each of the criteria calculate the basic State factor (SF). The data sources used for each criteria are believed to be the most current and reliable information that adequately quantifies the criterion. The weight, expressed as a percentage, gives a relative value to the importance of each of the criteria.

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Loan and Grant Making  
General

(c) Basic formula allocation. The result of multiplying the amount available for allocation less the total of any amounts held in reserve or distributed by base or administrative allocation times the basic State factor for each State. The basic formula allocation (BFA) for an individual State is equal to:

$$\text{BFA} = (\text{Amount available for allocation} - \text{NO reserve} \\ - \text{total base and administrative allocations}) \times \text{SF}.$$

(d) Transition formula. A formula based on a proportional amount of previous year allocation used to maintain program continuity by preventing large fluctuations in individual State allocations. The transition formula limits allocation shifts to any particular State in the event of changes from year to year of the basic formula, the basic criteria, or the weights given the criteria. The transition formula first checks whether the current year's basic formula allocation is within the transition range (+ or - percentage points of the proportional amount of the previous year's BFA).

$$\text{Transition Range} = 1.0 + \frac{\text{maximum } 20\%}{100}$$

$$\times \frac{(\text{Amount available for allocation this year} \times \text{State previous} \\ (\text{Amount available for allocation previous year}) \text{ year BFA})}{\text{year BFA}}$$

If the current year's State BFA is not within this transition range, the State formula allocation is changed to the amount of the transition range limit closest to the BFA amount. After having performed this transition adjustment for each State, the sum of the funds allocated to all States will differ from the amount of funds available for BFA. This difference, whether a positive or negative amount, is distributed to all States receiving a formula allocation by multiplying the difference by the SF. The end result is the transition formula allocation. The transition range will not exceed 40% (+ 20%), but when a smaller range is used it will be stated in the individual program section.

(e) Base allocation. An amount that may be allocated to each State dependent upon the particular program to provide the opportunity for funding at least one typical loan or grant in each Rural Development State, District, or County Office. The amount of the base allocation may be determined by criteria other than that used in the basic formula allocation such as Agency historic data.

(f) Administrative allocations. Allocations made by the Administrator in cases where basic formula criteria information is not available. This form of allocation may be used when the Administrator determines the program objectives cannot be adequately met with a formula allocation.

(g) Reserve. An amount retained under the National Office control for each loan and grant program to provide flexibility in meeting situations of unexpected or justifiable need occurring during the fiscal year. The Administrator may make distributions from this reserve to any State when it is determined necessary to meet a program need or Agency objective. The Administrator may retain additional amounts to fund authorized demonstration programs. When such demonstration programs exist, the information is outlined in Exhibit A of this subpart (available in any Rural Development State Office). (Revised 7-12-88, PN 89)

(h) Pooling of funds. A technique used to ensure that available funds are used in an effective, timely and efficient manner. At the time of pooling those funds within a State's allocation for the fiscal year or portion of the fiscal year, depending on the type of pooling, that have not been obligated by the State are placed in the National Office reserve. The Administrator will establish the pooling dates for each affected program.

(1) Mid-year: This pooling addresses the need to partially redistribute funds based on use/demand. Mid-year pooling occurs near the midpoint of the fiscal year.

(2) Year-end: This pooling is used to ensure maximum use of program funds on a national basis. Year-end pooling usually occurs near the first of August.

(3) Emergency: the Administrator may pool funds at any time that it is determined the conditions upon the initial allocation was based have changed to such a degree that it is necessary to pool funds in order to efficiently carry out the Agency mission.

(i) Availability of the allocation. Program funds are made available to the Agency on a quarterly basis. In the high demand programs, it is necessary that specific instructions be given to the State Offices regarding the amount which is available for obligation during each quarter.

(j) Suballocation by the State Director. Dependent upon the individual program for which funds are being allocated, the State Director may be directed or given the option of suballocating the State allocation to District or County Offices. When suballocating the State Director may retain a portion of the funds in a State Office reserve to provide flexibility in situations of unexpected or justified need. When performing a suballocation the State Director will use the same formula, criteria and weights as used by the National Office.

(k) Other documentation. Additional instructions given to field offices regarding allocations.

§1940.555 Insured Farm Operating loan funds.

(a) Amount available for allocations See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C= Tenant farm operators. Source: U.S. Census of Agriculture. 20%

(4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E= Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$  where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation. See §1940.552(c) of this subpart.

(d) Transition formula. See §1940.552(d) of this subpart. Not used.

(e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

RD Instruction 1940-L  
§1940.555 (Con.)

- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.
- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Subobligation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§1940.556 Guaranteed Farm Operating loan funds.

(a) Amount available for allocations. See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:

- (1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%
- (2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%
- (3) C= Tenant farm operators. Source: U.S. Census of Agriculture. 20%
- (4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.
- (5) E= Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$  WHERE A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation. See §1940.552(c) of this subpart.

(d) Transition formula. See §1940.552(d) of this subpart. Not used.

(e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

RD Instruction 1940-L  
§1940.556 (Con.)

- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other Documentation. See §1940.552(k) of this subpart.

§1940.557 Insured Farm Ownership loan funds.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:
- (1) A = Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%
  - (2) B = Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%
  - (3) C = Tenant farm operations. Source: U.S. Census of Agriculture. 25%
  - (4) D = Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.
  - (5) E = Value of farm real estate assets. Source: USDA Economic Research Service. 10% The basic allocation formula is a two-step process. IN step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=State\ FACTOR$  where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The State FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.
- (c) Basic formula allocation. See §1940.552(c) of this subpart.
- (d) Transition formula. See §1940.552(d) of this subpart. The transition range is plus or minus 15%.
- (e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

RD Instruction 1940-L  
§1940.557 (Cont.)

- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. A portion of the allocation will be targeted to the State's rural socially disadvantaged population. The amount of targeted funds for each State is equal to the State's total rural population multiplied by the State's total fiscal year Insured Farm Ownership allocation. Source of data is U.S. Census of Agriculture. (Revised 7-12-88, PN 89)
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§1940.558 Guaranteed Farm Ownership loan funds.

(a) Amount available for allocation. See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:

- (1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%
- (2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%
- (3) C= Tenant farm operations. Source: U.S. Census of Agriculture. 25%
- (4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.
- (5) E= Value of farm real estate assets. Source: USDA Economic Research Service. 10%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor:  $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$  where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation. See §1940.552(c) of this subpart.

(d) Transition formula. See §1940.552(d) of this subpart. Not used.

(e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations: See Section 1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not have administrative allocations.

RD Instruction 1940-L  
§1940.558 (Con.)

- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§ 1940.559 Farmer Programs appropriations not allocated by State.

(Revised 7-12-88, PN 89)

(a) Emergency Disaster. State allocations are not made since it is impossible to predict occurrences. Obligating documents may be submitted to the Finance Office as loans are approved in designated areas. This type of loan is available only in areas designated as disaster areas. Designations may be by a single county, multiple of counties or areas, depending upon the scope and severity.

(b) Soil and Water. Funds are not allocated to States. Program size does not permit equitable distribution. Obligation of funds are on a first-come, first-served basis, subject to availability.

§ 1940.560 Guarantee Rural Rental Housing Program.

(Added 12-18-98, SPECIAL PN)

When funding levels are under \$100,000,000, all funds will all be held in a National Office reserve and made available administratively in accordance with the Notice of Funding Availability (NOFA) and program regulations. When program levels are sufficient for a nationwide program, funds are allocated based upon the following criteria and weights.

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. Each factor will receive a weight respectively of 40%, 40% and 20%. The criteria used in the basic formula are:

(1) State's percentage of National rural population,

(2) State's percentage of the National number of rural households between 50 and 115 percent of the area median income, and

(3) State's percentage of National average cost per unit. Data source for the first two of these criterion are based on the latest census data available. The third criterion is based on the cost per unit data using the applicable maximum per unit dollar amount limitations under section 207(c) of the National Housing Act, which can be obtained from the Department of Housing and Urban Development. The percentage representing each criterion is multiplied by the weight assigned and totaled to arrive at a State factor.

RD Instruction 1940-L  
§ 1940.560(b) (3) (Con.)

State Factor = (criterion No. 1 x weight of 40%)+  
(criterion No. 1 x weight of 40%)+  
(criterion No. 1 x weight of 20%)

- (c) Basic formula allocation. See § 1940.552(c).
- (d) Transition formula. See § 1940.552(d).
- (e) Base allocation. See § 1940.552(e). Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations. See § 1940.552(f). Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See § 1940.552(g).
- (h) Pooling of funds. See § 1940.552(h).
- (i) Availability of the allocation. See § 1940.552(i).
- (j) Suballocation by the State Director. See § 1940.552(j).
- (k) Other documentation. Not applicable.

§§ 1940.561 - 1940.562 [Reserved]

§ 1940.563 Section 502 non-subsidized guaranteed Rural Housing (RH) loans.  
(Added 03-13-91, PN 159.)

- (a) Amount available for allocations. See § 1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. The criteria used in the basic formula are:
  - (1) State's percentage of the National number of rural occupied substandard units,
  - (2) State's percentage of the National rural population in places of less than 2,500 population,
  - (3) State's percentage of the national number of rural households between 80 and 100 percent of the area median income, and

## § 1940.563(b) (Con.)

(4) State's percentage of the national number of rural renter households paying more than 35 percent of income for rent. Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF) as follows:

$$\begin{aligned} \text{SF} = & (\text{criterion 1 x weight of 30 \%}) + \\ & (\text{criterion 2 x weight of 10 \%}) + \\ & (\text{criterion 3 x weight of 30 \%}) + \\ & (\text{criterion 4 x weight of 30 \%}) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transitional formula. See § 1940.552(d) of this subpart. The percentage range used for Section 502 guaranteed RH loans is plus or minus 15.

(e) Base allocation. See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart.

(h) Pooling of funds. See § 1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) Availability of the allocation. See § 1940.552(i) of this subpart.

(j) Suballocation by the State Director. See § 1940.552(j) of this subpart. Annually, the Administrator will advise State Director's whether or not suballocation within the State Office jurisdiction will be required for the guaranteed housing program.

(k) Other documentation. Not applicable.

§ 1940.564 Section 502 subsidized guaranteed Rural Housing (RH) loans.  
(Added 03-13-91, PN 159.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

(1) State's percentage of the National number of rural occupied substandard units,

(2) State's percentage of the National rural population in places of less than 2,500 population,

(3) State's percentage of the national number of rural households below 80 percent of the area median income, and

(4) State's percentage of the national number of rural renter households paying more than 35 percent of income for rent. Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF) as follows:

$$\begin{aligned} \text{SF} = & (\text{criterion 1} \times \text{weight of 30 \%}) + \\ & (\text{criterion 2} \times \text{weight of 10 \%}) + \\ & (\text{criterion 3} \times \text{weight of 30 \%}) + \\ & (\text{criterion 4} \times \text{weight of 30 \%}) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transitional formula. See § 1940.552(d) of this subpart. The percentage range used for Section 502 guaranteed RH loans is plus or minus 15.

(e) Base allocation. See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart.

§ 1940.564 (Con.)

(h) Pooling of funds. See § 1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) Availability of the allocation. See § 1940.552(i) of this subpart.

(j) Suballocation by the State Director. See § 1940.552(j) of this subpart. Annually, the Administrator will advise State Director's whether or not suballocation within the State Office jurisdiction will be required for the guaranteed housing program.

(k) Other documentation. Not applicable.

§1940.565 Section 502 subsidized Rural Housing loans.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
  - (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria used in the basic formula are:
    - (1) State's percentage of the National number of rural occupied substandard units,
    - (2) State's percentage of the National rural population,
    - (3) State's percentage of the National rural population in places of less than 2,500 population,
    - (4) State's percentage of the National number of rural households between 50 and 80 percent of the area median income, and
    - (5) State's percentage of the National number of rural households below 50 percent of the area median income.
- Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF)
- $$\begin{aligned} \text{SF} = & (\text{criterion 1 x weight of 25\%}) + \\ & (\text{criterion 2 x weight of 10\%}) + \\ & (\text{criterion 3 x weight of 15\%}) + \\ & (\text{criterion 4 x weight of 30\%}) + \\ & (\text{criterion 5 x weight of 20\%}) \end{aligned}$$
- (c) Basic formula allocation. See §1940.552(c) of this subpart.
  - (d) Transition formula. See §1940.552(d) of this subpart. The percentage range used for Section 502 subsidized RH loans is plus or minus 15.
  - (e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.
  - (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
  - (g) Reserve. See §1940.552(g) of this subpart.

(h) Pooling of funds. See §1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) Availability of the allocation. See §1940.552(i) of this subpart.

(j) Suballocation by the State Director. See §1940.552(j) of this subpart. The State Director will suballocate funds to the District Offices and may, at his/her option, suballocate to the County Offices. The State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.565(b) and (c) of this section. The suballocations to District or County Offices will not be reduced or restricted unless written approval is received from the National Office in response to a written request from the State Director. The State Director's request must include the reasons for the requested action (e.g., high housing inventory and/or high housing delinquency).

(k) Other documentation. The percentage distribution of funds to the States by income levels is based on prevailing legislation.

§1940.566 Section 504 Housing Repair loans.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b). The criteria used in the basic formula are:

- (1) State's percentage of the National number of rural occupied substandard units, and
- (2) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

$$SF = (\text{criterion No. 1} \times \text{weight of 50\%}) + (\text{criterion No. 2} \times \text{weight of 50\%})$$

- (c) Basic formula allocation. See §1940.552(c) of this subpart.
- (d) Transition formula. See §1940.552(d) of this subpart. The percentage range used for Section 504 Housing Repair Loans is plus or minus 15.
- (e) Base allocation. Not used.
- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
  - (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.

(j) Suballocation by the State Director. See §1940.552(j) of this subpart. At the option of the State Director, Section 504 loan funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.566(b) and (c) of this section.

(k) Other documentation. Not applicable.

§1940.567 Section 504 Housing Repair grants.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria used in the basic formula are:
  - (1) State's percentage of the National number of rural occupied substandard units,
  - (2) State's percentage of the National rural population 62 years and older, and
  - (3) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

$$\text{SF} = (\text{criterion No. 1} \times \text{weight of } 33 \frac{1}{3}\%) + (\text{criterion No. 2} \times \text{weight of } 33 \frac{1}{3}\%) + (\text{criterion No. 3} \times \text{weight of } 33 \frac{1}{3}\%)$$

- (c) Basic formula allocation. See §1940.552(c) of this subpart.
- (d) Transition formula. See §1940.552(d) of this subpart. The percentage range used for Section 504 Housing Repair grants is plus or minus 15.
- (e) Base allocation. Not used.
- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
  - (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
  - (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. At the option of the State Director, Section 504 grant funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.567(b) and (c) of this section.
- (k) Other documentation. Not applicable.

§1940.568 Single Family Housing programs appropriations not allocated by State. The following program funds are kept in a National Office reserve and are available as determined administratively:

- (a) Section 523 Self-Help Technical Assistance Grants.
- (b) Section 523 Land Development Fund.
- (c) Section 524 Rural Housing Site Loans.
- (d) Section 509 Compensation for Construction Defects.
- (e) Section 502 Nonsubsidized Funds.

§§1940.569 - 1940.574 Reserved.

§1940.575 Section 515 Rural Rental Housing (RRH) loans. (Revised 7-12-88, PN 89)

- (a) Amount available for allocations. See §1940.552 (a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552 (b) of this subpart.

The criteria used in the basic formula are:

- (1) State's percentage of National rural population,
- (2) State's percentage of National number of rural occupied substandard units, and
- (3) State's percentage of National rural families with incomes below the poverty level.

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight assigned and summed to arrive at a State factor (SF).

$$\text{SF} = (\text{criterion No. 1} \times \text{weight of } 33 \frac{1}{3}\%) + (\text{criterion No. 2} \times \text{weight of } 33 \frac{1}{3}\%) + (\text{criterion No. 3} \times \text{weight of } 33 \frac{1}{3}\%)$$

- (c) Basic formula allocation. See §1940.552 (c) of this subpart.
- (d) Transition formula. See §1940.552 (d) of this subpart.
- (e) Base allocation. See §1940.552 (e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations. See §1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See §1940.552 (g) of this subpart.
- (h) Pooling of funds. See §1940.552 (h) of this subpart.
- (i) Availability of the allocation. See §1940.552 (i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552 (j) of this subpart.
- (k) Other documentation. Not applicable.

RD Instruction 1940-L

§1940.576 Rental Assistance (RA) for new construction. (Revised 7-12-88, PN 89)

- (a) Amount available for allocations. See §1940.552 (a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.575 (b) of this subpart.
- (c) Basic formula allocation. See §1940.552 (c) of this subpart.
- (d) Transition formula. See §1940.552 (d) of this subpart.
- (e) Base allocation. See §1940.552 (e) of this subpart.
- (f) Administrative allocations. See §1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See §1940.552 (g) of this subpart.
- (h) Pooling of funds. See §1940.552 (h) of this subpart.
- (i) Availability of the allocation. See §1940.552 (i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552 (j) of this subpart.
- (k) Other documentation. Not applicable.

§1940.577 Rental Assistance (RA) for existing projects.

(a) Amount available for allocations. See §1940.552 (a) of this subpart. RA appropriated for existing projects will first be used to replace contracts expiring each fiscal year and for the first few months of the following fiscal year. This is done to assure continued RA funding. RA units not needed for replacement purposes will be used for existing multiple family housing projects experiencing servicing problems.

(b) Basic formula criteria, data source and weight. No formula or weighted criteria is used to allocate replacement RA. The basic allocation for replacement RA will be made based on the following:

(1) Criteria. This allocation is based on the estimated need to replace RA contracts expiring from the depletion of funds.

(2) Data source. The most accurate and current information available from Rural Development computerized data sources.

(c) Basic formula allocation. While no formula will be used, the basic allocation will be made to each State according to the need determined using the basic criteria.

(d) Transition formula. Not applicable.

(e) Base allocation. Not applicable.

(f) Administrative allocation. Not applicable.

(g) Reserve. See §1940.5522 (g) of this subpart. The National Office maintains a reserve adequate to compensate for the differences between actual and projected replacement activity. Units will be administratively distributed for existing housing to either satisfy previously unidentified replacement needs or address servicing situations. Units will be distributed to any State when the Administrator determines that additional allocations are necessary and appropriate.

(h) Pooling of funds. See §1940.552 (h) of this subpart. Units will be pooled at the Administrator's discretion.

(i) Obligation of the allocation. See §1940.552 (i) of this subpart. (Revised 7-12-88, PN 89)

(j) Suballocation by the State Director. See §1940.552 (j) of this subpart.

(k) Other documentation. Not applicable.

§1940.578 Housing Preservation Grant (HPG) program. (Revised 7-12-88, PN 89)

- (a) Amount available for allocations. See §1940.552 (a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.575 (b) of this subpart.
- (c) Basic formula allocation. See §1940.552 (c) of this subpart.
- (d) Transition formula. See §1940.552 (d) of this subpart.
- (e) Base allocation. See §1940.552 (e) of this subpart.
- (f) Administrative allocations. See §1940.552 (f) of this subpart.
- (g) Reserve. See §1940.552 (g) of this subpart.
- (h) Pooling of funds. See §1940.552 (h) of this subpart. Funds may be pooled after all HPG applications have been received and HPG fund demand by State has been determined. Pooled funds will be combined with the National Office reserve to fund eligible projects. Remaining HPG funds will be available for distribution for use under the Section 504 program.
- (i) Availability of the allocation. See §1940.552 (i) of this subpart.
- (j) Suballocation by the State Director. Not applicable.
- (k) Other documentation. Funds for the HPG program will be available for a limited period each fiscal year. Due to the requirements by law to allocate funds on a formula basis to all States and to have a competitive selection process for HPG project selection, Rural Development will announce opening and closing dates for receipt of HPG applications. After the closing date, Rural Development will review and evaluate the proposals, adjust State allocations as necessary to comply with the law and Program demand, and redistribute remaining unused HPG resources for use under Section 504 (as required by statute).

§ 1940.579 Multiple Family Housing appropriations not allocated by State.  
(Revised 06-07-99, SPECIAL PN.)

Funds are not allocated to States. The following program funds are kept in a National Office reserve and are available as determined administratively:

- (a) Section 514 Farm Labor Housing Loans.
- (b) Section 516 Farm Labor Housing Grants.

§§ 1940.580 - 1940.584 [Reserved]

(Continued on page 29)

§ 1940.585 Community Facility loans.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b) (1) (i) x 50 percent}) + \\ (\text{criterion (b) (1) (ii) x 25 percent}) + \\ (\text{criterion (b) (1) (iii) x 25 percent})$$

(c) Basic formula allocation. See §1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) Transition formula. See §1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent (+ 15%).

(e) Base allocation. See §1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation. See §1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) Reserve. See §1940.552(g) of this subpart. States may request funds by forwarding a completed copy of Guide 26 of Subpart A of Part 1942 of this chapter (available in any Rural Development office), to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate the loan requested.

(h) Pooling of funds. See §1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See §1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by the State Director. See §1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

(k) Other documentation. Not applicable.

§§1940.586 - 1940.587 [Reserved]

(Continued on page 35)

§ 1940.588 Business and Industry Guaranteed and Direct Loans.  
(Revised 04-25-03, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\begin{aligned} SF = & \text{(criterion (b) (1) (i) x 50 percent) +} \\ & \text{(criterion (b) (1) (ii) x 25 percent) +} \\ & \text{(criterion (b) (1) (iii) x 25 percent)} \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transition formula. See § 1940.522(d) of this subpart. The percentage range for the transition equals 30 percent ( $\pm 15\%$ ). (Revised 02-04-04, PN 370.)

(e) Base allocations. See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive initial administrative allocations.

RD Instruction 1940-L  
§ 1940.588 (Con.)

(g) Reserve. See § 1940.552(g). States may request reserve funds from the B&I reserve when all of the state allocation has been obligated or will be obligated to the project for which the request is made. (Revised 04-25-03, SPECIAL PN.)

(h) Pooling of funds. See § 1940.552(h). Funds are pooled near fiscal year-end. Pooled funds will be placed in a reserve and made available on a priority basis to all States. (Revised 04-25-03, SPECIAL PN.)

(i) Availability of the allocation. See § 1940.552(i) of this subpart. There is a 6-day waiting period from the time project funds are reserved to the time they are obligated.

(j) Suballocation by the State Director. Suballocation by the State Director is authorized for this program. (Revised 04-25-03, SPECIAL PN.)

§ 1940.589 Rural Business Enterprise Grants. (Revised 08-20-92, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.  
(Revised 04-25-03, SPECIAL PN.)

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b) (1) (i) x 50 percent}) + \\ (\text{criterion (b) (1) (ii) x 25 percent}) + \\ (\text{criterion (b) (1) (iii) x 25 percent})$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transition formula. See § 1940.522(d) of this subpart. The percentage range for the transition equals 30 percent ( $\pm 15\%$ ). Revised 02-04-04, PN 370.)

(e) Base allocation. See § 1940.552(e) of this subpart.

(f) Administrative allocation. Not used.

(g) Reserve. See § 1940.552(g). States may request funds by written request to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate from the State's allocation. The National Office may also consider requests to provide funds from the National Reserve for projects that will operate in multiple states. (Revised 04-25-03, SPECIAL PN.)

RD Instruction 1940-L  
§ 1940.589 (Con.)

(h) Pooling of funds. See § 1940.552(h). Funds are pooled near fiscal year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively. (Revised 04-25-03, SPECIAL PN.)

(i) Availability of the allocation. See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by the State Director. See § 1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

§ 1940.590 Community and Business Programs appropriations not allocated by State. (Revised and renumbered 7-12-88, PN 89.)

(a) Watershed Protection Loans, Resource Conservation and Development Loans, and Flood Protection Loans. State allocations will not be made for these type loans. Instead, obligating documents may be submitted to the Finance Office when a loan is approved. Only States that are authorized to process P.L. 534 loans may submit obligating documents to the Finance Office for that type loan. Resource Conservation and Development (RC&D) loan funds will be used in preference to community facility funds in designated RC&D areas for loan purposes included in Subpart A of Part 1942 of this chapter.

(b) Indian Land Acquisition. Control of funds will be retained in the National Office and allocated on an individual case basis. Requests for funds will be made to the Director, Community Facilities Division, when it is determined the loan can be approved.

(c) Nonprofit National Corporation Guaranteed Loans and Grants. Control of funds will be retained in the National Office. These funds are not available for obligation by States.

(d) Rural Development Loan Fund Relending Program. Control of funds will be retained in the National Office. These funds are not available for obligation by States.

(e) Technical Assistance and Training Grants. Control of funds will be retained in the National Office and allocated on a project case basis. These funds are not available for obligation by States.

(f) Emergency Community Water Assistance Grants. Control of funds will be retained in the National Office and allocated on a project case basis. Requests for funds will be made to the Director, Water and Waste Disposal Division. (Added 4-4-90, SPECIAL PN.)

(g) System for Delivery of Certain Rural Development Programs Panel Grants. Control of funds will be retained in the National Office and made available to eligible States. (Added 05-06-92, SPECIAL PN.)

(h) Television Demonstration Grants. Since this is a demonstration program, all funds are being retained in the National Office. Funds may be requested by sending in attachment 1, section C of RD Instruction 1942-G. (Added 08-20-92, SPECIAL PN.)

RD Instruction 1940-L  
§ 1940.590 (Con.)

(i) Section 306C WWD loans and grants in subpart E of part 4284 of this title. Control of funds will be retained in the National Office and allocated on a project case basis. Requests for funds will be made to the Director, Water and Waste Disposal Division. (Added 01-22-93, SPECIAL PN.)

(j) Rural Cooperative Development Grants. Control of funds will be retained in the National Office and allocated on a project case basis. Funds may be requested by sending in exhibit B of RD Instruction 4284-F. (Revised 08-07-97, SPECIAL PN.)

§ 1940.591 Community Program Guaranteed loans. (Revised 3-26-90, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source, and weight. See § 1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b) (1) (i) x 50 percent}) + \\ (\text{criterion (b) (1) (ii) x 25 percent}) + \\ (\text{criterion (b) (1) (iii) x 25 percent})$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

## § 1940.591 (Con.)

- (d) Transition formula. The transition formula for Community Programs Guaranteed loans is not used. (Revised 3-26-90, SPECIAL PN.)
- (e) Base allocation. See § 1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.
- (f) Administrative allocation. See § 1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.
- (g) Reserve. See § 1940.552(g) of this subpart. States may request funds by forwarding a request following the format found in Guide 26 of subpart A of Part 1942 of this chapter to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds from the State's allocation to obligate the loan requested. (Revised 3-26-90, SPECIAL PN.)
- (h) Pooling of funds. See § 1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.
- (i) Availability of the allocation. See §1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.
- (j) Suballocation by State Director. See §1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.
- (k) Other documentation. Not applicable.

§ 1940.592 Community Facilities Grants. (Added 04-07-97, SPECIAL PN.)

- (a) Amount available for allocation. See § 1940.552(a) of this subpart.
- (b) Basic formula criteria, data source, and weight. See § 1940.552(b) of this subpart.
- (1) The criteria used in the basic formula are:
- (i) State's percentage of National rural population - 50 percent.

(ii) State's percentage of National rural population with incomes below the poverty level - 50 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF).

$$\text{SF} \quad (\text{criterion (b) (1) (i) x 50 percent}) \\ + (\text{criterion (b) (1) (ii) x 50 percent})$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) Transition formula. The transition formula for Community Facilities Grants is not used.

(e) Base allocation. See § 1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation. See § 1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart. States may request funds by forwarding Form Letter RD 3570-B-1 to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds from the State's allocation to obligate the grant requested.

(h) Pooling of funds. See § 1940.552(h) of this subpart. Funds are generally pooled at midyear and yearend. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by State Director. See § 1940.552(j) of this subpart. State Director has the option to suballocate to area offices.

§ 1940.593 Rural Business Opportunity Grants. (Added 04-25-03, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a).

(b) Basic formula criteria, data source, and weight. See § 1940.552(b).

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) The data source for each criterion is based on the latest census data available. The percentage representing each criterion is multiplied by the weight factor and added to arrive at a State Factor (SF). The SF cannot exceed .05.

$$\text{SF} = \begin{aligned} &(\text{criterion (b) (1) (i) x 50 percent}) + \\ &(\text{criterion (b) (1) (ii) x 25 percent}) + \\ &(\text{criterion (b) (1) (iii) x 25 percent}) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c).

(d) Transition formula. The transition formula is not used for Rural Business Opportunity Grants (RBOG).

(e) Base allocation. See § 1940.552(e).

(f) Administrative allocation. The administrative allocation is not used for RBOG.

(g) Reserve. See § 1940.552(g). States may request funds by submitting a copy of RD Instruction 4284-G, Exhibit A, to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate from the State's allocation. The National Office may also consider requests to provide funds from the National Reserve for projects that will operate in multiple states.

RD Instruction 1940-L  
§ 1940.593 (Con.)

(h) Pooling of funds. See § 1940.552(h). Funds are pooled near fiscal year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See § 1940.552(i). The allocation of funds is made available to States on an annual basis.

(j) Suballocation by the State Director. Suballocation by the State Director is authorized for this program.

§§ 1940.594 - 1940.600 [Reserved]

Attachments: Exhibits A, B, C, and D.

oOo

ALLOCATION OF PROGRAM FUNDS

This exhibit provides the allocation for program funds and instructions for the use of those funds. Planning and the commitment of resources should be based on these allocations.

The methodology and formulas for the allocation of funds to the States is as stated in the Instruction. Only those areas where it was necessary to provide additional information have been addressed in this exhibit. Refer to the main body of this Instruction for all basic information on the allocation and use of program funds. Attachments 1 and 2 of this exhibit provide information on the various programs as follows:

Attachment 1 - Rural Business-Cooperative Service

Attachment 2 - Rural Housing Service

Part I - Rural Community Advancement Program/Rural  
Housing Assistance Grants

Part II - Rural Housing Service

Subpart A - Rural Community Advancement Program  
Community Facilities

Subpart B - Multi-Family Housing (MFH)

Subpart C - Single Family Housing (SFH)

The fund control function is performed by the National Office. Fund control balances can be obtained on the State Office terminal through APROPTN, the acronym for the Appropriation Accounting System, on the Online Subsystem Selection Menu screen. Should you have any questions regarding your State's distribution balances, call the respective program division. You can monitor your distribution amount via the Detail File Appropriation Screen.

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RURAL DEVELOPMENT  
BUSINESS AND COOPERATIVE PROGRAMS

I. General. (Throughout this attachment the reference to "Agency" refers to Rural Development Business and Cooperative Programs)

A. This attachment provides loan and grant funding allocations available for fiscal year (FY) 2007. Computations for allocations available to individual States have been performed in accordance with §§ 1940.588 and 1940.589 of this instruction. Every effort will be made to re-emphasize Rural Development's mission as a provider of affordable credit to those areas of greatest need.

B. Rural Area Eligibility. Program assistance under the Rural Community Advancement Program (RCAP) is limited to rural areas, as defined in applicable program regulations, with the exception of the following:

Business and Industry (B&I) Guaranteed Loans may be made to cooperative organizations in non-rural areas provided the primary purpose of the loan guarantee is for a facility that provides value-added processing for agricultural producers that are located within 80 miles of the facility and the applicant demonstrates that the primary benefit of the loan guarantee will provide employment for residents of a rural area.

In addition, the following areas will be considered as rural areas for certain programs authorized under RCAP, regardless of population, including the B&I, Rural Business Enterprise Grant (RBEG), and Rural Business Opportunity Grant (RBOG) Programs, except as noted below. These cities will be eligible until the Decennial Census in 2010:

- City of Berlin, New Hampshire
- City of Guymon, Oklahoma
- City of Shawnee, Oklahoma
- City of Altus, Oklahoma
- City of Coachella, California
- County of Honolulu, Hawaii (with certain areas to be excluded)
- City of Great Falls, Montana (for B&I Guaranteed Loan Program)
- City of St. Joseph, Missouri (for an application submitted by a farmer-owned cooperative for the purchase and operation of a facility beneficial to the purpose of the cooperative)
- City of Hidalgo, Texas (RBEG-only)
- Designated census areas for the Upper Kanawha Valley,

Enterprise Community, West Virginia, are eligible rural areas for purposes of eligibility for Enterprise Zone/Enterprise Community (EZ/EC) funded programs in the Rural Development mission area; Municipalities of Vega Baja, Manati, Guayama, Fajardo, Humacao, and Naguabo, Puerto Rico shall be eligible for RCAP loan and grant programs and Intermediary Relending Program (IRP).

C. RCAP Budget Authority Transfer of Funds. There is no authority to transfer funds between B&I Guaranteed Loans and RBEG State allocations for Fiscal Year 2007.

D. For any funds obligated for statutorily authorized programs where funds cannot be used in accordance with the original approved plan of work or Scope of Work, the State Director can approve changes in accordance with their delegated authority, regulations, policy, and statutes, subject to review and concurrence of the National Office. For EZ/EC and Rural Economic Area Partnership (REAP) earmarked funds, the State Director should coordinate with the Cooperative Programs to ensure that changes in the project Scope of Work are consistent with approved benchmarks. The project file should contain a copy of documentation to verify Cooperative Programs concurrence. Random reviews of selected projects submitted for funding will be conducted by the National Office prior to States being notified of the awards.

E. Throughout this instruction, you will find references where funds have to be obligated by certain dates. There has been some confusion in the past as to whether reserving the funds on the deadline date fulfills obligation requirements; it does not. The deadline date we refer to is the last possible date your project can be obligated; you must reserve the funds in the Guaranteed Loan System (GLS) 6 working days before the deadline date in order to fulfill the obligation requirement.

F. Biobased Products and Bioenergy. Executive Order 13134, Developing and Promoting Biobased Products and Bioenergy, signed by the President on August 12, 1999, contains criteria for agencies to follow in the creation and adoption of technologies needed to make biobased products and bioenergy cost-competitive in large national and international markets. One of the fundamental goals articulated in the Executive Order is to promote national economic growth, with specific attention to rural economic interests through the conversion of renewable farm and forestry resources to affordable electricity, fuel, chemicals, pharmaceuticals, and other materials. The President has further articulated the importance of sustainable biobased products and bioenergy development in goals that have been established in the Advanced Energy Initiative and the "Twenty in Ten" biofuels and alternative fuels initiative. States are encouraged to work with these applicants and consider these applications, where allowed under current program regulations, as priority applications. Further guidance will

be provided, under separate cover, outlining guidelines to utilize in evaluating and processing these applications.

G. B&I Direct Loan Program.

There are no funds appropriated this fiscal year for this program.

**NOTE: Throughout this document, instead of listing the contact person's name, a list of e-mail contacts has been made available on pages 20 and 21 of this attachment. Acknowledgement of receipt of all e-mail requests for funding will be provided by the National Office.**

H. Funds Not Distributed to States.

1. Native American Earmarked Funds. Native American earmarked funds will be used for projects where at least 75 percent of the benefits of the project will be received by members of a Federally Recognized Native American Tribe.

Waiver of the 75 percent minimum is possible on a case-by-case basis if the project will otherwise provide significant benefits to members of Federally Recognized Native American Tribes. Requests for exceptions must be submitted to the Administrator. The Administrator must approve all waiver requests.

Earmarked funds will be kept in a National Reserve fund and allocated on a national competitive basis, in accordance with the schedule outlined on page 22 of this attachment. Funds cannot be used for purposes other than earmarked program purposes. The following amounts are available this fiscal year:

Native American Earmarks:

RBEG	2,758,140.00
RBEG for Rural Transportation	247,500.00
RBOG	990,000.00
IRP	<u>3,872,838.66</u>
Total	\$7,868,478.66*

\*Excludes carryover

Requests should clearly document how the specific project meets the above criteria to qualify for the earmarked funds. Requests not providing this documentation will be returned to the State. Procedures to be followed in the distribution of these funds are addressed under applicable program funding allocation procedures of this attachment. Except for IRP, funds not used during FY 2007 will be carried over to FY 2008 for funding of Native American projects.

For IRP, funds will be available for Native American projects through June 29, 2007. This means that earmarked funds must have an obligation date of no later than June 29, 2007. After that date, any remaining funds not obligated will revert to the regular IRP reserve.

2. Delta Regional Authority (DRA) Earmarked Funds. RCAP earmarked funds in the amount of \$1,980,000 plus carryover of \$165,000 will be available to the DRA to provide assistance for any purpose under RCAP to businesses and residents residing in the Lower Mississippi Delta designated counties. Earmarked funds will be kept in the National Office Reserve and awarded to the DRA upon receipt of an application complete with a Scope of Work identifying the intended use of the funds. Any RCAP earmarked funds not used in FY 2007 will be carried over into FY 2008.

3. Mississippi Delta Region Counties IRP Earmarked Funds. IRP earmarked funds in the amount of \$7,747,923.75 will be made available for projects located in designated Mississippi Delta Counties. Earmarked funds will be kept in the National Reserve and awarded in accordance with the schedule on page 22 of this attachment. Funds can be used for projects where at least 75 percent of the benefits of this project will be received by residents within one or more of the designated counties.

4. EZ/EC and REAP Earmarked Funds. EZ/EC and REAP earmarked funds will be kept in a Reserve fund and controlled by the National Office. Funds may be requested in the same manner as requesting Reserve funds for regular programs. The earmarked funds will be available for EZ/EC and REAP projects through June 29, 2007. This means that earmarked funds must have an obligation date of no later than June 29, 2007.

After that time, any remaining unobligated funds will be pooled and revert to regular program use. This includes funds that have been allocated to States but have not been obligated (see page 22 of this attachment for funding cycle information). The following amount available for EZ/EC and REAP projects for FY 2007 is:

B&I	\$6,811,926.60
IRP	1,992,579.98
RBEG	6,930,000.00
RBOG	<u>990,000.00</u>
Total	\$16,724,506.58

In order to be eligible for competition for EZ/EC and REAP earmarked funds, you must submit a copy of the Benchmark Management System (BMS) documents identifying your project or include the specific benchmark number in your request for funds. Please do not submit

any requests for projects not specifically identified in the BMS documents. If the community elects to amend its strategic plan and BMS documents to reflect the project, it would not be eligible for competition until after the project is adopted by the community, approved by the State Director, and entered into the BMS. EZ/EC and REAP earmarked funds will be used for projects identified in the EZ/EC or REAP Strategic Plan and BMS documents, provided at least 75 percent of the benefits of the project will be received by residents within the EZ/EC and REAP census tract boundaries. Waiver of the 75 percent minimum is possible on a case-by-case basis if the project would otherwise provide significant benefits to the EZ/EC and REAP areas. Requests for waivers should be submitted to the Administrator, with a copy to the Cooperative Programs-EZ/EC Program.

5. Intermediary Relending Program (IRP). All funds are retained in the National Office. Non-earmarked funds will be made available in accordance with the schedule outlined on page 22 of this attachment and based on national competition. Applications must be received by the National Office prior to the date outlined on page 22 of this attachment to be considered during the referenced periods for an allocation of funds. For this fiscal year, the initial funding selection will include applications that were received in the National Office by October 27, 2006. **No request for funding will be considered unless the project is ready to be obligated.** E-mail requests for IRP funding will include a Certification for Request of Funds (see page 30); the administrative point justification in accordance with RD Instruction 4274-D, § 4274.344(c)(6) (see page 31 for additional guidance); a priority score sheet (see pages 32 and 33) in accordance with RD Instruction 4274-D, Exhibit C; LAPAS Project Information Sheet which has been updated to include program specific data required for each program (see example on page 38 of this attachment; to obtain a program specific copy, go to <http://teamrd.usda.gov/rd/lapas/leg/default.htm> and click on the applicable program). Also, please refer to <http://www.house.gov/house/MemStateSearch.shtml> and [http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm?OrderBy=state&Sort=ASC](http://www.senate.gov/general/contact_information/senators_cfm.cfm?OrderBy=state&Sort=ASC) for correct Representative and Senatorial information required for all LAPAS Project Information sheets. **Random reviews of selected projects submitted for funding will be conducted by the National Office prior to States being notified of the awards. Funding requests should be e-mailed to the addresses listed on pages 20 and 21 of this attachment.** NOTE: When considering points for severe economic problems, the key factor is whether the service area has experienced long-term (over the last 60 years) poverty, population decline, or job deterioration. Points will only be awarded for well-documented justifications. The Agency Administrator may assign up to 35 additional discretionary points to

give priority consideration to applicants experiencing out-migration for third round rural empowerment zones. Each application will continue to be considered each funding cycle until it has been selected for funding or considered in four consecutive funding cycles. The National Office will notify the State Director or designee when an IRP application is selected for funding. The amount available for FY 2007 is \$33,869,875.19 which includes \$1,992,579.98 earmarked for EZ/EC and REAP, \$3,872,838.66 earmarked for Federally Recognized Native American Tribes, and \$7,747,923.75 earmarked for Mississippi Delta Region Counties. Due to the large demand for this program, the following loan initiatives are being implemented for applications approved this fiscal year. Initial Loan Application: The loan is limited to a maximum of \$750,000 unless:

- the service area is not covered by another intermediary,
- the State has not received any IRP funding the last 2 fiscal years, and
- the proposed service area is an under-served area as defined in the National/State Strategic Plan.

In cases where all three of the above criteria are met and it is an initial loan application, a maximum loan of \$1 million will be considered.

**NOTE: This loan limit is not applicable for any separate earmarked funding, such as EZ/EC/REAP, Native American, and Mississippi Delta Region Counties.**

Subsequent Loan Application: All subsequent loan applications will be limited to a maximum of \$750,000. For any pending applications on file that exceed this amount, you should immediately contact applicants and advise them of loan limitations for this fiscal year.

The applicants must advise you, in writing, whether they wish their application to continue to be considered under the above-stated loan limitations.

IRP funds earmarked for EZ/EC and REAP, Native American Tribes, and Mississippi Delta Region Counties may be requested in the same manner as regular program funds and will be allocated according to the schedule on page 22 of this attachment. If you have any applications that qualify for earmarked funds, including applications for which you have previously submitted a score sheet, be sure to notify the National Office.

Pooling of Funds: EZ/EC and REAP, Native American, and Mississippi Delta Region Counties earmarked funds awarded to States must have an

obligation date of no later than June 29, 2007, before the funds revert to regular program use.

6. Rural Economic Development Loan (REDL) Program. All funds are retained in the National Office. Applications will be processed in the State Office. Selections will be made in the National Office based on national competition. Please refer to page 22 of this attachment for funding cycles for FY 2007. Each application will continue to be considered each quarter until it has been selected for funding or considered in four consecutive quarterly cycles. The amount available for FY 2007 is \$25,215,484.47 (includes carryover). **The maximum amount per any one project was announced in a Federal Register notice on December 8, 2006, for \$1,040,000 based on a higher anticipated program level.** The maximum loan amount per application will be revised to reflect \$740,000 in a revised Federal Register **notification to be published in the near future**. Requests for funds will include a signed Certification for Request of Funds (see page 30 of this attachment); Application Analysis and Project Evaluation Summary; and LAPAS Project Information Sheet which has been updated to include program specific data required for each program (see example on page 38 of this attachment; to obtain a program specific copy, go to <http://teamrd.usda.gov/rd/lapas/leg/default.htm> and click on the applicable program). Also, please refer to <http://www.house.gov/house/MemStateSearch.shtml> and [http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm?OrderBy=state&Sort=ASC](http://www.senate.gov/general/contact_information/senators_cfm.cfm?OrderBy=state&Sort=ASC) for correct Representative and Senatorial information required for all LAPAS Project Information sheets. This information is to be e-mailed to the National Office as outlined on pages 20 and 21 of this attachment. **No request for funding will be considered unless the project is ready to be obligated.**

7. Rural Economic Development Grant (REDG) Program. All funds are retained in the National Office. Applications will be processed in the State Office. Selections will be made in the National Office based on national competition. Each application will continue to be considered each quarter until it has been selected for funding or considered in four consecutive quarterly cycles. The amount available for FY 2007 is \$10,000,000. **The maximum amount of grant dollars (\$300,000) to any one project was announced in the Federal Register notice on December 8, 2006.** Requests for funding will include a Certification for Request of Funds (see page 30 of this attachment); Application Analysis and Project Evaluation Summary; and a LAPAS Project Information Sheet which has been updated to include program specific data required for each program (see example on page 38 of this attachment); Applicants may submit their application to the Agency in either electronic format via

Grants.gov or paper format. These attachments are to be e-mailed to the National Office as outlined on pages 20 and 21 of this document. **No request for funding will be considered unless the project is ready to be obligated.**

Applications will be accepted for a combination loan and grant from one Rural Utilities Program borrower to finance the same project under this program as well as dual applications where two Rural Utilities Program borrowers wish to simultaneously participate in financing portions of the same ultimate recipient project.

8. The North American Development Bank (NADBank) Initiative. Loans made under this authority are processed under provisions of the Memorandum of Understanding (MOU) between USDA and Treasury, Guidelines for the Community Adjustment and Investment Program (CAIP), CAIP Policies and Procedures, and RD Instructions 4279-A and B, as if they were regular B&I Guaranteed Loans. Loans made under this authority are serviced in accordance with RD Instruction 4287-B. Funding under this program may be used to assist businesses in CAIP-eligible areas by paying the loan subsidy or the guarantee fee, but not both. The loan cost-per-job created cannot exceed \$70,000 (computed on the guaranteed portion and excluding jobs saved) and any debt refinancing must be less than half the total loan amount.

Because of the high CAIP subsidy rate of 9.15 percent, NADBank is only interested in providing the loan subsidy for loans to businesses that will have an impact on the community by providing necessary or essential services or by showing the promise for continued growth, either directly or through the catalytic impact of the transaction. The business should be well positioned in industry sectors considered viable and growing versus mature and declining, e.g., textiles and sewing. The jobs should provide wages that are at least equal to the average wage in the county where the business is located, the company's employees should have an opportunity for advancement and they should receive or be eligible for benefits. Therefore, when you receive an application for a business in a CAIP-eligible area, and you would like NADBank to consider paying the loan subsidy, you should call Hugh Loftus, Director, United States Adjustment and Investment Program, at (562) 908-2100 and discuss the merits of the proposal. Mr. Loftus will then provide you with a letter of findings with a recommendation, and with a copy to Andrea Patterson. This conversation should take place early in your review of the proposal, well before loan approval. Up to 50 percent of FY 2007 CAIP funding used to pay loan subsidy can be used for loans with a guarantee percentage exceeding 80 percent, and any such request must include a strong justification for it. Therefore, before a loan exceeding 80 percent is obligated, an equal or greater

amount must have been obligated at 80 percent or lower. This limit does not apply to loans where NADBank pays only the guarantee fee. Requests for funds (guarantee fee or loan subsidy) should be e-mailed to Steve Levy (levysteve@mail.com) and the National Office as outlined on pages 20 and 21 of this attachment. The request should include the Endorsement Checklist (page 39 and 40 of the attachment). The National Office will present the request to the CAIP Finance Subcommittee for funding, and advise the State Office when the requested funds are available. For loans exceeding the State Director's delegated B&I approval authority, prior concurrence of the Administrator should be obtained. The CAIP Guidelines, Policies and Procedures, and list of CAIP-eligible areas are available on NADBank's Web site at [www.nadbank-caip.org](http://www.nadbank-caip.org).

9. Rural Business Opportunity Grants (RBOG). All funds are retained in the National Office. Funds will be allocated to the States for projects that best meet Agency priorities. Requests for funding will include a Certification for Request of Funds (see page 30 of this attachment); a Priority Score Sheet (see page 34 of this attachment); and a LAPAS Project Information Sheet which has been updated to include program specific data required for each program (see example on page 38 of this attachment); to obtain a program specific copy, go to <http://teamrd.usda.gov/rd/lapas/leg/default.htm> and click on the applicable program). Also, please refer to <http://www.house.gov/house/MemStateSearch.shtml> and [http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm?OrderBy=state&Sort=ASC](http://www.senate.gov/general/contact_information/senators_cfm.cfm?OrderBy=state&Sort=ASC) for correct Representative and Senatorial information required for all LAPAS Project Information sheets. For funding cycle information, see page 22 of this attachment. The deadline for the receipt of applications in the State Office is March 30, 2007. Applicants may submit their application to the Agency in either electronic format via Grants.gov or paper format. There will be one funding cycle for regular, non-earmarked funds. Random reviews of selected projects for funding will be conducted by the National Office prior to States being notified of awards. You may have up to two requests competing in the National Office Reserve funding cycle; however, this is not applicable to multi-State projects. Requests for National Office Reserve funding must be accompanied by a list of applications currently on hand. The limitation on the number of applications you can submit to the National Office is not applicable for any separate earmarked funding cycles, such as EZ/EC and REAP. The requests must be e-mailed to the National Office as outlined on pages 20 and 21 of this attachment after the docket has been developed to the point where the grant can be approved upon notification that funds are available. **No request for funding will be considered unless the**

**project is ready to be obligated.** All applications on the National Office Reserve list for FY 2006 were removed on October 2, 2006. Should the State Office determine that those projects are still viable, they may resubmit the requests for competition. The amount available for FY 2007 is:

EZ/EC/REAP	\$990,000
Native American	990,000
Carryover	101,706
Unrestricted Reserve	<u>990,000</u>
Total	\$3,071,706

In order to distribute limited non-earmarked funds among more communities and applicants, no more than \$50,000 in RBOG funds may be allocated to a single State or sub-State applicant or project. For multi-State projects, no more than \$150,000 in RBOG funds may be allocated to a single applicant. **A Federal Register notice announcing these restrictions was published on December 8, 2006.** These limits do not, however, apply to earmarked funds. Also, when calculating funds to be scored for the leveraging priority score criteria, you may not include third-party in-kind contributions in your calculations. Also, the Agency Administrator may assign up to 20 additional discretionary points to give priority consideration to applications experiencing out-migration for third round rural empowerment zones.

10. Native American Earmarked Pooling of Funds. There will not be a pooling of funds for the Native American funds. For Native American projects, there will be one funding cycle (see page 22 of this attachment). Any applications for Native American funds received after the cutoff date will be considered on an individual basis for any remaining available earmarked funds. Any B&I, RBEG, or RBOG funds not obligated by September 28, 2007, will carry over into FY 2008. Any IRP earmarked funds not obligated by June 29, 2007, will be pooled and revert back to the regular IRP fund.

11. Rural Business Opportunity Grant Earmarked Funds (RBOG). RBOG funds earmarked for EZ/EC and REAP and Native American Tribes may be requested in the same manner as regular funds and will be allocated according to the schedule on page 22 of this attachment. Any awarded EZ/EC and REAP applications not obligated by June 29, 2007, will be pooled and revert to the National Office Reserve. If your application meets more than one earmark, inform the National Office from which earmark you want that application to be considered.

12. Renewable Energy Systems and Energy Efficiency Improvement Program (Section 9006). For all loan, grant, and combination packages, the following will apply: Funding requests must be

submitted in accordance with the instructions below. No funding request will be considered unless the environmental assessment and technical merit determinations are complete and the project is otherwise ready to be obligated. In order to ensure effective tracking of funding requests, packages must be sent via overnight express utilizing the U.S. Postal Service or a private express carrier, provided the package can be traced with an electronic tracking number. In addition to submitting the package, an e-mail must be sent to the National Office as outlined on pages 20 and 21 of this attachment.

a. Renewable Energy Systems and Energy Efficiency Improvement Grant (Section 9006 Grants).

All grant funds will be retained in the National Office. Applications will be processed in the State Office. Applicants may submit their application to the Agency in either electronic format via Grants.gov or paper format. Selections will be made in the National Office based on an annual competition. Please refer to page 22 of this attachment for funding cycles and deadlines. The amount of grant funds available for FY 2007 is \$11,385,000 **A Federal Register notice announcing funding availability was published on March 22, 2007.** Requests for funding are to include the following: (1) The priority score sheet with supporting documentation tabbed and numbered for each criteria, to include all calculations for each scoring criteria. The Review Committee will only consider awarding points when properly organized supporting documentation and fully understandable calculations are provided; (2) a copy of the executed project summary; (3) a copy of LAPAS Project Selection Notice and; (4) a copy of the results of the technical review. The e-mail must include the name of the applicant, the date the package was sent, the tracking number, the type of assistance requested, and the amount of the request.

b. Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loan Program (Section 9006 Loans).

All funds are retained in the National Office. Funds will be allocated on an on-going basis to States from the National Office Reserve for projects that best meet Agency priorities from funds available at the time of the request. The amount available for FY 2007 is \$176,511,617.87. For funding requests within the State's approval authority, the State Director or designee may request funds from the reserve by e-mailing a copy of the priority score sheet, with supporting documentation,

LAPAS Project Selection Notice; and a copy of the results of the DOE's technical review.

For guaranteed loans that exceed the State's delegation of authority, the State Office will be required to submit the complete application to the National Office for review and funding consideration.

All State Offices will be notified as to the results of the National Office and Loan Committee reviews. In the event an application for a guarantee is not approved, the National Office will indicate the weaknesses. The State Office will notify the lender. Such loan guarantee applications may only be resubmitted after weaknesses are addressed. Weaknesses on fundable applications will be addressed as loan conditions. Any guaranteed loan funds that are not obligated by August 1, 2007, will be pooled and revert to the National Office reserve for grant use.

c. Combination Renewable Energy Systems and Energy Efficiency Guaranteed Loan and Grant Applications (Section 9006 combination packages).

All combination Guaranteed Loans and Grant packages submitted will be considered through a competitive process on a monthly selection basis. Requests on hand as of the 1<sup>st</sup> of the month will be processed and States notified. The Agency will collect all combination packages submitted in any given month and score the grant portion of each under a monthly competition. Those packages, for which the grant portion is deemed acceptable, including demonstrated financial need, will be considered for loan funding. This method will ensure that no loan is approved without the grant leveraging it needs, and minimize delays on the loan portion of application decisions.

13. Biomass Research and Development Grants (Section 9008). All funds are retained in the National Office. Through an Interagency Agreement with the Department of Energy, the National Energy Laboratory will be responsible for the intake and processing of applications. Applications must be submitted using a two-part process that includes pre-applications which are accepted from invited successful pre-applicants only. All Section 9008 applications must be submitted electronically, via Grants.gov. **Procedures for applying will be announced in a Federal Register notice at a later date.**

14. Value-Added Agricultural Market Development Grant Program (VAPG). The VAPG program encourages independent agricultural

commodity producers to further refine or enhance their products thereby increasing their value to end users and increasing the returns to producers. Grants may be used for planning purposes such as conducting feasibility analyses or developing business plans, or for working capital accounts to pay salaries, utilities, and other operating costs. While this program uses extensive resources from the State Offices, no funds are allocated to the States. Funds available for FY 2007 are \$19,475,000 including carryover.

15. The Agricultural Marketing Resource Center (AgMRC). AgMRC is an electronically-based information center to create, process, analyze, and present information on value-added agriculture. The center is housed at Iowa State University; however, it has partners at Kansas State University and the University of California-Davis. The center provides producers, processors, and other interested parties with critical information necessary to build successful value-added businesses. No funds are allocated to the State Offices; however, the Iowa State Office helps monitor the Center. Since the passage of the Farm Bill, funding for AgMRC has been set at 5 percent of the funding made available to the other value-added programs. Funding for FY 2007 is \$1,014,750.

16. Rural Cooperative Development Grant Program (RCDG). RCDG grants are made to nonprofit corporations including institutions of higher education to establish and operate centers for cooperative development and to improve the operations of existing cooperatives.

Centers provide a variety of cooperative development activities that include conducting feasibility and marketing studies, developing business plans, marketing strategies, and by-law provisions, and providing educational and training sessions. No funds are allocated to the State Offices; however, the State Offices are responsible for monitoring those centers that received grant funds. Funds available for FY 2007 are \$3,587,000.

17. Grants to Assist Small Minority Producer (SMP). The SMP makes funding available to cooperatives or associations of cooperatives whose primary focus is to provide assistance to small, minority producers. No funds are allocated to the State Offices; however, the State Offices are responsible for monitoring those centers that received grant funds. Funds available for FY 2007 are \$1,196,000.

18. The Appropriate Technology Transfer for Rural Areas (ATTRA). ATTRA provides information to farmers, extension agents, and other rural residents on a variety of sustainable agricultural practices that include both cropping and livestock operations. The program encourages agricultural producers to adopt sustainable

agricultural practices, which allow them to maintain or improve profits, produce high quality food, and reduce adverse impacts to the environment. This program is administered exclusively in the National Office. Funds available for FY 2007 are \$935,550.

19. Cooperative Agreements. Cooperative Agreements are contractual agreements between the Federal government and another party to accomplish a specific public purpose in which both the government agency and the recipient must be substantially involved. While State Offices may participate in the activities, funds are not allocated to the State Offices. For FY 2007, \$495,000 was made available for a research cooperative agreement to be conducted by a qualified academic institution on the economic impact of cooperatives.

I. Quarterly Apportionment of Funds. State allocations are made on an annual basis. The National Office will receive apportionment of funds on an annual basis for loan programs.

II. State Allocations.

All allocations have been calculated in accordance with the methodology and formulas stated in §§ 1940.588 and 1940.589 of this instruction and calculated as program level amounts, not budget authority. The additional information provided here is coordinated with the format of the regulation.

A. Business and Industry Guaranteed Loans.

1. Program level available for allocation.

Amount available	\$1,365,426,851.60
Native American Carryover	1,923,365.37
Less EZ/EC/REAP	6,811,926.60
Less National Office Unrestricted Reserve	<u>237,713,559.63</u>
Basic formula amount	1,118,978,000.00

2. Basic formula criteria, data source, and weight. The census information used in the formula is from the 2000 Census data of rural population, rural population with incomes below the poverty level, and non-metropolitan unemployment.

3. Basic formula allocation. State allocations are shown on page 23 of this attachment.

4. Transition formula. Not used.

5. Base allocation. The amount of base allocation is \$5 million.

6. Administrative allocation. Not used.

7. Unrestricted Reserve. Funds will be allocated on a twice weekly competitive basis to States from the National Office Reserve for projects that best meet Agency priorities from funds available at the time of the request. The cutoff for requests for reserve funds is noon EST on Wednesdays and Fridays.

The amount of National Office Reserve funds available quarterly will be divided by three to determine the amount available monthly. Funds not used in any month will be carried over to the next month. Highest priority projects must be funded with State allocations to the extent possible. National Office Reserve funds may only be requested when the State Office allocation is not sufficient to fund projects ready to be obligated. Requests for National Office Reserve funding must be accompanied by a list of projects funded this fiscal year and those applications currently on hand. Information provided is to include date received, current status, and priority score, using the same format as Shown on page 26 of this attachment. For example, if a project with a lower priority score is funded ahead of a project with a higher priority score, you will need to explain why this was done.

It has been determined that no Administrator Points will be awarded in FY 2007. A copy of Appendix C to RD Instruction 4279-B (see pages 27-29 of this attachment) must be attached to the request. **A request for funding should not be submitted unless the project is ready to be obligated.**

The State Director or designee may request funds from the Reserve by e-mailing pages 27-29 and LAPAS Project Information sheet which has been updated to include program specific data required for each program (See example on page 38 of this attachment) to the National Office as outlined on pages 20 and 21 of this attachment). Requests will be processed on a twice weekly basis and States notified. Funds for any projects funded from the National Office Reserve that are subsequently deobligated cannot be used for funding other projects within the State but, instead, must be returned to the National Office Reserve.

All States will be notified of the project selections. For projects not selected, States should contact the lenders to advise them and determine if the lenders want the projects to be reconsidered in the next funding cycle. States are responsible for notifying the National Office of projects that lenders do not want considered in the next funding cycle; these projects will be removed from consideration.

8. Pooling of funds. Funds not obligated by the close of business June 29, 2007, will be pooled and revert to the National Office Reserve.

Any funds that are deobligated after the close of business June 29, 2007, will also revert to the National Office Reserve. An emergency pooling of funds may be necessary to replenish the National Office Reserve. If such a pooling becomes necessary, a 30-day advance notice will be given. Pooled funds will be placed in the National Office Reserve and made available to States on a competitive basis. States are to immediately notify the National Office of any deobligations by sending a copy of Form RD 1940-10, "Cancellation of U. S. Treasury Check and/or obligation," to the National Office B&I Division, Attention: Andrea Patterson.

9. Certified Lenders Program (CLP). RD Instruction 4279-A, § 4279.43(f)(1), provides that a State may hold an amount in reserve, equal to the proposed loan, for a period of 30 days, pending receipt of a complete application from the CLP lender, provided the complete application is not rejected within that time period. Funds may not be held in reserve for CLP lenders after pooling. RD Instruction 4279-A, § 4279.43(f)(1), provides that the Agency will notify a CLP lender if there is sufficient guarantee authority for the CLP lender's proposed guaranteed loan request. National Office Reserve funds may not be requested for this purpose. Furthermore, the State may not request funds from the National Office Reserve if the State has funds outstanding that have been set aside for this purpose.

10. Funding for B&I Guaranteed Loans where the percentage of guarantee is in excess of 80 percent or for 1 percent guarantee fees. A limited amount of the annual appropriation for the B&I Guaranteed Loan Program with a percentage of guarantee that exceeds 80 percent and loans with a 1 percent guarantee fee will be available. The amount of funding available will be apportioned on a quarterly basis. All requests for authority to approve loans where the percentage of guarantee will exceed 80 percent must be e-mailed, including a copy of the LAPAS Project Information Sheet which has been updated to include program specific data required for each program (see example on page 38 of this attachment; to obtain a program specific copy, go to <http://teamrd.usda.gov/rd/lapas/leg/default.htm> and click on the applicable program). Also, please refer to <http://www.house.gov/house/MemStateSearch.shtml> and [http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm?OrderBy=state&Sort=ASC](http://www.senate.gov/general/contact_information/senators_cfm.cfm?OrderBy=state&Sort=ASC) for correct Representative and Senatorial information required for all LAPAS Project Information sheets in advance of reserving or obligating funds. Attachments are to be e-mailed to the National Office in accordance with the procedures outlined on pages 20 and 21 of this attachment. Requests on hand will be processed on a twice weekly basis and States notified. Requests must include a copy of the priority score sheet (see pages 27-29 of this attachment) and

written documentation from the lender that the loan will not be made and the project will not be completed without the increased percentage of guarantee. Not more than 15 percent of the total national appropriation of B&I funding authority will be available for guarantees in excess of 80 percent.

Where the guarantee fee will be 1 percent, all requests for authority to approve loans must be submitted, in advance of reserving or obligating funds, to the National Office. Requests on hand will be processed on a weekly basis and States notified. Requests must include a copy of the priority score sheet (see pages 27-29). Not more than 12 percent of the total national appropriation of B&I funding authority will be available for loans with a 1 percent guarantee fee. **A Federal Register notice announcing these restrictions was published on January 17, 2007.**

Seventy-five percent of the funds for EZ/EC and REAP have been reserved to be obligated at a percentage of guarantee in excess of 80 percent and 12 percent of the funds with a guarantee fee of 1 percent. Additionally, projects located in isolated rural areas of the State of Alaska that are not connected by a road system to other communities are eligible for 1 percent guarantee fees and 90 percent guarantees.

11. EZ/EC and REAP. Earmarked funds of \$6,811,926.60 will be available from the B&I Guaranteed Loan Program National Office Reserve for obligation. Any of the funds earmarked for this purpose which have not been obligated by June 29, 2007, will be available for regular program funding of B&I Guaranteed Loans from the National Office Reserve. Requests for funding from this earmark may be made at any time and will be approved on a first-come, first-served basis.

B. Rural Business Enterprise Grants (RBEG).

1. Program level available for allocation.

Amount available (carryover \$18,346,344.92)	\$38,346,344.92
Less REAP Funds Awarded	100,000.00
Less earmark for EZ/EC and REAP	6,830,000.00
Less Native American Earmark	2,758,140.00
Less Rural Transportation Earmark	495,000.00
Less Native American Transportation Earmark	247,500.00
Less National Office Unrestricted Reserve	<u>1,622,704.92</u>
Basic formula amount	\$26,293,000.00

2. Transportation. There are two earmarks held in the National Office Reserve, a \$495,000 earmark and a \$247,500 Native American earmark, for the purpose of providing technical assistance for public transportation.

**A notice was published on November 20, 2006, in the Federal Register inviting applications and establishing a time schedule for accepting and processing the applications.**

3. Basic formula criteria, data source, and weight. The census information used in the formula is from the 2000 Census data for rural population, rural population with incomes below the poverty level, and non-metropolitan unemployment.
4. Basic formula allocation. State allocations are shown on page 24 of this attachment.
5. Transition formula. Not used.
6. Base allocation. The amount of base allocation is \$50,000.
7. Administrative allocation. Not used.
8. Reserve. Funds from the National Office Reserve will be allocated to the States for projects that best meet Agency priorities according to funds available at the time of the request. The State Director may assign up to 50 discretionary points to give priority consideration to applicants experiencing out-migration for third round rural empowerment zones. **No request for funding will be considered unless the project is ready to be obligated.** RBEG funds earmarked for EZ/EC and REAP, Native American Tribes, Rural Transportation, may be requested in the same manner as regular funds (see page 22 of this attachment for funding cycle information). Applicants may submit their application to the Agency in either electronic format via Grants.gov or paper format. If your application meets more than one earmark, you must inform the National Office from which earmark you want the application to be considered.

There will be one funding cycle for regular non-earmarked funding. In order to compete in the National Office Reserve funding cycle, all funds allocated to the State must be obligated or transferred under RCAP authorities by June 29, 2007. Highest priority projects must be funded with State allocations to the extent possible. National Office Reserve funds may only be requested when the State Office allocation is not sufficient to fund projects ready to be obligated. Requests for National Office Reserve funding must be accompanied by a list of projects funded this fiscal year and those applications currently on hand. Information provided is to include date received, current status, and priority score, using the same format as shown on page 25 of this attachment.

For example, if a project with a lower priority score is funded ahead of

a project with a higher priority score, you will need to explain why this was done. You may only have up to two requests competing in the National Office Reserve funding cycle; however, this is not applicable to multi-State projects. This is not applicable for any separate earmark funding cycles, such as EZ/EC and REAP. Requests for National Office Reserve funding will include a signed Certification for Request of Funds (see page 30 of this attachment); State Project List (see page 25 of this attachment); Priority Score Sheet (see pages 35-37 of this attachment) and LAPAS Project Information Sheet which has been updated to include program specific data (see example on page 38 of this attachment; to obtain a Program specific copy, go to <http://teamrd.usda.gov/rd/lapas/leg/default.htm> and click on the applicable program). Also, please refer to <http://www.house.gov/house/MemStateSearch.shtml> and [http://www.senate.gov/general/contact\\_information/senators\\_cfm.cfm?OrderBy=state&Sort=ASC](http://www.senate.gov/general/contact_information/senators_cfm.cfm?OrderBy=state&Sort=ASC) for correct Representative and Senatorial information required for all LAPAS Project Information sheets. Requests should be e-mailed to the National Office as outlined on pages 20 and 21 of this attachment.

Random reviews of projects selected for funding will be conducted by the National Office prior to States being notified of awards. The request must be e-mailed to the National Office as outlined on pages 20 and 21 of this attachment after the grant has been developed to the point where it can be approved upon notification that funds are available. Multi-State projects will be considered for funding from the National Office Reserve. The originating office will receive a confirmation from the National Office that the National Office received all requests sent via e-mail. Consideration will not be given to requests received in the National Office after the dates indicated on page 22 of this attachment listing funding cycles for FY 2007.

All applications on the National Office Reserve list for FY 2006 were removed on October 2, 2006. Should the State Office determine that those projects are still viable, they may use their State allocation to fund the projects, or, if the State allocation has been committed to higher scoring projects, the State Office may resubmit the requests for competition.

9. Pooling of funds. Except for the Native American Earmark, funds must have an obligation date of no later than June 29, 2007, or they will revert to the National Office for redistribution. For Native American projects, there will be one funding cycle (see page 22 of this attachment). Any applications for Native American funds received after the cutoff date will be considered on an individual basis for any remaining available funds. Any funds not obligated by September 28, 2007, will carry over to FY 2008.

**E-mail addresses by task**

**Acknowledgement of receipt of all e-mail requests will be provided by the National Office.**

**RCAP Transfer Requests**

Original to: Sylvia Neal, ([sylvia.neal@wdc.usda.gov](mailto:sylvia.neal@wdc.usda.gov))  
Copies to: Andrea Patterson, ([andrea.patterson@wdc.usda.gov](mailto:andrea.patterson@wdc.usda.gov))  
Maria Cartagena, ([maria.cartagena@wdc.usda.gov](mailto:maria.cartagena@wdc.usda.gov)).

**Earmarked B&I Funding Requests**

Original to: Andrea Patterson ([andrea.patterson@wdc.usda.gov](mailto:andrea.patterson@wdc.usda.gov))  
Copy to: Fred Kieferle ([fred.kieferle@wdc.usda.gov](mailto:fred.kieferle@wdc.usda.gov))

**Earmarked RBEG and RBOG Funding Requests**

Original to: Maria Cartegena (Maria.Cartagena@wdc.usda.gov)  
Copy to: Lori Washington (Lori.Washington@wdc.usda.gov).

**IRP Application Submission**

At least 5 days prior to submission of an IRP application to the National Office notify via e-mail.

Original to: Lori Washington (Lori.Washington@wdc.usda.gov).  
Copy to: Maria Cartagena ([maria.cartagena@wdc.usda.gov](mailto:maria.cartagena@wdc.usda.gov)).

**IRP Funding Requests**

Original to: Lori Washington (Lori.Washington@wdc.usda.gov).  
Copy to: Maria Cartagena (Maria.Cartagena@wdc.usda.gov)

**REDLG Funding Requests**

Original to: Cindy Mason(Cindy.Mason@wdc.usda.gov)  
Copy to: Maria Cartagena ([maria.cartagena@wdc.usda.gov](mailto:maria.cartagena@wdc.usda.gov))

**RBEG Funding Requests**

Original to: Cindy Mason(Cindy.Mason@wdc.usda.gov)  
Copy to: Maria Cartagena ([maria.cartagena@wdc.usda.gov](mailto:maria.cartagena@wdc.usda.gov))

**9006 Funding Requests**

Original to: Lisa Siesennop (Lisa.Siesennop@wdc.usda.gov)  
Copy to: Maria Cartagena ([maria.cartagena@wdc.usda.gov](mailto:maria.cartagena@wdc.usda.gov)).

**B&I Unrestricted Reserve**

Original to: Andrea Patterson ([andrea.patterson@wdc.usda.gov](mailto:andrea.patterson@wdc.usda.gov))  
1<sup>st</sup> copy to: Kenya Nicholas (Kenya.Nicholas@wdc.usda.gov)  
2<sup>nd</sup> copy to: Fred Kieferle ([fred.kieferle@wdc.usda.gov](mailto:fred.kieferle@wdc.usda.gov)).

**B&I Guaranteed Loans where percent of guarantee exceeds 80 percent**

Original to: Andrea Patterson ([andrea.patterson@wdc.usda.gov](mailto:andrea.patterson@wdc.usda.gov))  
1<sup>st</sup> copy to: Fred Kieferle ([fred.kieferle@wdc.usda.gov](mailto:fred.kieferle@wdc.usda.gov)).  
2<sup>nd</sup> copy to: Kenya Nicholas ([kenya.nicholas@wdc.usda.gov](mailto:kenya.nicholas@wdc.usda.gov))

**B&I Guaranteed Loans requesting 1 percent guarantee fee**

Original to: Andrea Patterson ([andrea.patterson@wdc.usda.gov](mailto:andrea.patterson@wdc.usda.gov))  
Copy to: Fred Kieferle ([fred.kieferle@wdc.usda.gov](mailto:fred.kieferle@wdc.usda.gov))

**NADBank**

Original to: Donnetta Rigney ([Donnetta.Rigney@wdc.usda.gov](mailto:Donnetta.Rigney@wdc.usda.gov))  
Copy to: Fred Kieferle ([fred.kieferle@wdc.usda.gov](mailto:fred.kieferle@wdc.usda.gov))  
Andrea Patterson ([andrea.patterson@wdc.usda.gov](mailto:andrea.patterson@wdc.usda.gov))  
Pandor Hadjy ([pandor.hadjy@wdc.usda.gov](mailto:pandor.hadjy@wdc.usda.gov))

**RBEG National Office Reserve competition**

Original request to Cindy Mason ([cindy.mason@wdc.usda.gov](mailto:cindy.mason@wdc.usda.gov))  
E-mail copy to Maria Cartagena ([maria.cartagena@wdc.usda.gov](mailto:maria.cartagena@wdc.usda.gov))

Exhibit A, Attachment 1, Pages 22 thru 25 in PDF only.

BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM  
 NATIONAL OFFICE RESERVE PRIORITY PROJECT SCORING INFORMATION SHEET

Projects Obligated in fiscal year 2007 to Date:

Per RD Instruction 1940-L, Exhibit A, Attachment 1, page 15, highest priority projects must be funded with State allocations to the extent possible.

A listing of all applications on hand indicating the date each was received, current status, priority score, and a brief explanation of why it was funded in the order in which it was presented or has not yet been funded is to be provided. For example, if a project with a lower priority score is funded ahead of a project with a higher priority score, you will need to provide an explanation of why this was done.

A copy of Appendix C of RD Instruction 4279-B (pages 27-29 of this attachment) should be attached to the memorandum.

Name	Priority Score	Amount	Date App. Rec.	Date Obligated

Projects Requested to be Obligated from the National Office Reserve:

Name	Priority Score	Amount	Date App. Rec.

If a project with a lower priority score was funded ahead of a project with a higher priority score, provide an explanation of why this was done.

Explain: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

BUSINESS AND INDUSTRY  
APPLICATION PRIORITY POINTS SCORING

Date \_\_\_\_\_  
Name \_\_\_\_\_

State \_\_\_\_\_

List the maximum points the applicant is eligible for under each category.  
See § 4279.155 of this subpart for information on how to determine points.

1. Population priority.

Located in an eligible area or in a city with under 25,000  
population. (10 points) \_\_\_\_\_

2. Community priority.

A. Located in an eligible area of long term population decline  
and job deterioration based on reliable statistical data.  
(5 points) \_\_\_\_\_

B. Located in a rural community that has remained persistently  
poor over the last 60 years. (5 points) \_\_\_\_\_

C. Located in a rural community that is experiencing trauma as  
the result of a natural disaster or experiencing fundamental  
structural changes in its economic base. (5 points) \_\_\_\_\_

D. Located in a city or county with an unemployment rate 125  
percent of the statewide rate or greater. (5 points) \_\_\_\_\_

3. Empowerment Zone/Enterprise Community (EZ/EC). (Cannot exceed a  
total of 10  
points).

A. Located in EZ/EC designated area. (10 points) \_\_\_\_\_

B. Located in a non-designated EZ/EC applicant community.  
(5 points) \_\_\_\_\_

(12-23-96) SPECIAL PN

(05-25-07) SPECIAL PN

4. Loan features.

A. Lender will price the loan at the Wall Street Journal published Prime Rate plus 1.5 percent or less.

(5 points) \_\_\_\_\_

B. Lender will price the loan at the Wall Street Journal published Prime Rate plus 1 percent or less.

(5 points) \_\_\_\_\_

C. The Agency guaranteed loan is less than 50 percent of project cost. (5 points) \_\_\_\_\_

D. Percentage of guarantee is 10 or more percentage points less than the maximum allowable for a loan of its size.

(5 points) \_\_\_\_\_

5. High impact business investment priorities (Total score for the following three categories):

A. Industry.

(i) Industry that has 20 percent or more of its sales in international attractions. (5 points) \_\_\_\_\_

(ii) Industry that is not already present in the community. (5 points) \_\_\_\_\_

B. Business.

(i) Business that offers high value, specialized products and services that command high prices.

(2 points) \_\_\_\_\_

(ii) Business that provides an additional market for existing local businesses. (3 points) \_\_\_\_\_

(iii) *Business that is locally owned and managed.*  
(3 points) \_\_\_\_\_

(iv) *Business that will produce a natural resource  
(value-added) products. (2 points)* \_\_\_\_\_

C. Occupations (Cannot exceed 10 points).

(i) *Business that creates jobs with an average wage  
exceeding 125 percent of the Federal minimum wage.*  
(5 points) \_\_\_\_\_

(ii) *Business that creates jobs with an average wage  
exceeding 150 percent of the Federal minimum wage.*  
(10 points) \_\_\_\_\_

6. *State Director's administrative points: (May be up to  
10 points). Attach justification.* \_\_\_\_\_

*Total points* \_\_\_\_\_

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Title*

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(12-23-96) SPECIAL PN

(05-25-07) SPECIAL PN

**CERTIFICATION FOR REQUEST OF FUNDS**

Program: \_\_\_\_\_

Name of Applicant: \_\_\_\_\_

Amount of Funds Requested: \_\_\_\_\_

Type of Funds: \_\_\_\_\_

I HEREBY CERTIFY THAT:

1. All priority points are accurate according to the regulations of the program for which the funds are being requested.
2. The applicant is eligible under the regulation from which funds are being requested, the proposed loan/grant is for an eligible purpose, and the proposed loan/grant complies with all applicable statutes and regulations.
3. For funds requested from the EZ/EC/REAP earmark, at least 75 percent of the benefits of the project will be received by residents within the designated boundaries. Earmarked funds will be used for projects identified in the EZ/EC/REAP Strategic Plan and benchmark documents. The benchmark and task number is: \_\_\_\_\_.
4. If funds are requested from the Native American earmark, at least 75 percent of the benefits of the project will be received by members of a Federally Recognized Native American Tribe.
5. If funds are requested from the Mississippi Delta earmark, at least 75 percent of the benefits of the project will be received by residents within one or more lower Mississippi Delta designated counties.
6. Adequate documentation to justify points is part of the file and can be clearly discerned if the file is requested for review.
7. All other sources of funds (leveraging) have been verified and are/or will be available at the start of the project.

BY: \_\_\_\_\_  
State Director, Rural Development

**Revised Guide for Recommending Administrative Points  
 FOR FISCAL YEAR 2007 IRP APPLICATIONS**

Applicant: \_\_\_\_\_  
 State: \_\_\_\_\_

Administrative Point Criteria

		<i>(Points)</i>	Score
1.	<u>Assuming there is adequate documentation of need for the amount requested, applications for \$500,000 or less:</u>	_____	<u>4 pts</u>
2.	<u>A particularly successful business development record and/or excellent utilization of a previous IRP loan:</u>		<u>4 pts</u> _____
3.	<u>A service area with no other IRP coverage:</u> (Disregard coverage by multi-State intermediaries or intermediaries that specialize in indirect business-related financing, such as only loans for water/sewer or for transportation.		
	No coverage:	<u>15 pts</u>	_____
	Some:	<u>5 pts</u>	_____
4.	<u>A service area with severe economic problems:</u> Such as communities that have remained persistently poor over the last 60 years or have experienced long-term population decline or job deterioration.		<u>5 pts</u> _____
5.	<u>A service area with emergency conditions caused by a natural disaster or loss of a major industry:</u>		<u>2 pts</u>
6.	<u>A work plan that is in accord with a strategic plan:</u> Particularly a plan prepared as part of a request for an Empowerment Zone/Enterprise Community designation or Champion Community or work plan identified in State Office Strategic Plans.		<u>5 pts</u>

Any combination may be used up to the maximum of 35 points.

Total Administrative Points Awarded: \_\_\_\_\_

PRIORITY SCORESHEET

Applicant: \_\_\_\_\_

State: \_\_\_\_\_

List the maximum points the applicant is eligible for in each category, in accordance with

§ 4274.344(c) of this Instruction.

(1) Other Funds:

(i) Outside loan and grant funds  
Percent \_\_\_\_\_ Points \_\_\_\_\_

(ii) Intermediary funds.  
Percent \_\_\_\_\_ Point \_\_\_\_\_

Total other funds points (Max. 25).....

(2) Employment:

(i) Updated median household income, service area \_\_\_\_\_  
Poverty line, family of four \_\_\_\_\_  
Percent \_\_\_\_\_ Points \_\_\_\_\_

(ii) Income within State.  
Percent \_\_\_\_\_ Points \_\_\_\_\_

(iii) Unemployment rate, service area \_\_\_\_\_  
Unemployment rate, National \_\_\_\_\_  
Percent \_\_\_\_\_ Points \_\_\_\_\_

(iv) Low-income families  
Percent \_\_\_\_\_ Points \_\_\_\_\_

(v) Underrepresented groups

RD Instruction 4274-D  
Exhibit C  
Page 2

Percent \_\_\_\_\_ Points \_\_\_\_\_

(vi) Outmigration  
Percent \_\_\_\_\_ Points \_\_\_\_\_

Total employment points (Max. 90)..... \_\_\_\_\_

(3) Intermediary contribution:  
Percent \_\_\_\_\_ Points (Max. 50) \_\_\_\_\_

(4) Experience:  
Years \_\_\_\_\_ Points (Max. 30) \_\_\_\_\_

(5) Community representation:  
Percent \_\_\_\_\_ Points (Max. 15) \_\_\_\_\_

(6) Administrative: Points (Max.  
35) \_\_\_\_\_

TOTAL POINTS.....

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*PRIORITY SCORE - RBOG APPLICATION*

Name of Applicant: \_\_\_\_\_

State: \_\_\_\_\_

(a) Sustainable Economic Development	Points
(b) Quality of Economic Activity	Points
(c) Leveraging	Points
(d) (1) Natural Disaster	Points
(2) Military Base/Employer	Points
(3) Long-term poverty	Points
(4) Long-term population loss	Points
(5) Long-term job loss	Points
Subtotal	Points
(e) Best Practice	Points
(f) State Director Discretionary	Points
<b>TOTAL</b> .....	Points
Administrator Discretionary	Points
<b>GRAND TOTAL</b> .....	Points

oOo

Section C

Rural Business Enterprise and Television Demonstration Grant Program  
Project Selection Criteria

Project Score \_\_\_\_\_

Name of Applicant \_\_\_\_\_

State \_\_\_\_\_ County \_\_\_\_\_

Grant \$ \_\_\_\_\_ Initial or Subsequent \_\_\_\_\_

Amount of previous Rural Development funding for this project  
\$ \_\_\_\_\_

Purpose: Revolving Fund: || Technical Assistance: ||  
Industrial Site: || Other Business Development: ||

Brief description of the proposed facility:

\_\_\_\_\_

\_\_\_\_\_

<u>Priorities</u>	<u>Points</u>
A. <u>Population.</u>	
Proposed project is located in a rural community having a population:	
Between 15,000 and 25,000	5
Between 5,000 and 15,000	10
Under 5,000	15

(08-20-92) SPECIAL PN

(05-25-07) SPECIAL PN

B. Economic conditions.

1. Proposed project will be located in areas where the unemployment rate exceeds the State unemployment rate by:

- |                                     |    |
|-------------------------------------|----|
| a. 25 percent or more               | 20 |
| b. less than 25 percent             | 10 |
| c. equal to or less than State rate | 0  |

2. Proposed project will be located in areas where the median household income (MHI) of the population to be served by the proposed facility is:

- |                                                                                                                                                     |    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|----|
| a. Less than the poverty line for a family of four as prescribed by Section 673 (2) of the Community Services Block Grant Act (42 U.S.C. 9902 (2)). | 25 |
| b. More than the poverty line and less than 85 percent of the State's MHI.                                                                          | 15 |
| c. More than the poverty line and between 85 percent and 100 percent of the State's MHI.                                                            | 10 |
| d. Equal or greater than State MHI.                                                                                                                 | 0  |

C. Experience. Applicant has substantial experience in administering a rural economic development program. (Revised 03-20-02, PN 343.) 10

D. Other.

1. Applicant has written evidence of commitment from small business that small business development will occur by startup or expansion as a result of the grant. 25

2. Grant request contains evidence that a substantial commitment of funds from nonfederal sources for proposed project is:

- |                                                  |    |
|--------------------------------------------------|----|
| a. more than 50 percent                          | 15 |
| b. more than 25 percent and less than 50 percent | 10 |

- c. between 5 percent and 25 percent 5
- 3. For grants to establish a revolving fund, or grant request contains proposed third party recipients. 25
- 4. The proposed project will create and/or save jobs at:
  - a. one job per each \$10,000 or less in grant funds expended 10
  - b. one job per each \$25,000 to \$10,000 in grant funds expended 5
- 5. Proposed project is consistent with, and are reflected in, local plans for the area. 5
- 6. Grant projects utilizing funds available under this subpart are:
  - a. less than \$100,000 25
  - b. \$100,000 to \$200,000 15
  - c. more than \$200,000 to \$500,000 10
- 7. The project will assist a small and emerging private business enterprise as described in §1942.305 (a) (2) of this subpart. (Revised 12-20-02, SPECIAL PN.) 10

E. Discretionary points for initial grants of not more than \$500,000 in accordance with §1942.305 (b) (3) (v) of this subpart. Give written justification. (Revised 12-20-02, SPECIAL PN.)

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Chief, Community and Business Programs \_\_\_\_\_ Date \_\_\_\_\_

In regards to the Priority Score Sheet (see pages 35-37 this attachment), paragraph A-D of Section C, circle the points for those priorities that apply to, and are met by, the preapplication under consideration. Determine and justify the number of discretionary points, if any, to be awarded in paragraph E of Section C of this attachment and add up the total number of points scored.

(08-20-92) SPECIAL PN

(05-25-07) SPECIAL PN

Exhibit A, Attachment 1, Page 38 in PDF only.

**ENDORSEMENT CHECKLIST FOR THE CAIP FINANCE COMMITTEE**

**Borrower Name:**

**Request for CAIP to pay:** (Insert guarantee fee or loan subsidy) in the amount of \$\_\_\_\_\_.  
See special requirements in 1940-L package if the request is for loan subsidy.

**Location:** City, State, (County)

**Area Eligibility:** You need to choose the correct description of why the area is eligible. In some cases you will need to access data on the Internet and fully discuss why the area is eligible. You should use some variant of ONE of the following three statements, each of which meets the Finance Committee requirement for certification that the area where the borrower will be applying the loan proceeds is eligible for USDA under the CAIP.

Unemployment data are available at:

[http://naid.sppsr.ucla.edu/NADBANK/NDB\\_COLD\\_FUSION\\_ROOT/index.cfm](http://naid.sppsr.ucla.edu/NADBANK/NDB_COLD_FUSION_ROOT/index.cfm)

This area has a rural Beale (Rural-Urban Continuum) Code and is an eligible area designated by the Finance Committee.

This county has an urban Beale Code, but the area in which the new facility [substitute the right description] is being constructed is eligible for B&I loans and the county has an unemployment rate of \_\_\_ percent, which is at least 1 percent over the national average.

This county has an urban Beale Code, but the area in which the new facility [substitute the right description] is being constructed is eligible for B&I loans and the Local Area Unemployment Statistics (LAUS) of the U.S. Department of Labor shows an unemployment rate of \_\_\_ percent for the immediate \_\_\_\_ [locality or census tract], which is at least 1 percent over the national average.

**Amount/Rate/Term:** \$ \_\_\_\_\_ (full loan amount) at \_\_\_% or WSJ Prime + \_\_\_% (or other benchmark) for \_\_\_ years).

**Case number:** (Borrower case number as assigned by State Office)

**Loan Purpose:** (Describe purpose of loan)

**Jobs:** Clearly describe the jobs that will be created and saved as a result of the loan (within 2 years of loan closing). In order to count jobs saved, the loan must actually be preventing the loss of those jobs. The numbers must be realistic. This is where the CAIP committee most often questions the proposals. Describe the quality of the jobs, including average wage or range of wages.

**Lender name/location:**

**Sources and Uses of funds:** Using the following format, reflect the overall scope of the project and the partnering between different sources of funding, not simply the B&I/CAIP portion. Identify other sources of funds.

Uses	CAIP Loan	Borrower	Locality	Entity A	Totals
Land	\$0	\$50,000	\$100,000		\$150,000
Buildings	\$150,000	\$25,000		\$100,000	\$275,000
M&E	\$100,000				\$100,000
W/C	\$75,000	\$275,000			\$350,000
Fees	\$7,200				\$7,200
Other	\$25,000				\$25,000
Totals:	\$357,200	\$350,000	\$100,000	\$100,000	\$907,200

**Collateral summary:** Briefly describe the collateral, including lien position. Provide the market and discounted net collateral values.

**Guarantees/backing:** Provide name(s) of personal/corporate guarantors, (full/unconditional) or (amount of guarantee), and outside net worth(s).

**Tangible balance sheet equity:** The proforma balance sheet indicates the borrower will have \_\_\_ percent tangible balance sheet equity when the guarantee is issued. As a (new) (existing) business, this meets the regulatory minimum or (10) (20) percent.

**Loan to job ratio:** \$\_\_\_\_\_ (loan amt) / \_\_\_ (#) jobs = \$\_\_\_\_\_ per job.  
 Guaranteed portion to job: \$\_\_\_\_\_ (loan amt) X 80% guaranteed = \$\_\_\_\_\_  
 / \_\_\_ jobs = \$\_\_\_\_\_ per job.

**Guarantee fee needed:** \$\_\_\_\_\_ (loan amt) X 80% guaranteed X .02 = \$\_\_\_\_\_.  
 (Complete only if the request is for CAIP to pay the guarantee fee, otherwise insert N/A.)

**Subsidy needed:** \$\_\_\_\_\_ (loan amt) X .9.15 (for FY 2007) = \$\_\_\_\_\_.  
 (Complete only if the request is for CAIP to pay the subsidy, otherwise insert N/A.)

**Subsidy required per job:** \$\_\_\_\_\_ (\$\_\_\_\_\_ / \_\_\_ jobs = \$\_\_\_\_\_ per job) (Complete only if the request is for CAIP to pay the subsidy, otherwise insert N/A.)

**FUNDING APPROVED BY VOTE OF THE FINANCE COMMITTEE:**

CHAIR _____	DATE _____		
_____ [ ] Yes	_____ [ ] Yes		
Agriculture _____ [ ] No	Treasury _____ [ ] No		
_____ [ ] Yes			
Small Business Administration [ ] No			

RURAL HOUSING SERVICE  
RURAL COMMUNITY ADVANCEMENT PROGRAM AND RURAL HOUSING ASSISTANCE GRANTS

I. General.

A. The Revised Continuing Appropriations Resolution Act, 2007, funded the Rural Community Advancement Program (RCAP) and the Rural Housing Assistance Grants (RHAG). All of the Community Facilities (CF) funds are included in RCAP. The housing grant programs, except for section 523 Mutual and Self Help Technical Assistance grants, section 516 Domestic Farm Labor Housing Grants, and section 521 Rental Assistance, are included in RHAG. The Administrator has allocated RCAP and RHAG budget authorities into program funds as provided in part II, subparts A, B, and C of this attachment. Each dollar of budget authority may support a different program level dependent upon whether it is a loan or grant program and the nature of the program. Program authorities are discussed in part II, subparts A, B, and C of this attachment. RHS programs administering RCAP or RHAG loan and grant funds are subject to the Equal Credit Opportunity Act, Title VI of the Civil Rights Act of 1964, Title VIII of the Fair Housing Act of 1968, as amended, section 504 of the Rehabilitation Act of 1973, and Executive Orders 11246 and 12898.

B. RCAP and RHAG programs provide flexibility for transfers in budget authority between programs in FY 2007. Because of the way the funds control system is currently configured, the National Office will have to make these transfers on behalf of the State Directors.

1. RHAG transfers. For FY 2007, State Directors will have the flexibility to transfer their initial allocations of budget authority between the section 504 Rural Housing Grant program and the section 533 Housing Preservation Grant (HPG) program when funds allocated under the HPG program are uncommitted after receipt of HPG applications. RHAG transfers cannot be considered until the last day for applicants to file HPG applications in order to allow time to determine if funds are available for transfer. If a State Director determines that they cannot fully utilize their section 504 grant allocation, they may request to transfer unusable funds to the section 533 HPG program. Of the total unusable section 504 grant funds, the maximum transfer to section 533 grant funds will be 25%. The remaining 75% of the section 504 grant funds will be returned to the National Office reserve to meet the section 504 grant needs of senior citizens in other States.

2. RCAP transfers. For FY 2007, both the CF guaranteed and direct loan programs have a positive subsidy rate. Therefore, it will be possible to transfer budget authority between all of the CF programs. State Directors may, with National Office concurrence, transfer up to 25 percent of their initial allocations of CF direct loan, CF guaranteed loan, or CF grant fund budget authority into another CF funding stream, until such time that a maximum of 10 percent of the total appropriation for the funding stream has been transferred.

The impact of transferring funds is dependent on the loan subsidy established for the year. The subsidy rate for grants is 100 percent; therefore, the program level is the same as the budget authority for all grant programs. The subsidy rate for CF direct loans is .0641; for the CF guaranteed loan program, it is .0366. States should use their own initial allocations to determine maximum transfer amounts. Rounding should be to the next LOWER whole dollar amount. The impact of transfers is shown in the following example:

Maximum transfer of CF direct loan to CF grant:

\$750,000	-	Initial direct loan allocation (Program level)
\$187,500	-	25 percent of allocation (\$187,500 x .0641 = \$12,018.75, rounded down to \$12,018.)
\$12,018	-	Grant allocation increase

3. To ensure adequate processing time, requests for transfer of funds should be submitted to the appropriate program areas in the National Office by July 13, 2007. In an effort to manage the considerable burden of making these transfers, each State is limited to no more than two transfers during the year per program.

The following factors must be addressed when requesting the Administrator's concurrence to transfer funds: (1) all viable applications on hand in the program from which funds are proposed for transfer have been obligated; (2) there are insufficient funds available in the receiving program to fund the application; (3) there is not a backlog of applications on hand in the program from which funds are proposed for transfer and funds cannot be made available from the National Office reserve to make up the deficiency; and (4) the population and per capita income of the community that would benefit from the project are equal to or less than that of a community that would benefit from the donor program based on the State's applications on hand.

The transfer of funds between grant programs should be based on sound judgment and the State's strategic plan.

C. Public notification. State Directors are encouraged to notify nonprofit and public agencies of the availability of RHS loan and grant funds. When applicable, State Directors are to ensure RHS programs comply with Executive Order 12898 and RD Instruction 1901-E by directing outreach activities to low income and minority populations, underserved communities, and colonias. State Directors are also reminded of the need to emphasize initiatives, such as the Faith-Based and Community Organizations Initiative, and special funding needs, such as critical access hospitals.

D. Empowerment Zone (EZ), Enterprise Community (EC) and Rural Area Economic Partnership (REAP) Zone Earmark. The Continuing Resolution provides for EZ, EC and REAP zones \$1,056,330 in budget authority for Community Facility RCAP programs, \$2,475,000 for Rural Housing Insurance Fund (RHIF) programs, \$990,000 for section 523 Mutual and Self-Help Technical Assistance grants and \$1,188,000 in the RHAG programs. See part II, subpart A of this attachment for RCAP, part II, subparts B and C of this attachment for RHIF programs, and part II, subpart B of this attachment for RHAG.

E. Underserved counties and colonias. The Cranston-Gonzalez Affordable Housing Act requires RHS to set aside 5 percent of its Rural Housing funds for the "100 Underserved Areas and Colonias." The top 100 counties, as listed on pages 4 and 5 of this part, are eligible for these funds. Pool counties are listed on page 6. These funds have been set aside as follows:

SFH direct 502 loans:	\$56,469,548
SFH direct 504 loans:	1,732,584
SFH direct 504 grants:	1,480,050
MFH direct 515 loans:	4,950,000

1. Indian Country. When a county on the list is associated with Indian Country, the entire Indian Country area is eligible even though it crosses into one or more additional counties. Indian Country is defined as land inside the boundaries of Indian reservations, communities made up mainly of Native Americans, Indian trust and restricted lands, and tribal allotted lands.

2. Pooling. The additional counties listed on page 6 for the underserved counties will be eligible for the pooled funds after June 30, 2007. Funds remaining after August 12, 2007, will be pooled and made available with the other program funds.

3. Single family housing programs. Section 502 and Section 504 loans and grants should be processed in accordance with Part II, subpart C, paragraph (B)(3)(e) and (C)(2)(b) of this Attachment.

4. Multi-family housing programs. Section 515 loans should be processed in accordance with part II, subpart B, paragraph (IV)(B)(2) of this attachment.

II. Exception authority. The Administrator, or the Administrator's designee, may, in individual cases, make an exception to any of the requirements of this attachment which are not inconsistent with the authorizing statute if the Administrator finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or designee, may exercise this authority upon the request of the State Director. The request must be supported by information that demonstrates the adverse impact or effect on the program. The Administrator, or designee, also reserves the right to change pooling dates, establish or change minimum or maximum fund usage from set asides and reserves, or restrict participation in set asides and reserves.

Exhibit A, Attachment 2, Part I - pages 4, 5, and 6 in PDF ONLY.

RURAL HOUSING SERVICE  
RURAL COMMUNITY ADVANCEMENT PROGRAM  
COMMUNITY FACILITIES

I. General.

A. This attachment provides funding allocations available for fiscal year (FY) 2007. All Community Facilities (CF) funds are included in the Rural Community Advancement Program (RCAP). Computations for allocations available to individual States have been performed in accordance with §§ 1940.585, 1940.591, and 1940.592 of this Instruction. Both the direct and guaranteed loan programs have positive subsidy rates for FY 2007. Therefore, it will be possible to transfer budget authority into or out of both of these programs.

B. The appropriations act provides an earmark until June 30, 2007, of budget authority that has been converted to \$1,034,789.39 in direct loan funds and \$990,000 in grant funds for Empowerment Zones (EZ) and Enterprise Communities (EC) and communities designated by the Secretary of Agriculture as Rural Economic Area Partnership (REAP) Zones. State Offices may submit Guide 26 of RD Instruction 1942-A or RD Form Letter 3570-B-1, as appropriate, at any time. The projects must be obligated by June 30, 2007. For FY 2007, the maximum grant reserve request amount is \$100,000.

C. Congress has appropriated \$6,286,500 for the Rural Community Development Initiative. The funds will be used to develop the capacity and ability of private, nonprofit, community-based housing and community development organizations, low-income rural communities, and Indian tribes to undertake projects to improve housing, community facilities, and community and economic development projects in rural areas. A Notice of Funds Availability regarding this program will be published in the Federal Register. For FY 2007, each State Office or its designated Area Offices will accept and perform the initial screening of RCDI applications before forwarding them to the National Office for scoring and ranking. The initial screening is designed to determine completeness of the application and eligibility of the applicants, recipients and beneficiaries. Further guidance as to processing and deadlines will be forthcoming.

D. A set aside of \$1,584,000 in CF grant funds is provided for child care facilities. State Offices must forward a general description of the project, RD Form Letter 3570-1 and RD Form Letter 3570-B-1 to the National Office by close of business on March 30, 2007. The grants must be obligated by April 30, 2007. The maximum grant amount is \$50,000.

E. State allocations are made on an annual basis; however, the National Office usually receives apportionment of loan funds on a quarterly basis for loan programs. For FY 2007 only, the National Office has been authorized to request apportionment of all funds on an annual basis. State Offices are therefore encouraged to vigorously

develop and process quality guaranteed and direct loans and grants in order to fully utilize allocations and meet the goals set forth in the Rural Development Strategic Plan and the most recent Community Facilities Performance Assessment Rating Tool (PART) round.

II. State Allocations. All allocations have been calculated in accordance with the methodology and formulas contained in §§ 1940.585, 1940.591, and 1940.592 of this Instruction.

A. All Community Facilities Programs.

1. Basic formula criteria, data source, and weight. The census information used in the formula is derived from 2000 census data on population and income.
2. Basic formula allocation. State allocations are shown on pages 7, 8, 9, and 10 of this subpart.
3. Transition formula. The transition formula is not used.
4. Base allocations. The amounts of the base allocations to each State are \$1.275 million for the direct loan program, \$850,000 for the guaranteed loan program, and \$65,000 for the grant program. Economic Impact Initiative funds also will be allocated to each State, with a base allocation of \$65,000.
5. Administrative allocation. An administrative allocation was used to establish an allocation for the U.S. Virgin Islands and the Western Pacific Islands.
6. Reserve. Funds will be allocated to the States for those projects which best meet the Agency's priorities, depending on the amount available at the time of the request. Program Managers may request reserve funds by forwarding a general description of the project with the Guide 26 of RD Instruction 1942-A, Exhibit C of RD Instruction 3575-A, or RD Form Letter 3570-B-1, Form RD 3570-1, and the Legislative and Public Affairs Staff Project Announcement Sheet as appropriate, to the National Office after the docket has been developed to the point where the loan or grant can be approved upon notification that funds are available. Requests for direct and guaranteed loan reserves may be made at any time. Requests for grant reserves will be considered once during the course of the year. The procedure for requesting grant reserves is contained in section D, paragraph 3, "Grant Processing," below.

Reserve funds will only be made available after the State's allocation has been allocated or obligated for particular projects. The Administrator will consider a State Director's utilization of all his or her CF allocations in determining whether to honor requests for funds from the direct or guaranteed loan or grant reserves.

7. Pooling of funds. There will be no mid-year pooling in FY 2007. Year-end pooling is scheduled for August 3, 2007. All funds for which requests for obligation of funds have not been entered and processed will be pooled. Further details will be provided prior to pooling.

B. Community Facilities Direct Loans.

Amount available for allocation.

Amount available	\$297,000,000
Less National Office reserve	29,622,211
Less EZ/EC and REAP earmark	<u>1,034,789</u>
Base, Administrative, and	
Basic formula amount distributed	\$266,343,000

C. Community Facilities Guaranteed Loans.

Amount available for allocation.

Amount available	\$207,900,000
Less National Office reserve	<u>20,814,000</u>
Base, Administrative, and	
Basic formula amount distributed	\$187,086,000

D. Community Facilities Grants.

1. Amount available for allocation.

Amount available	\$16,830,000
Less National Office reserve	1,606,000
Less Child Care reserve	1,584,000
Less EZ/EC and REAP earmark	<u>990,000</u>
Base, Administrative, and	
Basic formula amount distributed	\$12,650,000

2. Maximum grant amount. For FY 2007, the maximum grant reserve request amount is \$100,000. The maximum grant amount for a child care reserve request is \$50,000.

3. Grant processing. There will be a primary deadline to request Community Facilities grant funds from the National Office Reserve. Program Managers must forward a general description of the project, Form RD 3570-1, RD Form Letter 3570-B-1, and a separate electronic file copy of the Legislative and Public Affairs Staff Project Announcement Sheet for each request to the National Office by close of business on June 1, 2007. Indicate clearly the type or types of grant that this request is being submitted for on the "Type of Request" line on RD Form Letter 3570-B-1. Any request received after this time period will be held in the National Office to compete for any additional funds that remain available after all other eligible requests have been funded. The National Office will transfer the funds and provide verbal notification to the State Office that the funds are available. The National Office does not maintain unfunded requests beyond the end of the fiscal year.

4. For each grant application approved, the State Director must document that the minimum grant amount needed to achieve financial feasibility for the project has been determined. A copy of this analysis must be kept in the project file.

E. Economic Impact Initiative Grants.

1.	Amount available for allocation.	
	Amount available	\$16,929,000
	Less National Office reserve	<u>3,026,000</u>
	Base, Administrative, and	
	Basic formula amount distributed	\$13,903,000

Grant processing. This program is authorized under section 306(a) of the Consolidated Farm and Rural Development Act. For FY 2007, Congress appropriated \$17,820,000 for a Community Facilities grant program for rural communities with extreme unemployment and severe economic depression, hereinafter referred to as the Economic Impact Initiative. These funds are in addition to the Community Facilities grant program's regular allocation of funds. RHS will administer these funds using the same regulations governing its Community Facilities grant program. Program administration, eligibility, processing, and servicing requirements for this program may be found under 7 CFR part 3570, subpart B.

3. In addition to those requirements contained in 7 CFR part 3570, the essential community facility must be located in a rural community where the "not employed rate" is greater than 19.5 percent as mandated by 7 USC 1926(a)(20)(B). The "not employed rate" is the percentage of individuals over the age of 18 who reside within the community and are ready, willing, and able to be employed but are unable to find employment, as determined by the Department of Labor of the State in which is the community is located. This department must typically analyze "not employed rates" or similar data.

4. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002, expanded eligibility for the Economic Impact Initiative to provide local dial-up Internet access or broadband service where it does not currently exist. Under this provision, the Agency may make grants to State agencies for use by regulatory commissions in States with rural communities which do not have those services. The State agencies will establish a competitive, technologically-neutral grant program for telecommunications carriers or cable operators that establish common carrier facilities and services that, in the commission's determination, will result in the long-term availability of affordable broadband services used for high speed Internet access in these communities.

5. For each grant application approved, the State Director must document that the minimum grant amount needed to achieve financial feasibility for the project has been determined. A copy of this analysis must be kept in the project file.

6. Documentation that the Economic Impact Initiative grant project is located in an area where the "not employed rate" is greater than 19.5 percent must be maintained in each Economic Impact Initiative grant file. The term "not employed rate" is defined in paragraph 2 above.

G. Tribal College Grants

1. This program is authorized under section 306(a) of the Consolidated Farm and Rural Development Act. Congress appropriated \$4,419,360 for a Community Facilities grant program for the 32 tribal colleges that are 1994 land-grant institutions meeting the criteria of the Equity in Education Land-Grant Status Act of 1994. RHS will administer these funds using the same regulations that govern its Community Facilities grant program. Program administration, eligibility, processing, and servicing requirements for that program may be found at 7 CFR part 3570, subpart B.

2. All Tribal College Initiative funds will remain in the National Office reserve for funding consideration in FY 2007. Project selections will be made on a nation-wide competitive basis. When a State Office determines that an applicant is eligible, the preapplication will be evaluated competitively and points awarded as specified in the project selection priorities contained in the above-cited regulations. For FY 2007, the maximum Tribal College grant amount is \$350,000.

3. The State Director or designee will forward the request to the National Office to compete for funding consideration. The request must consist of a general description of the project,

Form RD 3570-1, RD Form Letter 3570-B-1, and a separate electronic file copy of the Legislative and Public Affairs Staff Project Announcement Sheet for each project. These items must be forwarded to the National Office by the close of business on June 1, 2007. Any request received after this date will be held in the National Office to compete for any additional funds that remain available after all other eligible requests have been funded

4. All preapplications selected for funding consideration will be notified by the State or field office by issuance of Form AD-622, "Notice of Preapplication Review Action." At that time, the proposed recipient will be invited to submit a complete application, along with instructions related to the agreed upon award amount. An application conference will be scheduled to discuss items needed for the formal application and to further clarify issues related to the project.

5. Final approval is subject to the availability of funds; the submission of a formal, complete application and related materials meeting the program requirements and responsibilities of the grantee (set forth in 7 CFR part 3570, subpart B); the letter of conditions; and the grant agreement.

6. The National Office does not maintain unfunded requests beyond the end of the fiscal year. Those preapplications not having sufficient priority to receive funding consideration for FY 2007 will be notified, in writing, by the State or designated field office.

Exhibit A, Attachment 2, Part II, Subpart A, Pages 7 thru 10 in PDF ONLY.

RURAL HOUSING SERVICE  
MULTI-FAMILY HOUSING (MFH)

I. General.

A. This Attachment provides guidance on MFH funding for the Rural Rental Housing program (RRH) for FY 2007. For fiscal year (FY) 2007, State Directors, under the Rural Housing Assistance Grants (RHAG) will have the flexibility to transfer their initial allocations of budget authority between the Single Family Housing (SFH) section 504 Housing Repair Grants and the section 533 Housing Preservation Grant (HPG) programs in accordance with attachment 2, part I of this exhibit.

B. MFH loan and grant levels for FY 2007 are as follows:

MFH Loan Programs Credit Sales	\$ 1,484,998
Section 514 Farm Labor Housing (LH) loans**	\$ 38,116,886
Section 515 Rural Rental Housing (RRH)	\$ 99,000,000
Section 515 Multi-Family Housing Preservation and Revitalization Restructuring Demonstration****	\$ 8,910,000
Section 521 Rental Assistance (RA) and 502(c)(5)(C) Advance	\$616,020,000
Section 516 LH grants	\$ 13,860,000
Section 525 Supervisory and Technical Assistance and section 509 Housing Application Packaging grants	\$ 990,000
Total Available for Single and Multi-Family	
Section 533 Housing Preservation Grants (HPG)***	\$ 10,125,728
Section 538 Guaranteed Rural Rental Housing program	\$ 99,000,000
Rural Housing Voucher Demonstration Program**	\$ 15,840,000
Preservation Revolving Loan Fund Program***	\$ 6,300,769

\*\*Does Not Include Carryover Funds  
\*\*\*Includes Carryover Funds  
\*\*\*\*Stated at the budget authority level, rather than at the program level

II. Multi-Family Housing Programs (Funds not allocated to the States).

A. Credit Sales Authority. For FY 2007, \$1,484,998 will be available for credit sales to program and nonprogram buyers. Credit sale funding will not be allocated by State. The State Director must submit requests for authority to approve credit sales using page 9 of this subpart via facsimile (202) 720-0302, to the National Office. Credit sales funds will be pooled if not obligated/closed by August 10, 2007.

B. Section 538 Guaranteed Rural Rental Housing program. Guaranteed loan funds will be made available under a Notice of Funding Availability (NOFA) that will be published in the Federal Register. Additional guidance will be provided at that time.

- C. Multifamily Preservation and Revitalization Restructuring Demonstration Program (MPR). The MPR is designed to preserve and revitalize Section 515 multifamily rental housing properties. The Program is designed to utilize several demonstration revitalization tools to restructure debt and financing of an aging portfolio of rental properties. The objective is to ensure that properties have sufficient resources to continue providing safe and affordable housing for low-income rural residents. Funds will be made available under a NOFA.
- D. Rural Housing Voucher Program. This Demonstration Program is designed to provide tenant protections in properties that prepay their mortgages after October 1, 2005. These Vouchers are portable and will enable tenants to continue to access affordable housing without benefit of the traditional Rental Assistance Program. Funds will be made available directly by Rural Development.

III. Farm Labor Program Account. The Farm Labor Housing Program Account includes budget authority for the Section 514 Loan and Section 516 Grant Programs. The Administrator has the authority to transfer budget authority between the two programs. Upon closing of the NOFA, the Administrator will evaluate the responses and determine proper distribution of funds between loans and grants.

A. Section 514 and Section 516 Program Level Estimates. These loans and grants are funded in accordance with § 1940.579(a) and 1940.579(b) respectively, of this Instruction. Unobligated prior year balances and cancellations will be added to the amounts shown. LH grants for off-farm will be made available under the NOFA that will be published later this fiscal year. Additional guidance will be provided at that time. On-farm loans will be made available on a first-come-first-served basis. The total amount available for on-farm loans is \$2,000,000 million for FY 2007. States should utilize page 8 of this subpart to request approval to obligate funds.

Loan level	\$38,116,887
Available for off-farm loans	\$31,937,082
Available for on-farm loans	\$ 2,000,000
National office reserve	\$ 4,179,805
Grant level	\$13,860,000
Available for LH grants for off-farm	\$10,491,000
National office reserve	\$ 3,369,960
Carryover Funds	\$ 4,075,326
Total Program	\$56,052,212

B. National Office reserve. A \$3,369,960 LH grant and a \$4,179,804 LH loan reserve will be available until fully allocated to selected loan and grant applicants. Reserve funds are not considered NOFA funds and will be used as follows:

1. Repair and Rehabilitation. Loans and grants are available for rehabilitation and repair of existing projects. Priority may be given to projects that are leveraged with third party funds or have immediate health and safety concerns. State Directors should identify projects that are in need of those repairs, and prioritize and justify the processing of such applications that will bring units back into full compliance.
2. Hardships and Emergencies. Reserve funds may be used for hardships and emergencies. Requests must indicate and justify why it is in the best interest of the Government to approve the request.

C. RA for LH. RA will be held in the National Office for use with the LH loan and grant applications selected under the NOFA. RA is only available with an RHS loan of at least 5 percent of the total development cost. Projects without a LH loan cannot receive RA.

IV. Section 515 RRH Loan Funds. States should use page 9 of this subpart to request approval to obligate all funds.

Section 515 Rural Rental Housing Allocation (Total)	\$ 99,000,000
New Construction funds and set-asides	\$25,740,000
New construction loans	\$8,234,537
Set-aside for nonprofits	\$8,910,000
Set-aside for underserved counties and colonias	\$4,950,000
Earmark for EZ, EC, or REAP Zones	\$2,655,463
State RA	\$ 990,000
Rehab and repair funds and equity	\$53,460,000
Rehab and repair loans	\$48,510,000
Designated equity loan reserve	\$4,950,000
General reserve	\$19,800,000

A. New construction loan funds. New construction loan funds will be made available under a Notice of Funding Availability (NOFA) that will be published in the Federal Register. Upon closing of the NOFA, States will submit a list, in rank order of the eligible projects. The list must show the name of the applicant; location of the project (City & State); whether it is located in an Empowerment Zone (EZ) or Enterprise Community (EC), REAP Zone, Tribal Land, or Colonia; amount of leveraging; RHS loan amount; point score; total project units; number of tax credit units; and other information as requested in the NOFA, to the National Office. Requests that are eligible for the nonprofit set-aside must be so indicated. Include requests for the Underserved Counties and Colonias Set-Aside and EZ, EC or REAP Zone earmark. Indicate if they are also eligible for regular section 515 funds by being located in a designated place. The National Office will rank the

States' requests by point score using the same tie breaker criteria established in 7 CFR 3560.56(c)(2). Funds will be distributed to the States for loan requests in rank order, up to a maximum of \$2.5 million (regardless of Agency funding source) for any one State.

B. National Office New Construction Set-asides. The following funds have been set-aside as described below and made available using a national NOFA.

1. Nonprofit set-aside. The following funds have been set-aside as described below and made available using a national NOFA.

1. Nonprofit set-aside. An amount of \$8,910,000 has been set aside for nonprofit applicants.

2. Underserved counties and colonias set-aside. An amount of \$4,950,000 has been set aside for loan requests to develop units in the underserved 100 most needy counties or colonias as defined in section 509(f) of the Housing Act of 1949.

3. EZ, EC or REAP Zone earmark. An amount of \$2,655,463 has been earmarked for loan requests to develop units in EZ, EC or REAP Zones through June 30, 2007. The State must indicate on the list submitted to the National Office if the loan request is eligible for both this earmark and regular section 515 funds.

C. Rental Assistance (RA). Limited new construction RA will be held in the National Office for use with section 515 Rural Rental Housing loans. New construction RA may not be used in conjunction with a transfer or subsequent loan for repairs or rehabilitation, preservation purposes or for inventory property sales.

D. State RA. An amount of \$ 990,000 of the section 515 loan funds is available for matching with projects in which an active State sponsored RA program is available. The State RA program must be comparable to the RHS RA program. To receive this funding, the State Director should submit a written request with specific information about the State RA program; i.e., memorandum of understanding, documentation from the provider, etc., to the Director, Multi-Family Housing Processing Division (MFHPD). Funds will be distributed to participating States based on a *pro rata* basis.

E. Repair and Rehabilitation Loans. All funds will be held in the National office and will be distributed based upon rehabilitation needs to projects selected and processed under the FY 2007 MPR NOFA.

F. Designated reserve for equity loans. An amount of \$4,950,000 has been designated for the equity loan preservation incentive described in 7 CFR 3560.656. The \$4,950,000 million will be further divided into \$4,000,000 for equity loan requests currently on the pending funding

list and \$950,000 to facilitate the transfer of properties from for-profit owners to nonprofit corporations and public bodies. Funds for such transfers would be authorized only for for-profit owners who are currently on the pending funding list who agree to transfer to nonprofit corporations or public bodies rather than to remain on the pending list. If insufficient transfer requests are generated to utilize the full \$1,000,000 set aside for nonprofit and public body transfers, the balance will revert to the general reserve.

G. General Reserve. There is one general reserve fund of \$19,800,000. Some examples of immediate allowable uses include, but are not limited to the following:

1. Hardships and Emergencies. The request must include sufficient documentation to support the hardship or emergency, including reasons why it is in the Government's best interest to favorably consider the request.

2. RH Cooperatives or group homes. Requests for cooperative housing or group homes must be in designated places and submitted under the NOFA.

3. RRH preservation. Funds may be used to promote innovative approaches to preserving existing RRH projects including the provision of equity payments during a transfer. Requests to use these funds will be considered in accordance with specific standards established by the Administrator and with an agreement to extend the project's restrictive use period at least 20 years. The Office of Rental Housing Preservation (ORHP) will be responsible for reviewing these requests.

H. Requesting Funds for Special Needs. States should utilize page 9 of this subpart to request reserve funds. This format will ensure a prompt turnaround since it can be used for the request and National Office approval.

V. Section 533 Housing Preservation Grants (HPG). Due to limited funds this fiscal year, the funding process will be followed as described in paragraph (V) (A) of this subpart.

A. State allocation options. After receipt of applications, States will have the following options:

1. Use their allocations as reflected on page 10 of this subpart to make two or more grants so that no one grantee receives more than 50 percent of the State allocation, unless there is a single grantee from that state.

2. Return the allocation to the National pool. Once a State returns its allocation to the National pool, the State may request one grant of no more than \$50,000 from that pool. Funds will be limited and States are not guaranteed funding from the National pool. If the pool is insufficient, selection will be in order of point score.

3. Transfer unused funds to section 504 in accordance with RD Instruction 1940-L, exhibit A, attachment 2, part I, paragraph I.B.1.

B. Amount Available for Allocation. See page 10 of this subpart for HPG State allocations. EZ, EC or REAP Zone earmarked funds will be included in the NOFA.

Total HPG available	\$10,125,728
Less reserve	\$1,012,572
Less designated earmark(EZ, EC or REAP Zones)	<u>\$ 594,000</u>
Total Available for Distribution	\$8,519,155

C. Base Allocation. The base allocation is not used. Distribution of funds is based on the allocation formula in accordance with RD Instruction 1940-L.

D. Administrative Allocations. The administrative allocation is not used.

E. Reserve. The National Office reserve is 10 percent of the total funds available. The eligible uses for reserve funds include natural disasters, and targeted areas. State Directors may request reserve funds with sufficient documentation to support the request, including reasons why it is in the Government's best interest to consider the request. The National Office reserve may also be used to augment the individual grants or National pool.

F. National Office Pooling. Pooling for unused (unobligated) HPG funds under the RHAG is tentatively scheduled for August 10, 2007. Further details will be provided in conjunction with pooling.

G. Availability of the Allocation. A distribution of funds is made to all States. The Agency does not have the authority to waive the statutory rule that not more than 50 percent of the State's allocation may go to one eligible applicant, unless there is a single grantee from that state.

H. HPG is a competitive grant program. State Directors must implement maximum outreach measures to ensure 100 percent utilization of HPG funds. Opening and closing dates for submission of preapplications will be announced in the Federal Register at a later date. Exhibit G to RD Instruction 1944-N must be submitted to the National office (The deadline for submission will be announced in the Federal Register).

[On Rural Development Letterhead]

TO: Michael Steininger  
 Director, Multi-Family Housing Processing Division

ATTENTION: Henry Searcy  
 MFHPD, STOP 0781

SUBJECT: Request for Obligation of FY 2007 Section 514 Loan or 516 Grant Funds

State Name \_\_\_\_\_

Authorization is requested for the following application:

Applicant:	
Is the Applicant a Faith-Based Organization? (Yes or No)	
Is the property located within a colonia? (Yes or No)	
Total RHS Loan:	
Total RHS Grant:	
Total Number of Units in the Complex:	
Total Number of Migrant Units:	
Total Number of Year Round Units:	
Number of Units with Operating Assistance:	
Number of Units with Rental Assistance:	
Type of Housing (on-farm or off-farm)?	
Amount of Funds from Other Sources:	
Type of Loan or Grant (new construction or rehab):	

I certify that the above information is correct and the borrower represents that uses of this loan (or grant) will meet the requirements of Section 504 of the Rehabilitation Act of 1973, the Fair Housing Amendments Act of 1988, the American with Disabilities Act of 1990, and all applicable regulations. I certify that the cashflow analysis has been completed for the grant, and has been submitted to the National Office, and is for the minimum amount of assistance necessary. Please feel free to contact \_\_\_\_\_ at \_\_\_\_\_ should you have any questions regarding this matter. After National Office approval, return signed form to the following fax number: \_\_\_\_\_.

\_\_\_\_\_  
 State Director Date  
 #####  
 #

APPROVED. Use of these funds is authorized solely for the above named applicant and may not be used for other applicants/purposes:

DISAPPROVED. We regret that our response could not be more favorable for the following reasons:

\_\_\_\_\_  
 Please feel free to contact Henry Searcy at (202) 720-1753 should you have any questions regarding this matter. Our FAX number is (202) 690-3444.

\_\_\_\_\_  
 Michael Steininger  
 Director, MFH Processing Division

\_\_\_\_\_  
 DATE

[On Rural Development Letterhead]

TO: Michael Steininger  
 Director, Multi-Family Housing Processing Division

ATTENTION: Multi-Family Housing Processing Division

SUBJECT: Request for Obligation of FY 2007 Section 515 Funds

State Name: \_\_\_\_\_

Authorization is requested for the following:

Applicant Name:	
Is the Applicant a Faith-Based Organization? (Yes or No)	
Is the Property Located Within a Colonia Area? (Yes or No)	
Total RHS Loan:	\$
Source and Amount of Leveraged Funds:	\$
RA Units Required & Type (new construction only)	
Total Complex Units:	
Number of Units to be repaired:	
Type of Loan (Please put an "X" in the appropriate box)	
<b>New Construction</b>	
<b>New Construction funded from EZ/EC      earmark (Must obligate before June 30, 2007)</b>	
<b>Repair/Rehabilitation</b>	
<b>Inventory/Credit Sale</b>	
<b>Emergency or Hardship</b>	
<b>Other (Describe)</b>	

I certify that the above information is correct and the borrower represents that uses of this loan and/or grant will meet the requirements of Section 504 of the Rehabilitation Act of 1973, the Fair Housing Amendments Act of 1988, the Americans with Disabilities Act of 1990, and all applicable regulations. Please contact \_\_\_\_\_ at \_\_\_\_\_ should you have any questions regarding this matter. After National Office approval, return signed form to the following fax number: \_\_\_\_\_.

\_\_\_\_\_  
 State Director Date

-----**NATIONAL OFFICE USE**-----  
 APPROVED. Type of Assistance Code \_\_\_262\_\_\_021. Use of these funds is authorized solely for the above named applicant and may not be used for other applicants/purposes.

DISAPPROVED. Our response could not be more favorable for the following reasons:  
 \_\_\_\_\_  
 \_\_\_\_\_

Please feel free to contact (202) 720-1604 should you have any questions regarding this matter. Our fax number is (202) 690-3444.

\_\_\_\_\_  
 Michael Steininger  
 Director, MFH Processing Division

\_\_\_\_\_  
 DATE

Exhibit A, Attachment 2, Part II, Subpart B, Page 10 in PDF ONLY.

RURAL HOUSING SERVICE  
 SINGLE FAMILY HOUSING (SFH)

I. General.

A. This attachment provides SFH allocations for fiscal year (FY) 2007. Allocation computations have been made in accordance with §§ 1940.563 through 1940.568 of this instruction. State Directors are reminded of their authority to transfer funds between the section 504 Rural Housing Grant program and the section 533 Housing Preservation Grant program in accordance with attachment 2, part I of this exhibit. Program contacts for funds held in the National office are located on a chart on page 14 of this subpart. Information on basic formula criteria, data source and weight, administrative allocation, pooling of funds, and availability of the allocation are located on a chart on page 15 of this subpart.

B. The SFH levels authorized for FY 2007 are as follows:

Section 502 Guaranteed Rural Housing (RH) loans	
Nonsubsidized Guarantees Purchase	\$3,439,396,529
Nonsubsidized Guarantees Refinance	\$204,827,600
Section 502 Direct RH loans*	
Very low-income subsidized loans	\$564,695,479
Low-income subsidized loans	\$564,695,478
Credit sales (Nonprogram)	\$10,000,000
Section 504 housing repair loans*	\$34,651,692
Section 504 housing repair grants*	\$29,601,000
Section 509 compensation for	
Construction defects	\$99,000
Section 523 mutual and self-help housing grants	
and contracts*	\$33,660,000
Section 523 Self-Help Site Loans	\$4,998,056
Section 524 RH site loans	\$5,000,000
Section 306C Water and waste disposal grants	\$1,000,000
Section 525 Supervisory and technical	
Assistance and section 509 Housing Application	
Packaging Grants	
Total Available for single and multi-family	\$990,000
housing section 525	

\*Includes funds for EZ/EC and REAP communities. After June 30, 2007 funds will be available for regular program.

Note: Carry over funds are not included.

C. SFH funding not allocated to States are:

1. Credit sale authority. Credit sale funds are available only for nonprogram sales of Real Estate Owned (REO) property. There will be no State distribution of nonprogram credit sale authority; rather funds will be available on a first-come-first-served basis. A separate reserve of Section 502 loan funding is being maintained in the National Office for the sale of program property to program applicants. Requests should be submitted using the National Office Reserve Funds (NORF) system as described on page 13, paragraph II B 3 (g) of this attachment. The requested amount and the amount reflected in MortgageServ must match in order for the request to be considered.

2. Section 509 compensation for construction defects. All claims for compensation for construction defects, along with the borrower's case file, must be submitted to the National office for authorization of funds prior to approval. After receipt of the authorization, claims may be approved and submitted to the finance office for funding.

3. Section 523 mutual and self-help technical assistance grants. The State Director must request funding approval from the National office for all requests. A technical review and analysis must be completed by the Technical and Management Assistance (T&MA) contractor on all predevelopment, new and existing (refunding) grant applications. In addition to the T&MA contractor's review, Agency personnel must also review and evaluate the feasibility of the grantee's request and make the appropriate recommendation. The level of National office review will be based on the amount of the grant:

(a) For grant requests of \$300,000 or less, the State Director should submit: (1) the analysis from the T&MA contractor, (2) statement indicating whether or not the grant recipient will be working in Empowerment Zones (EZ), Enterprise Communities (EC) or Rural Economic Area Partnerships (REAP) and census tract designation of area; (3) the State Director's recommendation, (4) a copy of the conditions to be met, (5) a copy of Form RD 1940-1, "Request for Obligation of Funds," (6) if the grantee is a marginal performer, specific information showing actions to correct performance, and (7) USDA Survey on Ensuring Equal Opportunity for Applicants.

(b) For grant requests that exceed \$300,000, the complete application docket along with the items mentioned above, must be sent to the National office.

\$34,374,327 is available for section 523 Mutual and Self-Help Technical Assistance grants. This amount includes an unobligated carryover balance of \$714,327 and \$990,000 is earmarked for EZ, EC or REAP communities. All section 523 grants will be obligated in the National office. This will enable the National office staff to monitor fund utilization.

4. Section 523 mutual and self-help site loans and section 524 RH site loans. State Directors are responsible for developing an outreach program to increase public awareness of these programs. The State Director must request funding authority from the National office prior to obligating loan funds.

5. Section 306C water and waste disposal (WWD) grants to individuals in colonias. The objective of the section 306C WWD individual grant program is to facilitate the use of community water or waste disposal systems for the residents of the colonias along the U.S.-Mexico border. Colonias are located in the States of Arizona, California, New Mexico and Texas. A colonia is defined as the area of the United States within 150 miles of the border between the United States and Mexico except that the term does not include any standard metropolitan statistical area that has a population exceeding 1,000,000; is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe and sanitary housing; and was existing as a colonia before the date of enactment of the Cranston-Gonzalez National Affordable Housing Act. Eligible areas under section 306C WWD may be different from areas under the 5 percent set-aside for the 100 underserved counties and colonias. The total amount available to Arizona, California, New Mexico and Texas will be \$1,536,467 for FY 2007. This amount includes the carryover unobligated balance of \$536,467 for processing individual grant applications. Allocation will be evenly distributed to the above states.

6. Section 525 technical and supervisory assistance (TSA) and section 509 housing application packaging grants (HAPG). \$990,000 is available for the TSA and HAPG programs. Funds are available on a limited basis for TSA grants. States should submit proposals from potential applicants to the National office for review and concurrence prior to authorizing an application. The 24 eligible States under HAPG that have active grantees operating will not be able to access a predetermined allocation for section 502 or 504 loan and grant programs this fiscal year. Requests should be submitted to the National Office for HAPG based on projected usage of these funds for the quarter or as needed. Reserve funds will be held at the National Office and requests from eligible States will be considered on a first-come-first-served basis.

7. Natural disaster funds. Funds from previous appropriations are available until exhausted to those States with active Presidential Declarations. Any unused portion will be carried over into the next fiscal year.

8. Deferred mortgage payment demonstration. There is no FY 2007 funding provided for deferred mortgage authority or loans for deferred mortgage assumptions.

9. Section 502 direct funds for families not qualifying for payment assistance. Funds from State's allocation may be used for qualified very-low and low-income applicants when the payment assistance formula shows there is no need for the subsidy. This assistance will be taken from the State's subsidized regular funding.

D. Increasing Minority Homeownership in Rural America. In FY 2003 the President set a goal for increasing minority home ownership. These goals are expected to remain in effect or be increased. Additional guidance will be provided under separate cover.

II. State Allocations. State allocation distributions can be found on pages 18 through 23 of this subpart.

(This area is intentionally left blank.)

A. Section 502 nonsubsidized guaranteed RH loans.

1. Purchase - Amount available for allocation.

Total Available - Purchase	<b>\$3,439,396,529</b>
Less National office general reserve	\$1,148,233,612
Less special outreach area reserve	\$492,100,119
Basic formula - administrative Allocation	\$1,799,062,798

(a) National office general reserve. Requests for National office reserve funds should be submitted by e-mail to the Guaranteed Loan Division's e-mail address of [sfhqld@wdc.usda.gov](mailto:sfhqld@wdc.usda.gov) with "Funding Request" or "Request for Funds" in the subject line. Your request should be placed in the body of the e-mail message must have the following information: Amount of the request; Purchase or Refinance Funds requested; and under which category: General or Special Outreach. The NORF system is not used for guaranteed funds. The Administrator may restrict access to this reserve for States not meeting their goals in special outreach areas.

(b) Reservation of funds. States must use the guaranteed rural housing reservation of funds system unless otherwise directed by the National Office.

(c) Special outreach areas. The intent of special outreach areas is to assure the GRH program reaches applicants residing in areas, which are the most rural in character. FY 2007 GRH funding is allocated to States in two funding streams. Seventy percent of GRH funds may be used in any eligible area. Thirty percent of GRH funds are to be used for special outreach areas. Special outreach areas for the GRH program are defined as those areas within a State that are not located within a Metropolitan Statistical Area (MSA).

(d) National office special area outreach reserve. A special outreach area reserve fund has been established at the National office. Funds made available from this reserve may only be used in special outreach areas. The NORF system is not used for guaranteed funds.

(e) Sub-allocation by the State Director. The State Director may retain funds at the State office level or sub-allocate to the area or field office level.

(f) Pooling of Guaranteed Purchase Loan Funds. Pooling is scheduled for August 11, 2007. However, if funds are used at a faster rate than anticipated, the pooling date may be moved forward and the National Office may opt to pool funds more than once. If funds are used at a slower rate than anticipated, pooling may be delayed. If it appears that ample funds will remain available for the entire year, the National Office may cancel the pooling of GRH funds.

2. Refinance - Amount available for allocation.

Total Available - Refinance	\$204,827,600
Less National office general reserve	\$204,827,600
Basic formula - Administrative Allocation	\$0

(a) Refinance Funds. Refinance funds carry a separate subsidy rate and are tracked using a different Type of Assistance code in the Guaranteed Loan System. The funds are currently tracked on the Appropriation Accounting System as a separate allocation. Refinance loan funds will not be distributed to each State this year due to the inability to track these funds in the Guaranteed Loan System. Funds will be distributed to each State on a loan by loan basis and will be tracked by the National Office. The distribution amount listed in GLS will be the combined total allocation distributed to each state for purchase loans and refinance loans until GLS is upgraded to track the refinance loans independent of the purchase loans.

(b) National office general reserve. Requests for National office reserve funds should be submitted by e-mail to the Guaranteed Loan Division's e-mail address of [sfhgld@wdc.usda.gov](mailto:sfhgld@wdc.usda.gov) with "Funding Request" or "Request for Funds" in the subject line. Your request should be placed in the body of the e-mail message must have the following information: Amount of the request; Purchase or Refinance Funds requested; and under which category: General or Special Outreach. The NORF system is not used for guaranteed funds. The Administrator may restrict access to this reserve for States not meeting their goals in special outreach areas.

(c) Reservation of funds. States must use the guaranteed rural housing reservation of funds system unless otherwise directed by the National Office.

(d) Allocation of funds. The National Office will not distribute refinance funds to each State this year due to the inability to track these funds in the Guaranteed Loan System. Funds will be distributed to each State on a loan by loan basis and will be tracked by the National Office.

(e) Sub-allocation by the State Director. The State Director may retain funds at the State office level or sub-allocate to the area or field office level.

(f) Pooling of Guaranteed Refinance Loan Funds. Pooling is scheduled for August 11, 2007. However, if funds are used at a faster rate than anticipated, the pooling date may be moved forward and the National Office may opt to pool funds more than once. If funds are used at a slower rate than anticipated, pooling may be delayed. If it appears that ample funds will remain available for the entire year, the National Office may cancel the pooling of GRH funds.

(This area is intentionally left blank.)

B. Section 502 Direct RH loans.

1. Amount available for allocation.

Total available	\$1,129,390,957
Less required set aside for Underserved counties and Colonias - 5%	\$ 56,469,548
EZ, EC or REAP earmark	\$ 10,857,427
Less general reserve	\$ 170,939,096
Administrator's reserve	\$32,939,096
Hardships & homelessness	\$ 2,000,000
Rural housing demonstration Program	\$ 1,000,000
Homeownership partnership Program funds for the sale of REO program properties	\$110,000,000
	\$25,000,000
Less designated reserve for Self-help	\$ 175,000,000
Basic formula administrative Allocation	\$ 716,124,885

2. Base Allocation. Each State will receive a base allocation in accordance with §1940.552(e). The base allocation remains at the same level as in FY 2005 so that each state receives at least \$4 million.

3. Reserves.

a. State office reserve.

(i) State Directors must maintain an adequate reserve to fund the following applications:

(A) Hardship and homeless applicants based upon historical data and projected demand.

(B) The State's 25 percent portion of funds for Rural Home Loan Partnerships (RHLP) and Community Development Financial Institutions (CDFI).

(ii) State Directors must maintain records on how the State office reserves are utilized, including a justification for each hardship and homelessness case authorized.

(b) National office reserves.

(i) General reserve. The National office has a general reserve of \$170.9 million. Of this amount, the Administrator's reserve is \$32.9 million. One of the purposes of the Administrator's reserve will be for loans in Indian Country. Indian Country consists of land inside the boundaries of Indian reservations, communities made up mainly of Native Americans, Indian trust and restricted land, and tribal allotted lands. Another purpose of the reserve will be to provide funding for subsequent loans for essential improvements or repairs and transfers with assumptions.

(ii) Hardship and homelessness reserve. \$2 million has been set aside for hardships & homelessness from 4<sup>th</sup> quarter funds. States are expected to fund hardship and homeless cases from their own reserves. Priority will be given to applicants facing deficient housing hardships including applicants who have been living in deficient housing for more than 6 months, current homeowners in danger of losing a property through foreclosure, and other circumstances determined by RHS on a case-by-case basis to constitute a hardship.

Priority will be given to homeless cases accompanied by a certification from a third party entity such as an agency for the homeless. In exceptional cases when State funding is not sufficient to serve such applicants, State Directors may submit hardship and homeless cases for National office reserve funds. Requests should be submitted using the NORF system as described on page 13, paragraph II B 3 (g) of this attachment. The National office will make a review of a State's set-aside reserve prior to approving the funding request.

(iii) Rural Housing Demonstration Program. \$1 million has been set aside for innovative construction demonstration initiatives. Further instructions are included in the SFH Loan and Grant Field Office Handbook, HB-1-3550, Appendix 15.

(iv) Program Real Estate Owned (REO) sales. \$25 million has been set aside for program sales of program REO property. There will be no State distribution of these funds; rather funds will be available on a first-come, first-served basis. Requests should be submitted using the NORF system as described on page 13, paragraph II B 3 (g) of this attachment. The requested amount and the amount reflected in MortgageServ must match in order for the request to be considered.

(c) Homeownership partnership. \$110 million has been set aside for homeownership partnerships. These funds will be used for SFH loans to eligible individuals in connection with new and existing partnerships that include long-term fixed-rate financing from another lender. Funds will be distributed from this reserve by quarter in the same manner as direct 502 funds.

States will obligate the entire loan amount by utilizing 25 percent funding from the State's RHL/P/CDFI reserve and 75 percent funding from the National Office reserve. The National Office contribution will be distributed from the section 502 homeownership partnership reserve by quarter in the same manner as direct 502 funds; however, additional funds will not be distributed until the previous quarter's allocation has been utilized.

(i) Department of Treasury, Community Development Financial Institutions (CDFI) - Funds will be available to fund leveraged loans made in partnership with the Department of Treasury CDFI participants.

(ii) Partnership initiatives established to carry out the objectives of the rural home loan partnership (RHL/P).

(d) Designated reserve for self-help. \$175 million has been set aside to assist participating self-help applicants. States will consult with their T&MA Contractor to get planned and historical usage. Using the correct proportions will help ensure that the State has adequately funded the appropriate income categories.

States are encouraged to work with self-help grantees and participating applicants in leveraging funds to expand the amount available for financing section 502 RH loans.

States will obligate the entire loan amount by utilizing 100 percent funding from the National office reserve. The National Office contribution will be distributed from the section 502 self-help reserve by quarter in the same manner as direct 502 funds; however, additional funds will not be distributed until the previous quarter's allocation has been utilized.

When National office reserve is exhausted, states will use allocated funds for additional self-help requirements.

(e) Underserved counties and colonias. \$56,469,548 has been set aside for the 100 underserved counties and colonias. The underserved counties are identified in part I of this attachment. Requests should be submitted using the NORF system as described on page 13, paragraph II B 3 (g) of this attachment. Additional underserved counties may be requested after June 30<sup>th</sup>, 2007. Allocation amounts for underserved and colonias areas are listed on page 24.

(f) Empowerment Zone (EZ), Enterprise Community (EC) or Rural Economic Area Partnership (REAP) earmark. \$10,857,547 has been earmarked for loans in EZs, ECs or REAPs only. If these funds are not obligated for EZ, EC communities or REAP Zones by June 30, 2007, they shall remain available for other authorized purposes. Allocation amounts for EZ/EC/REAP funds are listed on page 25.

(g) Reserve requests. All National office reserve requests other than Homeownership Partnership and 502 Self-Help should be submitted to the National office on a case-by-case basis utilizing the National Office Reserve Funds (NORF) system. NORF is an automated, web-based system used for requesting National Office reserve funds. Requests for reserve funds must include the applicant's name, account number, full loan amount, amount being requested, and income category, as well as a justification if applicable. The information in requests must match exactly what is in MortgageServ. Requests with inconsistencies between NORF and MortgageServ will not be processed.

(h) State office pooling. If pooling is conducted within a State, it must not take place within the first 30 calendar days of the first, second, or third quarter. (There are no restrictions on pooling in the fourth quarter.) Pooled funds may be redistributed by the State Director provided the State Director has determined that the pooled funds could not be used in the field offices receiving the funds allocated in accordance with this instruction. This determination will be in writing, filed in the State office, and will include a statement that all appropriate efforts were made to use the funds as allocated.

(i) Suballocation by the State Director. The State Director may suballocate to each area office using the methodology and formulas required by this instruction. If suballocated to the area level, the Area Director will make funds available on a first-come, first-served basis to offices at the field or area level. No field office will have its access to funds restricted without the prior written approval of the Administrator. State Directors may hold funds in reserve for leveraging and other initiatives.

C. Section 504 housing loans and grants. Section 504 grant funds are included in the Rural Housing Assistance Grant program (RHAG) in the FY 2007 appropriation. Funds included in RHAG may be transferred in accordance with part I of this attachment.

1. Amount available for allocation.

Section 504 loans

Total available	\$34,651,692
less 5% for 100 underserved counties and colonias	\$ 1,732,584
EZ, EC or REAP earmark	\$ 586,294
less general reserve	\$ 733,915
Basic formula - administrative allocation	\$31,598,899

Section 504 grants

Total available	\$29,601,000
less 5% for 100 underserved counties and colonias	\$ 1,450,350
EZ, EC or REAP earmark	\$ 594,000
less general reserve	\$ 1,649,895
Basic formula administrative Allocation	\$25,906,755

2. Reserves and set-asides.

(a) State office reserve. State Directors must:

(i) Maintain an adequate reserve to handle all anticipated hardship applicants as determined by the State Director and based upon historical data and projected demand for section 504 hardship applications (see paragraph II.B.2.a.(i)(A) of this subpart).

(ii) Maintain records on how State office section 504 loan and grant funds are utilized.

(iii) States will leverage an amount equal to 5 percent of their initial section 504 Loan allocation. For example if a State receives an initial 504 Loan allocation of \$200,000 the amount to be leveraged from other sources would be \$10,000 (\$200,000 X 5 percent) for a total RHS and other funding source of \$210,000 (\$200,000 + \$10,000).

(b) Underserved counties and colonias. \$1,732,584 and \$1,450,350 have been set aside for the 100 underserved counties and colonias for the section 504 loan and grant programs respectively. The underserved counties are identified in part I of this attachment. Allocation amounts for underserved and colonias areas are listed on page 24.

(c) Empowerment Zone (EZ), Enterprise Community (EC) or Rural Economic Area Partnership (REAP) earmark. \$586,294 and \$594,000 have been earmarked for EZ, EC or REAPs for the section 504 loan and grant programs, respectively. These funds are earmarked for EZs, ECs or REAPs only. If these funds are not obligated for EZ, EC communities or REAP Zones by June 30, 2007, they shall remain available for other authorized purposes. Allocation amounts for EZ/EC/REAP funds are listed on page 26.

(d) National office reserve. \$733,915 for section 504 loan hardships and \$1,649,895 for section 504 grant extreme hardships have been set-aside in the general reserve.

(i) For section 504 grants, an extreme hardship case is one requiring a significant priority in funding, ahead of other requests, due to severe health or safety hazards. Prior to funding hardship cases, the National office will review the State's reserve account set aside for grants.

(ii) Section 504 grant requests must be reviewed and sufficient documentation must be provided to support the hardship. The following information must be considered and included:

(A) A clear determination that the 504 grant applicant is unable to repay a section 504 loan.  
NOTE: A copy of the applicant's Form RD 1944-3, "Budget and/or Financial Statement" is no longer needed.

(B) The grantee is unable to obtain financial assistance from sources other than the Rural Housing Service loans or grants.

(C) The grantee lacks personal resources that can be utilized to meet the grantee's needs.

(e) Requesting section 504 loan and grant funds. Requests for section 504 loan and grant funds from the National reserve should be submitted on a case-by-case basis utilizing the NORF as described on page 13, paragraph II B 3 (g) of this attachment.

**National office contact for program initiatives.**

<b>Program Initiatives</b>	<b>Contact</b>	<b>Phone #</b>
504 Loan & Grant Requests	Nica Mathes	(202) 205-3656
Compensation for Construction Defects	Kaye Deener	(202) 690-3832
Funds for Sale of Program/Non Program Real Estate Owned (REO) Properties	Renee May	(314) 206-2157
Hardship and Homelessness Requests (502)	Scott Nista	(202) 720-1463
Hardship Requests (504)	Nica Mathes	(202) 205-3656
Homeownership Partnership Fund Usage Report/Requests for additional Funds	Janet Carter	(202) 720-1489
Housing Application Packaging Grants (HAPG)	Gloria Denson	(202) 720-1487
Leveraging Participation	Janet Carter	(202) 720-1489
Matching funds for States with approved Mutual Self-Help housing grants	Scott Nista	(202) 720-1463
Mutual & Self-Help Technical Assistance Grants	Chris Ketner	(202) 690-1530
Mutual and Self-Help Site Loans	Nica Mathes	(202) 205-3656
National Office Reserve Funds (NORF) System	Scott Nista	(202) 720-1463
RH Site Loans	Nica Mathes	(202) 205-3656
Rural Housing Demonstration Program	Gloria Denson	(202) 720-1487
SFHGLD National Office Reserves	Dean Daetwyler or Melvin Carroll	(202) 720-1452 (202) 690-4742
Technical & Supervisory Assistance (TSA)	Nica Mathes	(202) 205-3656
502 Underserved Counties and Colonias	Scott Nista	(202) 720-1463
504 Underserved Counties and Colonias	Nica Mathes	(202) 205-3656

**Information on basic formula criteria, data source and weight, administrative allocation, pooling of funds, and availability of the allocation**

#	DESCRIPTION	SECTION 502 NONSUBSIDIZED GUARANTEED RH LOANS	SECTION 502 DIRECT RH LOANS	SECTION 504 LOANS AND GRANTS
1	Basic formula criteria, data source, and weight	See §1940.563(b) of this instruction.	See §1940.565(b) of this instruction.	See § 1940.566(b) and 1940.567(b) of this instruction.
2	Administrative Allocation.			
	Western Pacific Area	\$4,000,000	\$2,000,000	\$500,000 loan \$500,000 grant
3	Pooling of funds.			
	a. Year-end pooling	<b><u>August 10, 2007</u></b>	July 12, 2007	July 12, 2007
	b. Underserved counties & colonias	N/A	June 30, 2007	June 30, 2007
	c. EZ, EC or REAP	N/A	June 30, 2007	June 30, 2007
4	Availability of the allocation.			
	a. first quarter	40 percent	50 percent	50 percent
	b. second quarter	70 percent	75 percent	75 percent
	c. third quarter	90 percent	100 percent	100 percent
	d. fourth quarter	100 percent	100 percent	100 percent

1. Data derived from the 2000 U.S. Census is available on the web at <http://199.159.140.1/census>.
2. Due to the absence of Census data.
3. All dates are tentative and are for the close of business (COB). Pooled funds will be placed in the National office reserve and made available administratively. The Administrator reserves the right to redistribute funds based upon program performance.
4. Funds will be distributed cumulatively through each quarter listed until the National office year-end pooling date.

Exhibit A, Attachment 2, Part II, Subpart C, Pages 18 thru 26 in PDF ONLY.

SECTION 515 NONPROFIT SET ASIDE (NPSA)

I. Objective: To provide eligible nonprofit entities with a reasonable opportunity to utilize Section 515 funds.

II. Background: The Cranston-Gonzalez National Affordable Housing Act of 1990 established the statutory authority for the Section 515 NPSA funds.

III. Eligible entities. Amounts set aside shall be available only for nonprofit entities in the State, which may not be wholly or partially owned or controlled by a for-profit entity. An eligible entity may include a partnership, including a limited partnership, that has as its general partner a nonprofit entity or the nonprofit entity's for-profit subsidiary which will be receiving low-income housing tax credits authorized under section 42 of the Internal Revenue Code of 1986. For the purposes of this exhibit, a nonprofit entity is an organization that:

- A. Will own an interest in a project to be financed under this section and will materially participate in the development and the operations of the project; and
- B. Is a private organization that has nonprofit, tax exempt status under section 501(c)(3) or section 501(c)(4) of the Internal Revenue Code of 1986; and
- C. Has among its purposes the planning, development, or management of low-income housing or community development projects; and
- D. Is not affiliated with or controlled by a for-profit organization; and
- E. May be a consumer cooperative, Indian tribe, or tribal housing authority.

IV. Nondiscrimination. Rural Development reemphasizes the nondiscrimination in use and occupancy, and location requirements of 3560.104 of Subpart C of Part 3560 of this chapter.

V. Amount of Set Aside. See Attachment 1 of this exhibit (available in any Rural Development State Office):

A. Small State Allocation Set Aside (SSASA). The allocation for small States has been reserved and combined to form the SSASA, as shown in Attachment 1 of this exhibit (available in any Rural Development State Office). The definition of small State is included in Attachment 1 of this exhibit (available in any Rural Development State Office).

B. Large State Allocation Set Aside (LSASA). The allocation for large States has been reserved in the amounts shown in Attachment 1 of this exhibit (available in any Rural Development State Office). The definition of large State is included in Attachment 1 of this exhibit (available in any Rural Development State Office).

C. NPSA Rental Assistance (RA). NPSA RA has been reserved in the National Office as shown in Attachment 1 of this exhibit (available in any Rural Development State Office).

VI. Access to NPSA funds and RA. RA is available and may be requested, as needed, with eligible loan requests. NPSA funds and RA should be requested by the State Director using a format similar to Attachment 2 of this exhibit (available in any Rural Development State Office). Funds are available as follows:

A. SSASA: The SSASA is available to any SSASA State on a first-come-first-served basis until pooling. See Attachment 3 of this exhibit (available in any Rural Development State Office) for information regarding pooling.

B. LSASA: LSASA States may request LSASA funds up to the amount the State contributed to LSASA until pooling. See Attachment 3 of this exhibit (available in any Rural Development State Office) for information regarding pooling.

VII. General information on priority/processing of preapplications.

A. Preapplications/applications for assistance from eligible nonprofit entities under this subpart must continue to meet all loan making requirements of Subpart B of Part 3560 of this chapter.

B. A separate processing list will be maintained for NPSA loan requests.

C. The State Director may issue Form AD-622, "Notice of Preapplication Review Action," requesting a formal application to the highest ranking preapplication(s) from eligible nonprofit entities defined in paragraph III of this exhibit as follows:

1. LSASA. In LSASA States, AD-622s may not exceed 150 percent of the amount the State contributed to the LSASA. No single Form AD-622 may exceed the amount of funds the State contributed to LSASA.

2. SSASA. In SSASA states, AD-622s should not exceed the greater of \$750,000 or 150 percent of the amount the State contributed to the SSASA; except that the State Director in a SSASA State may request authorization to issue a Form AD-622, in an amount in excess of \$750,000 if additional funds are necessary to finance an average-size proposal based upon average construction costs in the state. For example, if the average size proposal currently being funded in the state is 24 units, and the average construction cost in the state is \$35,000 per unit, the state may request authorization to issue a Form AD-622 for \$840,000. The State Director will submit such requests to the National Office including data reflecting average size/cost projects in the State. No single Form AD-622 may exceed the amount of funds the State may receive from the SSASA.

D. All AD-622s issued for proposals to be funded from NPSA will be subject to the availability of NPSA funds. Form AD-622 should contain the following or similar language: "This Form AD-622 is issued subject to the availability of Nonprofit Set Aside (NPSA) funds."

E. If a preapplication requesting NPSA funds has sufficient priority points to compete with non-NPSA loan requests based upon the District or State allocation (as applicable), the preapplication will be maintained on both the NPSA and non-NPSA rating/ranking lists.

F. Provisions for providing preference to loan requests from nonprofit organizations is contained in 7 CFR part 3560.56, Subpart B. Limited partnerships, with a nonprofit general partner, do not qualify for nonprofit preference.

VIII. Exception authority. The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government or adversely affect the intent of the authorizing statute and/or Rural Rental Housing program or result in an undue hardship by applying the requirement. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, or Director of the Multi-Family Housing Processing Division. The request must be supported by information that demonstrates the adverse impact or effect on the program. The Administrator, or his/her designee, also reserves the right to change pooling dates, establish/change minimum and maximum fund usage from NPSA, or restrict participation in the set aside.

Attachments: Attachments 1, 2, and 3.

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SECTION 515 NONPROFIT SET ASIDE (NPSA) ALLOCATIONS

FISCAL YEARS 1993 AND 1994

I. Fiscal Year (FY) 93/94 NPSA allocation: Nine percent of each State's FY 93 and FY 94 allocation has been set aside in the National Office for NPSA, as follows:

A. Small State Allocation Set Aside (SSASA): Small States are those in which 9 percent of their allocation is less than \$750,000. Nine percent of each small State's allocation has been reserved and combined to form the SSASA.

B. Large State Allocation Set Aside (LSASA): Large States are those in which 9 percent of their allocation is more than \$750,000. Nine percent of each large State's allocation has been reserved.

II. NPSA Rental Assistance: See the Multi-Family Housing funding attachment to Exhibit A of this subpart (available in any Rural Development State Office).

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SUBJECT: Request for Nonprofit Set Aside (NPSA)  
Funds and Rental Assistance (RA)

TO:  
Assistant Administrator  
Housing

ATTN: Multi-Family Housing Processing Division

We hereby request NPSA funds and RA as follows:

State Name: \_\_\_\_\_ County Name: \_\_\_\_\_

State Code: \_\_\_\_\_ District Code: \_\_\_\_\_ County Code: \_\_\_\_\_

Name of Applicant: \_\_\_\_\_

Type of Applicant:

- \_\_\_\_\_ Nonprofit (NP) organization
- \_\_\_\_\_ Limited partnership with NP general partner
- \_\_\_\_\_ Indian tribe or tribal housing authority
- \_\_\_\_\_ Other (please specify) \_\_\_\_\_

Project Name: \_\_\_\_\_

Type of Complex: \_\_\_\_\_ No. of Units: \_\_\_\_\_

Priority Processing Point Score: \_\_\_\_\_ points

Total Loan Request: \$ \_\_\_\_\_ RA Units: \_\_\_\_\_

NPSA Request: \$ \_\_\_\_\_ RA Units: \_\_\_\_\_

Other comments/information:

The applicant is an entity which meets the requirements of RD Instruction 1940-L, Exhibit B.

State Director

(Instructions: Submit a separate request for each NPSA request.)

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SECTION 515 NONPROFIT SET ASIDE (NPSA) POOLING

FISCAL YEAR (FY) 1994 AND THEREAFTER

Pooling for Small State Set Aside (SSASA) and Large State Set Aside (LSASA):  
Beginning with FY 94, unused SSASA and LSASA funds will be pooled as follows:

A. On or after July 1, of each year, unused funds from the SSASA and the LSASA States will be combined and made available, on a first-come-first-served basis, in any State, for eligible nonprofit entities meeting the requirements of paragraph III of Exhibit B of this subpart. The exact pooling date will be established annually and will be included in the Multi-Family Housing (MFH) funding attachment to Exhibit A of this subpart (available in any Rural Development State Office). The MFH funding attachment is also published annually as a Notice in the Federal Register.

B. Unused funds remaining 30 days after the pooling date will be returned to the States for use for any Section 515 proposal ready for obligation, without regard to the type of applicant entity. Funds will be returned to States that did not use the full amount contributed, in an amount proportionate to the amount contributed.

SECTION 515 NPSA POOLING

FY 1993

I. Pooling for SSASA States:

A. June 18, 1993, is the last date for SSASA States to request SSASA funds and RA units. At close of business (COB) June 18, 1993, any unused SSASA funds will be pooled and made available to any SSASA State on a first-come-first-served basis until COB July 19, 1993.

B. Unused funds, as of COB July 19, 1993, will be returned to SSASA States which did not use the full amount of set aside funds they contributed, in an amount proportionate to the amount contributed. The returned funds may be used for Section 515 proposals ready for obligation, without regard to the type of applicant entity.

II. Pooling for LSASA States:

A. LSASA States may request LSASA funds, up to the amount contributed, until COB July 19, 1993.

B. Unused LSASA funds will be returned to the States as of COB July 19, 1993. These funds may be used for Section 515 proposals ready for obligation, without regard to the type of applicant entity.

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HOUSING IN UNDERSERVED AREAS

I. Objective.

A. To improve the quality of affordable housing by targeting funds under Rural Housing Targeting Set Aside (RHTSA) to designated areas that have extremely high concentrations of poverty and substandard housing and have severe, unmet rural housing needs.

B. To provide for the eligibility of certain colonias for rural housing funds.

II. Background. The Cranston-Gonzalez National Affordable Housing Act of 1990 (herein referred to as the "Act") requires that Rural Development set aside Section 502, 504, 514, 515, and 524 funds for assistance in targeted, underserved areas. An appropriate amount of Section 521 new construction rental assistance (RA) is set aside for use with Section 514 and 515 loan programs. Under the Act, certain colonias are now eligible for Rural Development housing assistance.

III. Colonias.

A. Colonia is defined as any identifiable community that:

1. is in the State of Arizona, California, New Mexico or Texas;
2. is in the area of the United States within 150 miles of the border between the United States and Mexico, except that the term does not include any standard metropolitan statistical area that has a population exceeding 1 million;
3. is designated by the State or county in which it is located as a colonia;
4. is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and

5. was in existence and generally recognized as a colonia before November 28, 1990.

B. Requests for housing assistance in colonias have priority as follows:

1. When the State did not obligate its allocation in one or more of its housing programs during the previous two fiscal years (FYs), priority will be given to requests for assistance, in the affected program(s), from regularly allocated funds, until an amount equal to 5 percent of the current FY program(s) allocation is obligated in colonias. This priority takes precedence over other processing priority methods.

2. When the State did obligate its allocation in one or more of its housing programs during the previous 2 FYs, priority will be given to requests for assistance, in the affected program(s), from RHTSA funds, until an amount equal to 5 percent of the current FY program(s) allocation is obligated in colonias. This priority takes precedence over other processing priority methods.

C. Colonias may access pooled RHTSA funds as provided in paragraph IV G of this exhibit.

IV. RHTSA.

A. Amount of Set Aside. Set asides for RHTSA from the current FY allocations are established in Attachment 1 of this exhibit (available in any Rural Development State Office).

B. Selection of Targeted Counties.

1. Eligibility. Eligible counties met the following criteria: (1) 20 percent or more of the county population is at or below poverty level; (2) 10 percent or more of the occupied housing units are substandard; and (3) the average funds received on a per capita basis in the county during the previous 5 FYs were more than 40 percent below the State per capita average during the same period. Data from the most recent available Census was used for all three criteria, with criteria (2) and (3) based on the Rural Development rural area definition.

2. Selection. The Act requires that 100 of the most underserved counties be initially targeted for RHTSA funds. In establishing the 100 counties, those with 28 percent or more of their population at or below poverty level and 13 percent or more of their occupied housing units substandard, have preference. If less than 100 counties meet this criteria, the remaining counties meeting the criteria in paragraph IV B 1 of this exhibit will be ranked, based upon a total of their substandard housing and poverty level percentages. The highest-ranking counties are then selected until the list reaches 100. The remaining counties are eligible for pool funds only.

C. State RHTSA Levels. In the Section 502, 504, and 515 programs, each State's RHTSA level will be based on its number of eligible counties, with each county receiving a pro rata share of the total funds available. In order to ensure that a meaningful amount of assistance is available to each State, minimum funding levels may be established. When minimum levels are established, they are set forth on Attachment 1 of this exhibit (available in any Rural Development State Office).

D. Use of Funds. To maximize the assistance to targeted counties, allocated program funds should be used in addition to RHTSA funds, where possible. The State Director has the discretion to determine the most effective delivery of RHTSA funds among the targeted counties within his/her jurisdiction. The 100 counties listed in Attachment 2 of this exhibit (available in any Rural Development State Office) are eligible for RHTSA funding consideration immediately. Colonias are also eligible for RHTSA funds as described in Paragraph III of this exhibit.

E. National Office RHTSA Reserve. A limited National Office reserve is available on an individual case basis when the State is unable to fund a request from its regular or RHTSA allocation. The amount of the reserve, and the date it can be accessed and any conditions thereof, if applicable, are contained in Attachment 1 of this exhibit (available in any Rural Development State Office).

F. Requests for Funds and RA. All RHTSA funds are reserved in the National Office and requests for these funds and/or units must be submitted by the State Director using the applicable format shown on Attachments 4 or 5 of this exhibit (available in any Rural Development State Office). The State Director is responsible for notifying the Director of Single Family Housing Processing Division (SFHPD) or Multi-Family Housing Processing Division (MFHPD) of any RHTSA funds and RA units authorized, but not obligated, by RHTSA pooling date.

G. Pooling. Unused RHTSA funds and RA will be pooled. Pooling dates and any pertinent information thereof are available on Attachment 1 of this exhibit (available in any Rural Development State Office). Pooled funds will be available on a first-come, first-served basis to all eligible colonias and all counties listed on Attachments 2 and 3 of this exhibit (available in any Rural Development State Office). Pooled RHTSA funds will remain available until the year-end pooling date.

H. Outreach. Outreach efforts publicizing the availability of loan and grant funds for the eligible RHTSA counties will be aggressively carried out. Each affected State Director will develop an outreach plan which includes such techniques as news releases, community meetings, coordination with other Federal, State, and local government organizations, to promote full utilization of these targeted funds by all qualified applicants regardless of race, color, and sex. In addition to the above outreach efforts, States with eligible colonias should establish liaison with community groups in order to leverage support and assistance provided to residents of colonias.

I. Monitoring Performance.

1. National Office: The National Office will track the use of targeted funds on a regular basis throughout the FY and take necessary follow-up actions to facilitate the delivery of the program.

2. State Office:

a. The State Director will designate a staff member to coordinate all efforts under RHTSA.

b. Adequate records will be maintained for each of the eligible RHTSA counties, in all programs with RHTSA set asides.

c. The State Directors for Arizona, California, New Mexico, and Texas will submit quarterly reports of funds usage in colonias to SFHPD and MFHPD. Negative reports will be required.

J. Requests for Assistance. Requests for assistance in targeted counties must meet all loan making requirements of the applicable program Instructions, except as modified for colonias in paragraph III of this exhibit. For Section 515, States may:

1. Issue Form AD-622, "Notice of Preapplication Review Action," up to 150 percent of the amount shown in Attachment 1 of this exhibit (available in any Rural Development State Office).

2. All AD-622s issued for applicants in targeted counties will be annotated, in Item 7, under "Other Remarks," with the following: "Issuance of this AD-622 is contingent upon receiving funds from the Rural Housing Targeting Set Aside (RHTSA). Should RHTSA funds be unavailable, or the county in which this project will be located is no longer considered a targeted county, this AD-622 will no longer be valid. In these cases, the request for assistance will need to compete with other preapplications in non-targeted counties, based upon its priority point score."

V. Exception Authority. The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, Director of the SFHPD or Director of the MFHPD. The request must be supported by information that demonstrates the adverse

RD Instruction 1940-L  
Exhibit C  
Page 6

impact or effect on the program. The Administrator, or his/her designee, also reserves the right to change the pooling date, establish/change minimum and maximum fund usage from set asides and/or the reserve, or restrict participation in set asides and/or reserves.

Attachments: 1, 2, 3, 4, and 5

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Exhibit C: Attachments 1, 2, and 3 in PDF ONLY.

SUBJECT: Request for Rural Housing Targeting  
Set Aside (RHTSA) Funds

TO: Ronnie O. Tharrington  
Assistant Administrator  
Housing

ATTN: Single Family Housing Processing Division

We hereby request RHTSA funds as follows:

State Name: \_\_\_\_\_

Program

Amount of RHTSA Requested

Section 502 Very Low-Income Funds	\$	_____
Section 502 Low-Income Funds	\$	_____
Section 504 Loan Funds	\$	_____
Section 504 Grant Funds	\$	_____
Section 524 Loan Funds	\$	_____

State Director

(General Instructions - Individual listing of counties or applicants not required. Requests should be grouped and submitted on a periodic basis.)

RD Instruction 1940-L  
Exhibit C, Attachment 5

SUBJECT: Request for Rural Housing Targeting Set Aside (RHTSA)  
Funds and Rental Assistance (RA)

TO: Ronnie O. Tharrington  
Assistant Administrator  
Housing

ATTN: Multi-Family Housing Processing Division

We hereby request funds and RA from the RHTSA as follows:

State Name: \_\_\_\_\_ County Name: \_\_\_\_\_ Colonia: \_\_\_\_\_

State Code: \_\_\_\_\_ County Code: \_\_\_\_\_ District Code: \_\_\_\_\_

Name of Applicant: \_\_\_\_\_

Project Name: \_\_\_\_\_

Project Physical Location: \_\_\_\_\_

Type of Project: \_\_\_\_\_ No. of rental units: \_\_\_\_\_

Priority Processing Point Score: \_\_\_\_\_ points

Total Loan Request: \$ \_\_\_\_\_ RA units \_\_\_\_\_

RHTSA Request: \$ \_\_\_\_\_ RHTSA RA Request \_\_\_\_\_

Projected Obligation Date: \_\_\_\_\_

Other comments/information:

State Director

[General Instructions - Complete a separate Attachment 5 for each RHTSA request.]

(02-20-91) SPECIAL PN

RURAL RENTAL HOUSING DIVERSITY DEMONSTRATION PROGRAM (RRHDDP)

I. Objectives.

- A. To encourage applicants of limited gross incomes which have little or no participation in the Section 515 program.
- B. To provide housing in unserved areas.
- C. To provide an economic stimulus to the local economy by encouraging procurement of labor, goods, and services from the local community.

II. Background. In accordance with Section 506 (b) of the Housing Act of 1949, as amended, the Secretary is authorized and directed to conduct research, technical studies, and demonstrations relating to the mission and programs of Rural Development and the national housing goals defined in section 2 of this Act. In connection with such activities, the Secretary shall seek to promote the construction of adequate farm and other rural housing. The Secretary shall conduct such activities for the purposes of stimulating construction and improving the architectural design and utility of dwellings and buildings. In furtherance of this goal, the Rural Rental Housing Diversity Demonstration Program (RRHDDP) is implemented. An appropriate amount of Section 521 new construction rental assistance (RA) is set aside for use with Section 515 loan funds.

III. RRHDDP.

- A. Amount of Set Aside. Set asides for RRHDDP from the current fiscal year (FY) allocations are established in Attachment 1 of this exhibit.
- B. Selection of States. All States were considered using the following criteria:
  - 1. Highest percentage of poverty;
  - 2. Highest percentage of substandard housing;
  - 3. Highest unemployment rates;
  - 4. Lowest rural median income; and
  - 5. Number of places with population of 2,500 or fewer.

Each State selected for RRHDDP had to be in the top 10 of at least 3 of the 5 criteria. Data from the 1990 census was used for all criteria. The States selected are listed in Attachment 1 of this exhibit.

C. State RRHDDP Levels. See Attachment 1 of this exhibit.

D. Use of Funds. To ensure the success of RRHDDP, the State Director may leverage funds from the RRHDDP with allocated funds from the Section 515 and 521 allocations held in the State Office reserve. The State Director has the discretion to determine the most effective delivery of RRHDDP funds; however, the intent and scope of the program should be ever present in the implementation and application processes.

E. National Office RRHDDP Reserve. There is no RRHDDP reserve available when the State is unable to fund a request from its regular or RRHDDP allocation.

F. Pooling. Unused RRHDDP funds and RA will be pooled. Pooling dates and any pertinent information thereof are available on Attachment 1 of this exhibit. Pooled funds will be available on a first-come-first-served basis to all eligible States listed on Attachment 1 of this exhibit. Pooled RRHDDP funds will remain available until the year-end pooling date.

IV. Eligibility. Applicants and proposals will need to meet the following requirements, in addition to those found in 7 CFR part 3560, Subpart B:

A. The applicant must have had an interest (including family members) in no more than one Section 515 loan over the past 3 years. For entity applicants, this restriction applies to all general partners and their family members. For the purposes of this program, interest means a Section 515 loan which has been approved and funds obligated.

B. The applicant must have had a gross aggregate income from business and personal operations of less than \$500,000 in the previous calendar year. For entity applicants, the aggregate income of all general partners will be considered. American Indian tribes and tribal housing authorities are exempt from these income requirements.

C. At least 51 percent of the labor, goods, and services to develop the proposed housing must come from the market area as described in paragraph V B of this exhibit.

D. The housing must be constructed in a market area without similar subsidized housing. Market area is defined in 7 CFR part 3560, Subpart A.

E. The proposed complex must contain no more than 50 percent of the average number of units of the average size Section 515 complex in the State based on the previous FY average.

V. Processing Preapplications.

A. Requirements. To be eligible for participation in this demonstration program, applicants must ensure that the preapplication meets all requirements set forth in 7 CFR part 3560 and this exhibit.

1. All complete preapplications must be received in the place designated by the State Director by the date listed in Attachment 1 of this exhibit. Incomplete preapplications will not be considered. A complete preapplication consists of all items specified in THC Notice of Funding Availability that will be published in the Federal Register each Fiscal Year.

2. Based upon projected demand for the RRHDDP, the State Director will select the manner in which preapplications will be rated prior to implementation and/or announcement of the program to ensure the public is aware of how requests will be prioritized. The State Director may elect one of the following systems to prioritize and select proposals for further processing:

a. The priority point system contained in 7 CFR 3560.56 or

b. The following priority point scoring system;

(i) Interest in Section 515 loans over the past 3 FYs as specified in paragraph IV A of this exhibit.

No Interest	- 5 points
Interest in 1 project	- 2 points

(ii) Gross incomes as defined in paragraph IV B of this exhibit.

Income: \$400,001-499,999	- 1 point
\$300,000-400,000	- 2 points
\$299,999 or less	- 3 points

American Indian Tribes/Tribal Housing Authorities	- 3 points
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(iii) Percent of the labor, goods, and services must come from the local market described in paragraph V B of this exhibit.

100% from local market	- 5 points
90-99% from local market	- 4 points
80-89% from local market	- 3 points
70-79% from local market	- 2 points
51-69% from local market	- 1 point

(iv) Size of proposed complex compared to average size complex obligated in previous FY.

40-50% average size	- 3 points
30-39% average size	- 4 points
less than 30%	- 5 points

c. A combination of the points received in paragraphs V A 2 a and b of this exhibit.

3. In the event of a tie, the proposal with the earliest date of complete preapplication will take preference.

B. Procurement of labor, goods, and services. One of the intents of the RRHDDP is to stimulate the local economy by encouraging procurement of labor, goods, and services from the local area. Rural Development recognizes that defining a local trade area in which to procure the labor, goods, and services to build an apartment complex is difficult in rural America. To be responsive to the application procedures, applicants must procure labor, goods, and services from Level One of this paragraph. If labor, goods, and services are not available in Level One of this paragraph, the applicant may use the trade area defined in Level Two of this paragraph. Documentation as to why the labor, goods, and services are not available in Level One of this paragraph must be included in the case file. The applicant may propose to secure labor, goods, and services from Level Three or Four of this paragraph; however, documentation as to why same is not available in all of the previous levels must be included in the case file.

1. Level One: Labor, goods, and services must be procured within 15 miles of the proposed site of the apartments.

2. Level Two: Labor, goods, and services must be procured within the county where the proposed apartments will be located.

3. Level Three: Labor, goods, and services must be procured within the lesser of 50 miles from the site of the proposed complex OR the boundaries of any adjacent county (regardless of State boundary).

4. Level Four: Labor, goods, and services must be procured within 100 miles of the proposed site (regardless of State boundary).

C. Outreach. Outreach efforts publicizing the availability of loan funds for the eligible RRHDDP States will be aggressively carried out. Each affected State Director will develop an outreach plan which includes such techniques as news releases, community meetings, coordination with other Federal, State, and local government organizations, to promote full utilization of these funds by all qualified applicants regardless of race, color, religion, national origin, marital status, age, and sex. In addition to the above outreach efforts, States with eligible colonias and/or tribal lands should establish liaison with community groups in order to leverage support and assistance provided to residents of colonias and tribal lands.

D. Monitoring Performance.

1. National Office: The National Office will track the use of targeted funds on a regular basis throughout the FY and take necessary follow-up actions to facilitate the delivery of the program.

2. State Office: The State Director will designate a staff member to coordinate all efforts under RRHDDP.

E. Issuance of Form AD-622, "Notice of Preapplication Review Action," inviting a formal application.

1. The State Director may issue AD-622s up to 100 percent of the amount shown in Attachment 1 of this exhibit and any funds made available from the State Office reserve.

2. All AD-622s issued for applicants under this demonstration program will be annotated, in Item 7 of the form, under "Other Remarks," with the following:

"Issuance of this AD-622 is contingent upon receiving funds from the Rural Rental Housing Diversity Demonstration Program (RRHDDP). Should RRHDDP funds be unavailable or the program discontinued,

this AD-622 will no longer be valid. In these cases, the request for assistance will need to compete with other preapplications based upon its priority point score established in accordance with 7 CFR 3560.56.

- VI. Exception Authority. The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, or Director of the Multi-Family Housing Processing Division (MFHPD). The request must be supported by information that demonstrates the adverse impact or affect on the program. The Administrator, or his/her designee, also reserves the right to change the pooling date, establish/change minimum and maximum fund usage from set asides and/or the reserve, or restrict participation in set asides and/or reserves.

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