

UNNUMBERED LETTERS ISSUED FOR THE JULY OF 2015

Dated	Subject	Distribution
07-02-15	Management of Rental Assistance	S/D

July 2, 2015

TO: State Directors  
Rural Development

FROM: Tony Hernandez /s/ ***Tony Hernandez***  
Administrator  
Housing and Community Facilities Programs

SUBJECT: Management of Rental Assistance

The purpose of this Unnumbered Letter (UL) is to reiterate for Rural Development State Directors and Multi-Family Housing (MFH) program staff about the requirements for management of the Rental Assistance (RA) program. A similar UL was issued in May 2013. RA outlays in Fiscal Year (FY) 2015 are projected to exceed \$1.2 billion. Annual program appropriations are expected to be at a similar level for the foreseeable future. It is, therefore, incumbent upon the Agency to utilize the RA program to its maximum potential Nationwide.

Continuing the procedure outlined in the prior UL, the transfer of all RA must be approved by the National Office prior to the transfer. This includes situations where it is appropriate under the regulations to transfer RA in conjunction with new construction projects, rehabilitation, ownership transfers, equity loans, Multifamily Preservation and Restructuring (MPR) demonstration program transactions or temporarily transfer RA due to natural disasters such as fire at a project. The National Office intends to recover unliquidated RA units in accordance with 7 CFR §3560.259 and any transfer of RA will be done from the National Office level. The unliquidated balances remaining on RA units available for transfer pursuant to 7 CFR §3560.259 may be used for RA contract renewals in the current FY.

MFH had previously established the policy of prior National Office approval for the transfer of RA units from properties where the Agency mortgage was paid off before the natural maturity date, due to prepayment or foreclosure. Prior National Office approval is also required for actions under 7 CFR Section 3560.259(c), which provides a 4-month period in which a tenant receiving RA may move to another Rural Development property, with the RA, in cases of prepayment, disaster, and foreclosure.

EXPIRATION DATE:  
July 31, 2016

FILING INSTRUCTIONS:  
Housing Programs

RA will be recovered by the National Office in the situations provided for in 7 CFR §3560.259. Please note for Section 515 properties, MFH will follow the guidance established in 7 CFR §3560.259(a)(4).

For Section 514 properties, where RA has been unused for 12 months or more, actions will be taken in accordance with the Consolidated and Further continuing Appropriations Act, 2015, 2014, Public Law 113-235 (December 16, 2014). The language is as follows:

*Provided further, That Rental Assistance provided under agreements entered into prior to fiscal year 2015 for a Farm-Labor Multi-Family Housing project financed under Section 514 or Section 516 of the Act may not be recaptured for use in another project until such assistance has remained unused for a period of 12 consecutive months, if such project has a waiting list of tenants seeking such assistance or the project has Rental Assistance eligible tenants who are not receiving such assistance: Provided further, That such recaptured Rental Assistance shall, to the extent practicable, be applied to another Farm-Labor Multi-Family Housing project financed under Section 514 or Section 516 of the Act.*

For Section 514 properties, if such recaptured RA cannot be transferred to another Farm-Labor Housing property, the National Office intends to recover the RA units.

Determinations regarding the availability and transfer of unused RA will be made by the National Office through use of the MFIS Report PRJS 4200 “Occupancy Trend”. This report identifies unused RA units as of the first day of the month. *State Offices should pay particular attention to those situations where unused RA units are in turnover status (i.e. one tenant has left and another one will soon move in).* It is important for State Officials to identify turnover units as these will not be recovered if they are to be assigned to another tenant in the same property imminently. The National Office intends to recover all eligible unused RA on a semi-annual basis and will advise State Officials, who must prepare Form RD 3560-55, “*MFH Transfer of RA*”, as directed. Unused RA will be aggregated and distributed for RA contract renewal purposes Nationwide.

When legal action or a National Appeals Division (NAD) appeal is involved, unused RA units will be swept only after the legal action [in the case of acceleration or foreclosure] is completed, or NAD makes a final determination on any RA units in an appeal. Unused RA units associated with a property undergoing rehabilitation will be allowed to remain at the property; the property’s unused RA will not be evaluated for recovery until at least six months after the rehabilitation is complete.

The management of unused RA is established in MFH's Handbook, HB-2-3560, Chapter 9, section 9.15 "Unused Rental Assistance". As a reminder, Attachment 9-B, of HB-2-3560, "Report of Status of Unused RA Units" should be completed on the SharePoint website. The next report is due November 1, 2015.

If you have any questions regarding this UL, please contact Stephanie White, Director of the Multi-Family Housing Portfolio Management Division, at (202) 720-1615.