

RD AN No. 4349 (1944-N)
April 11, 2008

TO: State Directors
Rural Development

FROM: Russell T. Davis (*Signed by Russell T. Davis*)
Administrator
Housing and Community Facilities Programs

SUBJECT: Processing Section 533 Housing Preservation Grant Program
Requests for Fiscal Year 2008

Purpose/Intended Outcome:

This Administrative Notice (AN) and the attached information provide guidance on processing Section 533 grant requests in accordance with RD Instruction 1944-N and the Notice of Funds Availability (Notice) that was published in the Federal Register on February 20, 2008.

Comparison With Previous AN:

This AN replaces RD AN No. 4281 (1944-N) dated June 4, 2007. The language that previously provided guidance on the processing issues is hereby amended.

Implementation Responsibilities:

Section 533 Housing Preservation Grant (HPG) requests must be processed in accordance with RD Instruction 1944-N and the Notice entitled "Notice of Funds Availability for the Section 533 Housing Preservation Grants for Fiscal Year 2008," published in the Federal Register on February 20, 2008.

Because of the unique nature and limited amount of funds, monies will be retained in the National Office and allocated on a project-by-project basis. Upon closing of the 60-day application period, applications should be processed to the point of approval. The priority scoring information and a narrative addressing each of the criteria listed should be submitted to the National Office, Multi-Family Housing Processing Division, Attention: Bonnie Edwards-Jackson, Stop 0781 by June 6, 2008.

EXPIRATION DATE:
September 30, 2008

FILING INSTRUCTIONS:
Preceding RD Instruction 1944-N

However, States that submit an application for a project for funds from the Empowerment Zones (EZ), Enterprise Community (EC), or Rural Economic Area Partnership (REAP) set-aside must submit these applications no later than May 9, 2008, to the National Office to allow sufficient time for processing. Due to limited dollars, submit the highest two priority scored projects for funding as it is our goal to fund at least one high priority and numerically scored project submitted for each community. In the event any additional amount of funding is available, the National Office will allocate these funds to as many remaining highly scored project applicants as feasible. **All requests must be submitted using Exhibit G to RD Instruction 1944-N.**

EZ/EC/REAP applications for HPG assistance will be selected on a competitive basis using the following criteria:

1. The proposed project supports the community's strategic plan.
2. The proposed project can be a model for other communities.
3. Financing package is cost efficient.
4. Leveraging as a funding source.

The National Office reserve funds will be used for natural disaster and targeted areas. The National Office reserve funds will also be used to ensure that each state that has been allocated less than \$100,000 and chooses to return their funds to the National Office pool is able to receive one grant for no more than \$50,000.

The states that received an allocation of under \$100,000 have the option of, (a) using their allocation to make two grants so that no one grantee receives more than 50 percent of the state allocation, or, (b) returning their allocation to the National Office pool. Once the State returns their allocation to the National Office, they may request one grant of no more than \$50,000 from the National Office pool.

The Rural Housing Assistance Grants (RHAG) Program provides flexibility in budget authority between programs. For Fiscal Year (FY) 2008, State Directors will have the flexibility to transfer budget authority between the Section 533 Housing Preservation Grant program and the Section 504 Rural Housing Grant program. Because of the way the accounting system is currently configured, the National Office will have to make these transfers.

The RHAG transfers cannot be referred until after the last day for receipt of HPG pre-applications in order to allow time to determine if funds are available for transfer. For FY 2008, State Directors will have the flexibility to transfer up to 25 percent of their initial allocations between the Section 504 Rural Housing Grant program and the Section 533 Housing Preservation Grant program with concurrence by the Agency Administrator. The transfer of funds should be requested only when there is no demand for the funds in the HPG program. Requests for transfer of funds should be submitted to the National Office between April 22 and July 17, 2008, to ensure adequate processing time.

Attachment A to this AN contains additional information for processing FY 2008, pre-applications. Attachment B, "Critical Dates - FY 2008," contains a list of critical dates necessary for the timely administration of the program. **Please indicate on the Exhibit G the anticipated leveraging for each proposal. Additionally, for tracking purposes, please indicate on the Exhibit G, if the applicant is a faith-based organization.**

Please review this material carefully. If you have any questions, please contact Bonnie Edwards-Jackson, Multi-Family Housing Processing Division (MFHPD), (202) 690-0759.

Attachments

ADDITIONAL INFORMATION

Current Activities: The Section 533 Housing Preservation Grant program funds are used to renovate deteriorating homes and rental properties by persons who have low and very low incomes. Nonprofit organizations, (which include but are not limited to, faith-based organizations), public bodies, and Native American tribes receive grants to repair these properties and bring them up to code. Financial assistance for repairs and rehabilitation include loans, grants, and/or interest reduction payments.

Pre-application Notice

The State Office should notify all field offices and publish a notice in the local media. The notice should include the field offices where a pre-application package may be obtained and submitted, questions answered, and the open dates that pre-applications may be received. States that will be using their state allocation should be aware that the 50 percent rule is mandated by statute. You should note that only a certain dollar amount was allocated to your state. States that intend to return their allocation to the National Office and request funds from the National Office pool must indicate this information in their notice, so that applicants are aware of the amount of grant they may request. The notice should also state that the pre-application must be either to assist individual homeowners or rental properties or cooperative housing projects. Any combination pre-application will not be accepted. However, an applicant may submit more than one type of pre-application. Exhibit G to RD Instruction 1944-N is required to be submitted to the National Office.

Application and Submission Information

Applicants applying for assistance must make their statement of activities available to the public for comment. **The applicants must announce the availability of their statement of activities for review in a newspaper of general circulation in the project area and allow at least 15 days for public comment.** The start of this 15-day period must occur no later than 16 days prior to the last day for acceptance of pre-applications by the Rural Housing Service.

Additional Grants

Information about the status of prior grants should be made available to State Office approving officials when applications for additional grants are made. An additional grant may be made to a grantee when it has achieved or nearly achieved the goals established for the previous or existing grant. Grantees who have submitted incomplete or untimely reports will likely be deemed high risk and subject to more agency requirements. Grantees who have failed to properly monitor their own program, or lack the ability to run their own programs would not qualify for additional grants. Documentation is essential in order to deny continuation under this provision.

Administrative Costs Budgeted or Charged as Program Costs

The HPG program is somewhat unique in that administrative costs must not exceed 20 percent of the HPG funds awarded to the grantee. The indirect cost ratio applies to the total cost of the project. Therefore, HPG administrative costs cannot be more than 20 percent of the total HPG funds.

National Office Reserve

Reserve funds will be used to ensure that each state with an allocation under \$100,000 that chooses to return their funds to the National Office is able to receive one grant from the National Office pool for not more than \$50,000. The National Office reserve will also be used for natural disasters and targeted areas. Priority use will be for natural disasters. However, states may nominate one targeted area for use of reserve funds, which may not exceed \$50,000. Such proposals may be part of a housing strategy in a targeted area. The State Director must select the proposal that will best serve the community that is in the greatest need of the HPG Program. The applicant must provide sufficient documentation in the proposal that indicates there is a great need.

Please list any proposal that is nominated for National Office reserve funds along with the pre-applications in Exhibit G. State Directors may request reserve funds by including sufficient documentation to support the reasons why it is in the Government's best interest to consider the request.

Applications for reserve funds for housing preservation in areas that have experienced a natural disaster may be accepted during the fiscal year prior to July 21, 2008, which is the HPG pooling date. Applications for natural disaster are subject to the same requirements under our review and evaluation procedures as other pre-applications; however, they do not need to be ranked.

Pre-applications for reserve funds other than natural disaster assistance must be received during the announced HPG application period that ends April 21, 2008. Applications nominated for the reserve funds must be submitted along with other information requested on Exhibit G by June 6, 2008, along with a short justification for the nomination. The amount of funding remaining in the reserve for these nominated HPG proposals will not be known until after the July 21, 2008, pooling.

CRITICAL DATES - FISCAL YEAR 2008

February 20, 2008	Notice of Funds Availability published in the Federal Register.
April 6, 2008	Last day for publication of the 15-day public comment process.
April 21, 2008	Closing date for receipt of pre-applications
May 5, 2008	Deadline for Area Office/State Office review of pre-applications. Issuance of AD-622's, "Notice of Pre-application Review Action," to rejected or incomplete pre-applications.
May 9, 2008	Last day for receipt by National Office of EZ/EC/REAP pre-applications with the priority scoring information. EZ/EC/REAP set aside funds must be obligated by May 27, 2008 .
May 20, 2008	National Office notification to State Office for issuance of AD-622 to EZ/EC/REAP applicants selected for funding.
May 27, 2008	EZ/EC/REAP set aside funds must be obligated by this date.
June 6, 2008	Last day for receipt by National Office of Exhibit G listing all pre-applications received, reviewed, ranked, amount applied for, number proposed units, and amount recommended by the State Office. Must include nominations for reserve funds.
June 26, 2008	National Office selection of pre-applications to be funded. Notification to State Office for issuance of AD-622's.
July 3, 2008	Issuance of AD-622's to selected and non-selected applicants.
July 17, 2008	Last day for requests for transfer of funds from Section 533 and Section 504.
July 21, 2008	Pooling date of all unobligated funds and authorization of funds for proposals.
July 28, 2008	Last day for obligation of HPG funds and notifications per RD Instruction 2015-C. (Copy sent to MFHPD).

