



United States Department of Agriculture  
Rural Development

SEP 9 2005

TO: All State Directors

ATTENTION: Single Family Housing Program Directors

FROM: Russell Davis *Russell Davis*  
Administrator  
Single Family Housing

SUBJECT: Hurricane Katrina Update

Rural Development's top priority is aiding affected employees, customers and other survivors to return their lives to normal. We are exploring all methods of assistance.

All employees survived the storm. However, several lost their homes. Information on how we can help will be provided as it becomes available. For now, some areas remain inaccessible. The time for planning and rebuilding remains weeks away.

All Rural Development housing inventory (Real Estate Owned – REO) properties across the country are needed to house hurricane survivors. Effective September 16, 2005, sale of all REO properties should be halted. This allows pending deals to be completed. No sales agreements dated after September 16, 2005 will be accepted, until further notice. Any new sales or marketing efforts should cease immediately.

This does not change the policy of minimizing the number of REOs. However, if a property is acquired, it should be considered as potential shelter for a displaced family.

**See attachment for instruction on rental of REOs to displaced families.**

Information on availability and condition of REOs is being collected by Rich Cohen at the Centralized Servicing Center (CSC), phone (314) 206-2102.

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The CSC has mobilized to assist affected borrowers. All direct loan accounts in Presidential Declared Disaster Areas (PDDAs) have been provided a six-month moratorium. All liquidation actions in these areas are halted until further notice. More than 10,000 letters have been mailed to customers in disaster areas. These letters explain the moratorium and provide the local Rural Development and Federal Emergency Management Agency (FEMA) contact numbers. Thousands of courtesy calls are being made to learn the status of our customers. We will continue to bend over backwards to assist our customers affected by Katrina.

All resources should be made available to survivors in need of emergency shelter and longer-term, temporary housing. Providing housing to hurricane survivors is a 50-state effort. We will put these families wherever there is housing.

Changes to our programs and methods of doing business will allow us to cut red tape and save time in providing services. We will promptly and properly provide loans and grants to those in need. While emergency appropriations, procedural waivers and legislative changes target those in affected areas, all States will be affected. Displaced families will relocate across the country with the help of Rural Development.

This is an unprecedented opportunity. We must seek creative ways to assist people and organizations damaged by the greatest natural disaster of our time. If you have a good idea, now is the time to speak up.

As we move forward in the weeks and months ahead, we will keep you informed. Rural Development will take a lead part as the recovery from this disaster moves from relief to rebuilding.

*Please forward this to all field employees in your State.* If you have any questions regarding this memorandum, please contact Donn Appieman at (202) 690-0510 or Lucia McKinney at (202) 720-1457.

## **LEASE OF REO TO HURRICANE KATRINA VICTIMS**

All REO properties are to be taken off the market effective September 16, 2005. State such as Alaska, Hawaii or others that do not expect Katrina evacuees may request an exception. Sales that are pending but have not closed are excluded. Three options may be used:

1. FEMA Memorandum of Understanding (See HB-1-3550, 15.11B)
2. Lease to Nonprofits for transitional housing (See HB-1-3550, 15.11A)
3. Lease on our own in accordance with HB0103550, 15.10 except as follows:
  - Use Form RD 1955-20, Lease of Real Property, or a standard approved lease agreement for your state. Standard leases are available in most major office supply stores.
  - Rent may be abated for up to three months for families with no income.
  - Base rent, after abatement, will be 30 percent of their adjusted income, or a fair market rent, whichever is lower.
  - Priority will be given to RD customers and USDA employers and families, then to elderly and families with children.
  - Option of either a cash security deposit or pledge of work to fixing up the house (like Self Help Housing).
  - RD will pay real estate taxes. Customer pay own utilities and maintenance and should ask for utility company forbearance.
  - If applicable, establish a relationship with the lessee and your local housing Technical Assistance counseling/assistance or similar entity.