

DEPARTMENT OF AGRICULTURE**Rural Housing Service****Notice of Availability of Funding and Requests for Proposals for Guaranteed Loans Under the Section 538 Guaranteed Rural Rental Housing Program****AGENCY:** Rural Housing Service, USDA.**ACTION:** Notice.

SUMMARY: This Notice of Fund Availability (NOFA or Notice) announces the timeframe to submit proposals in the form of "NOFA responses" for the section 538 Guaranteed Rural Rental Housing Program (GRRHP). Eligible lenders are invited to submit NOFA proposals for the development of affordable rental housing to serve rural America. Lenders have the option, but it is not a requirement, of submitting their application concurrently with their NOFA response. This document also describes the overall application process, including the selection of NOFA responses and the allocation of interest credits.

DATES: The deadline for receipt of NOFA responses is 4:00 PM, Eastern Daylight Savings Time on August 17, 1998. Lenders intending to mail a NOFA response must provide sufficient time to permit delivery on or before the closing deadline date and time. Acceptance by a post office or private mailer does not constitute delivery. Facsimile (FAX), Cash on Delivery (COD), and postage due NOFA response/application will not be accepted. No NOFA responses will be accepted after the deadlines previously mentioned, unless that date and time is extended by another Notice published in the **Federal Register**.

ADDRESSES: Responses for participation in the program must be identified as "Section 538 Guaranteed Rural Rental Housing Program" on the envelope or wrapper and be submitted to: Director, Multi-Family Housing Processing Division, Rural Housing Service, US Department of Agriculture, Room 5337 (STOP 0781), 1400 Independence Ave. SW, Washington, DC 20250-0781.

FOR FURTHER INFORMATION CONTACT: Obediah G. Baker, Jr., Director, Multi-Family Housing Processing Division, U. S. Department of Agriculture, South Agriculture Building, Room 5337 (STOP 0781), 1400 Independence Ave. SW, Washington, DC 20250-0781. Telephone: (202) 720-1604 (this number is not toll-free). Hearing or speech impaired persons may access that number by calling toll-free the Federal

Information Relay Service at (800) 877-8339.

SUPPLEMENTARY INFORMATION: On March 28, 1996, President Clinton signed the "Housing Opportunity Program Extension Act of 1996," Public Law 104-120, authorizing the section 538 Guaranteed Rural Rental Housing Program (GRRHP). The program is intended to provide rural America with affordable housing through the use of loan guarantees and partnering with other housing programs, including state and local housing finance agencies and bond issuers.

The Rural Housing Service (RHS) is publishing regulations governing the program as an interim rule elsewhere in this **Federal Register**. Those regulations set forth RHS policies and requirements on the program, including: lender and borrower requirements, loan and property requirements and restrictions, purposes and uses of guaranteed funds, processing requirements, project management and servicing requirements, and policies and mandated procedures on assignments, conveyances and claims. Interested applicants should carefully review the interim rule, RHS's handbook of administrative procedures on origination and servicing for the program, and the application package. These are available from the RHS Multi-Family Housing Processing Division at 202-720-1604. This is not a toll-free number. Hearing- or speech-impaired persons may access that number by calling toll-free the Federal Information Relay Service at (800) 877-8339.

Discussion of Notice**I. Purpose and Program Summary**

The program has been designed to increase the supply of affordable multifamily housing through partnerships between RHS and major lending sources, as well as State and local housing finance agencies and bond issuers. Qualified lenders will be authorized to originate, underwrite, and close loans for multifamily housing projects requiring new construction or acquisition with rehabilitation of at least \$15,000 per unit. RHS may guarantee such loans upon presentation and review of appropriate certifications, project information and satisfactory completion of the appropriate level of environmental review by RHS. Lenders will be responsible for the full range of loan management, servicing, and property disposition activities associated with these projects. The lender will be expected to provide servicing or contract for servicing of each loan it underwrites. In turn, RHS

will guarantee the lender's loan up to 90 percent of total development cost and commits to pay up to a maximum of 90 percent of the outstanding principal and interest balance of such loan in the case of default of the loan and filing of a claim. In no event will the Agency pay more than 90 percent of the original principal amount. This means that the Agency will have a risk exposure under the GRRHP of approximately 80 percent of the total development cost. Any losses would be split on a pro-rata split between the lender and the Agency from the first dollar lost.

II. Allocation

In Fiscal Year (FY) 1998, budget authority will provide approximately \$38 million in program dollars. All FY 1998 funds will be held in the National Office. There are no set-asides or demonstration purposes for the GRRHP for FY 1998.

III. Application Process

For FY 1998, there is limited time between the publication of the NOFA and the deadline for receipt of applications in time for making conditional commitments for guaranteed loans. Eligible lenders are encouraged to submit NOFA responses prior to deadline, as applications will be reviewed as they are received. Lenders are required to submit their NOFA response by August 17, 1998. In the interest of time, lenders have the option of submitting a combined NOFA response and application. However, the Agency will not give preference to a submission with both the NOFA response and application. Upon notice of selection, lenders with the top ranked NOFA responses will be requested to submit the required application fee of \$2,500.00 and full application if not already submitted. When the conditions of the conditional commitment are met, the lender will submit the required information with a separate guarantee fee of 1% of the total commitment amount.

IV. Submission Requirements

All NOFA responses for the GRRHP must meet the requirements of 7 CFR part 3565 and this NOFA. Incomplete submissions will not be reviewed and will be returned to the lender. Lenders are encouraged, but not required, to include a checklist and to have their applications indexed and tabbed to facilitate the review process. RHS will base its determination of completeness of the application and the eligibility of each lender on the information provided in the application.

V. Selection Criteria

A. NOFA proposals will be reviewed as received. In the event that demand exceeds available funds, priorities will be assigned to eligible proposals on the basis of the following criteria designed to focus the FY 1998 guarantee program on Presidentially-declared disaster areas, to promote partnerships creating affordable housing, and to assure the most cost effective financing packages:

(1) Proposal in a rural Presidentially-declared disaster area (25 points).

(2) Partnering and leveraging in order to develop the maximum number of housing units and promote partnerships with state and local communities, including other partners with similar housing goals. Leveraging is encouraged (up to 20 points with 5 points for each source of funding contributing 10 percent or more of total development cost).

(3) Loans with interest rates of less than 200 basis points over the 30 Year Treasury Rate; the lower the basis points, the higher the priority. Interest rate priority points will be awarded as follows:

| Interest rate | Points |
|-------------------------------|--------|
| 175 to 151 basis points | 5 |
| 150 to 100 basis points | 10 |
| 99 to 50 basis points | 15 |
| 49 to 0 basis points | 20 |

In the event of ties, proposals in rural Presidentially-declared disaster areas will be selected. In the event of ties between two or more proposals in such areas, selection between such proposals will be by lot. If there are ties between two or more NOFA responses not in rural Presidentially-declared disaster areas, selection will be by lot.

B. For 20 percent of the loans made under the program, RHS shall provide the borrower with interest credits to reduce the interest rate of the loan by a maximum of 200 basis points. In no instance will the lender's interest rate be reduced to lower than the Applicable Federal Rate.

RHS will provide interest credit on up to \$1.5 million of a loan submitted for guarantee. Lenders with proposals that could be viable with or without interest credits are encouraged to submit a NOFA response reflecting financial and market feasibility under both funding options.

NOFA responses proposing to receive interest credit will be selected using the following criteria:

(1) Requests will be ranked using the selection criteria for non-interest credit proposals (up to 65 points).

(2) Geographical location with emphasis on smaller rural communities versus larger rural communities. The requests will be ranked by population with proposals serving the smallest communities receiving priority. All proposals will be ranked in descending order of their population. The proposals will be given a point score starting with the lowest population receiving 20 points, the next 19 points and so forth until all 20 points are awarded. Those remaining will receive zero points.

(3) The most needy communities within a State based on census income data showing the preponderance of low and moderate income families. The communities to benefit from a guarantee with interest credit will be ranked by their percentage of the median income within the State with proposals serving rural communities with the lowest relative median income in the State compared to proposals serving communities in other States receiving priority. The proposals will be given a point score starting with the lowest percentage of median income receiving 20 points, the next 19 points and so forth until all 20 points are awarded. Those remaining will receive zero points.

(4) Extent of the commitment by the applicant to maintain priority at initial occupancy for low income families throughout the term of the loan. All proposals will be ranked by length of commitment with the longest receiving priority. The proposals will be given a point score starting with the longest occupancy commitment for low-income families receiving 20 points, the next 19 points and so forth until all 20 points are awarded. Those remaining will receive zero points.

(5) The lowest overall proportional effective subsidy cost to RHS. All of the interest credit requests will be ranked by proportional effective subsidy cost to the government with the lowest cost to RHS receiving priority. The proposals will be given a point score starting with the lowest proportional effective subsidy cost to RHS receiving 20 points, the next 19 points and so forth until all 20 points are awarded. Those remaining will receive zero points.

(6) Preference will be given to family proposals with large bedroom mixes. All of the proposals will be ranked by percent of units with 3-5 bedrooms with the proposals having the highest percent of 3-5 bedrooms receiving priority. The proposals will be given a point score starting with the highest ratio of 3-5 bedroom units to total units receiving 20 points, the next 19 points and so forth until all 20 points are

awarded. Those remaining will receive zero points.

(7) Proposals to be developed in a colonial on tribal land, or in an Empowerment Zone or Enterprise Community, or in a place identified in the State consolidated plan or State needs assessment as a high need community for multifamily housing (20 points).

In the event of ties, proposals in rural Presidentially-declared disaster areas will be selected to receive interest credit assistance. In the event of ties between two or more proposals in such areas, selection between such proposals will be by lot. If there are ties between two or more NOFA responses not in rural Presidentially-declared disaster areas, selection will be by lot.

VI. Additional Information

A. Regulations

NOFA responses are also subject to the regulatory provisions of the Interim Final Rule entitled "Guaranteed Rural Rental Housing Program," which is published elsewhere in this issue of the **Federal Register**.

B. Surcharges for Guarantee of Construction Advances

There is no surcharge for guarantee of construction advances for FY 1998.

C. Maximum Interest Rate

The maximum allowable interest rate on a loan submitted for a guarantee is 200 basis points over the 30-year Treasury Bond Rate as published in the *Wall Street Journal* as of the business day previous to the business day the rate is set.

D. Lender Application Fee

There is no lender fee for lender approval in FY 1998.

E. Program Fees for FY 1998

(1) There is a guarantee fee of 1% of the total commitment amount which will be due at closing of the permanent loan.

(2) There is an annual renewal fee of 0.5% of the guaranteed outstanding principal balance charged each year or portion of the year that the guarantee is in effect. Each calendar year, this fee will be collected in advance, beginning on the first anniversary of the loan.

(3) There is no site assessment and market analysis or preliminary feasibility fee in FY 1998.

(4) There is a non-refundable application fee of \$2,500 when the application is submitted following proposal selection under the NOFA.

(5) There is a flat fee of \$500 when a lender requests RHS to extend the term of a guarantee commitment.

(6) There is a flat fee of \$500 when a lender requests RHS to reopen a guarantee commitment after the period of the commitment lapses.

(7) There is a flat fee of \$1,250 when a lender requests RHS to approve the transfer of property and assumption of the loan to an eligible applicant.

Dated: July 17, 1998.

Jan E. Shadburn,

Administrator, Rural Housing Service.

[FR Doc. 98-19559 Filed 7-21-98; 8:45 am]

BILLING CODE 3410-XV-P