

## RURAL DEVELOPMENT

### RURAL HOUSING SERVICE (RHS)

**Program Level (P.L.) and Budget Authority (B.A.)**  
(Dollars in Millions)

Program	2009		2010		2011	
	Enacted		Estimate		Budget	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.
<b>Discretionary:</b>						
Single Family Housing:						
Direct Loans (Sec. 502).....	\$1,121	\$75	\$1,121	\$40	\$1,200	\$75
Guaranteed Loans (Sec. 502).....	6,232	79	11,961	173	12,000	b/
Multi Family Housing:						
Direct Loans (Sec. 515).....	70	29	70	19	95	32
Guaranteed Loans (Sec. 538).....	129	8	129	1	129	13
Very Low-Income Repair (Sec. 504):						
Direct Loans .....	34	9	34	4	34	6
Grants .....	32	32	32	32	31	31
All Other Direct Loans.....	21	a/	21	a/	21	1
Grants and Payments:						
Rental Assistance (Sec. 502 and 521).....	903	903	980	980	966	966
Mutual and Self-Help (Sec. 523).....	39	39	42	42	37	37
Multi-Family Housing Revitalization .....	32	28	69	43	18	18
All Other Grant and Loan programs.....	10	10	14	14	9	9
Farm Labor Housing Program:						
Direct Loans (Sec. 514).....	22	9	27	10	27	10
Grants (Sec. 516).....	9	9	10	10	10	10
Community Facilities Programs:						
Direct Loans.....	295	17	295	4	295	4
Guaranteed Loans.....	206	6	206	7	206	8
Grants .....	41	41	45	45	30	30
Subtotal, RHS Programs.....	9,196	1,294	15,056	1,424	15,108	1,250
Salaries and Expenses.....	460	460	469	469	455	455
Total, Ongoing Discretionary Programs.....	\$9,656	\$1,754	\$15,525	\$1,893	\$15,563	\$1,705
Recovery Act:						
Single Family Housing:						
Direct (Sec. 502).....	1,563	65	0	0	0	0
Guaranteed Loans (Sec. 502).....	10,111	129	0	0	0	0
Community Facility Programs:						
Direct.....	1,136	24	0	0	0	0
Grants.....	102	102	0	0	0	0
Total, Recovery Act Programs.....	12,912	320	0	0	0	0
Total, Discretionary Programs.....	\$22,568	\$2,074	\$15,525	\$1,893	\$15,563	\$1,705

a/ Less than \$0.5 million.

b/ The budget proposes a new fee structure similar to HUD with no cost to the government.

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**Single Family Direct and Guaranteed Loan Programs.** The Single Family Housing program provides direct and guaranteed loans to low and moderate income families in rural areas. RHS is the only Federal agency that provides direct loans for this purpose. Direct loans are limited to families with incomes less than 80 percent of area median income. The interest rate on these loans may be subsidized down to one percent interest. Guaranteed loans are limited to families with incomes less than 115 percent of area median income. The interest rate on these loans is negotiated between the borrower and the private lender. Currently, there is a one-time guarantee fee of 2 percent for new loans and 0.5 percent on loans for refinancing. This guarantee fee can be financed as part of the loan amount so that it does not impose an up-front cost that some borrowers may not be able to pay.

The 2011 budget provides for a \$1.2 billion program level for direct loans, about \$79 million above 2010 and maintains the 2010 appropriated level of \$12 billion for guaranteed loans. These levels are expected to provide about 98,993 homeownership opportunities, a decrease from 2010 which reflects anticipated higher housing prices due to the improved economic conditions.

The performance measure below displays the number of homeownership opportunities that Rural Development has provided during the fiscal year. In the past these programs have received additional funding through supplemental appropriations for disaster relief efforts that affected the performance information. The 2010 appropriation nearly doubled the amount of program funds that were typically provided in recent years. While the appropriation for 2011 is maintained at the 2010 level, the small reduction in performance can be attributed to anticipated higher housing prices due to the improved economic conditions, as indicated above.

Key Performance Measure	2006	2007	2008	2009	2010	2011
Homeownership opportunities provided	42,172	43,532	66,574	55,957	106,030	98,993

While the single family housing programs have experienced modest increases in defaults due to the current economic crisis, the programs did not make or guarantee sub-prime loans during the years that led up to the crisis and remain financially sound. Moreover, the demand for these programs has increased, as demonstrated by the rapid utilization of Recovery Act funding. Accordingly, USDA is proposing that the guaranteed loan program be adapted to reflect the high demand for this program by charging an annual fee in addition to the guarantee fee. This annual fee, at an estimated rate of 0.15 percent in 2011, would be distributed over the year in monthly payments. This change in policy is consistent with that of HUD and the VA.

The Recovery Act provided an additional \$65 million in budget authority for direct loans, sufficient to support about \$1.6 billion in loans and \$129 million in budget authority, sufficient to support over \$10 billion in guaranteed loans. Recovery Act funding for both the direct and guaranteed loan programs is expected to provide more than 90,000 homeownership opportunities. Most of this funding was used in 2009.

**Multi-Family Housing Programs.** The Multi-Family Housing program provides financing for rental housing projects and rental assistance payments for low-income tenants of those projects.

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The portfolio of previously financed projects currently includes about 17,000 projects that provide housing for about 460,000 low-income tenants, many of whom are elderly. The average annual income of tenants is about \$8,000.

In recent years, USDA has focused on the revitalization of existing projects. As part of this effort, the outstanding debt on these projects was deferred and other incentives offered to sponsors in exchange for a commitment to seek private sector financing to revitalize their projects and remain in the program. The 2011 budget reflects a change in policy toward new construction. Accordingly, the 2011 budget includes additional budget authority to increase the program level for Section 515 direct loans for multi-family housing from \$70 million in 2010 to over \$95 million in 2011 which is expected to be used for both new construction and rehabilitation of the existing portfolio. The 2011 budget proposes to terminate funding for the revitalization demonstration program. Section 538 guaranteed loans would be maintained at \$129 million with additional budget authority being provided to accommodate an increase in subsidy costs. The policy of no interest subsidy and charging no fees on guaranteed loans would be maintained.

The multi-family housing voucher program would be continued at a level of \$18 million. This program provides one-year vouchers to protect the rents of tenants affected by projects leaving the program.

Most multi-family housing projects that are financed with direct loans also receive Rental Assistance Payments. The payments are used to reduce the rents of low income families to no more than 30 percent of their income. These payments are made through contracts with project sponsors. Providing funding for the renewal of expiring rental assistance payment contracts is essential to RHS' efforts to protect the Government's investment and ensure the projects are revitalized and remain in the program. The 2011 budget includes \$966 million to renew about 212,000 expiring contracts and provide new contracts on both Section 515 and Farm Labor Housing. The modest decrease in funding is due to improvements in the way the need for renewing expiring contracts is estimated.

**Other Housing Programs.** Rural Development offers a full array of supplemental housing programs such as Very-low Income Repair loans and grants, Rural Housing Preservation, Farm Labor Housing loans and grants, and Self-Help Housing. These programs are maintained at approximately the same program levels as in 2010.

**Community Facilities Loan and Grant Programs.** RHS also administers a Community Facilities program that provides funding for a wide range of essential Community Facilities. Priority is given to health and public safety facilities. The program serves rural communities of up to 20,000 in population.

The 2011 budget provides funding for \$295 million in direct loans, \$206 million in loan guarantees and \$30 million in grants, all under the basic Community Facilities program. The loan levels are the same as for 2010, while the grant level is \$15 million lower due to the elimination of three small special interest community facilities programs, namely: Rural Community Development Initiative grants, Tribal College grants, and Economic Impact

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Initiative grants. Other RD programs are available to provide assistance similar to that offered by these programs.

The performance measure below measures the percent of rural residents who are provided with improved essential community services such as health and safety facilities. Program funding and performance is relatively consistent from year to year with the exception of 2007. The increase in performance resulted from a Presidential Initiative from the prior Administration to enable rural health facilities to upgrade record keeping systems to electronic medical records.

<b>Key Performance Measure</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Percentage of customers who are provided access to new and/or improved essential community facilities –						
Health Facilities	3.8	7.2	4.8	5.4	5.0	5.0
Safety Facilities	3.8	6.2	5.7	5.0	5.4	5.4

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