

USDA RURAL DEVELOPMENT

Housing Assistance for Single
Family and Multi-family

Types of SFH Assistance

Section 504 – Rehab of Single Family

- 50% median income and below

Section 502 Direct

- Purchase existing, purchase/rehab, rehab -only, new construction

- up to 80% median income

Section 502 Guaranteed

- Same general purpose as 502 Direct

- up to 115% median income

- Lender originated

Section 538

Guaranteed Rural Rental Housing Program (GRHHP)

Facilitating Section 515 Project Financing



Committed to the future of rural communities.

What is it?

Secret

Topics

- ❖ Creating Affordability
- ❖ Lender Benefits
- ❖ Developer Benefits
- ❖ Revitalization of 515 portfolio

Creating Affordability

- 👍 Works well with tax credits, HOME funds, grants, bonds, and other sources of financing

Creating Affordability

- 👍 Loan terms; 25 year to 40 year repayment term
- 👍 25 year minimum term for balloon with a 40 year amortization
- 👍 No Guarantee Fees
- 👍 Access to Secondary Market
- 👍 Continuous Guarantee Option

Lender Benefits

- 💰 90% protection against losses
- 💰 Program loans fulfill CRA requirements
- 💰 Guaranteed amount does not count against lender's lending limit

Lender Benefits

- 💰 Expanding secondary market and private investor opportunities
- 💰 Lender retains servicing fee

Developer Benefits



No Davis Bacon requirement



515 projects eligible regardless of location

Developer Benefits

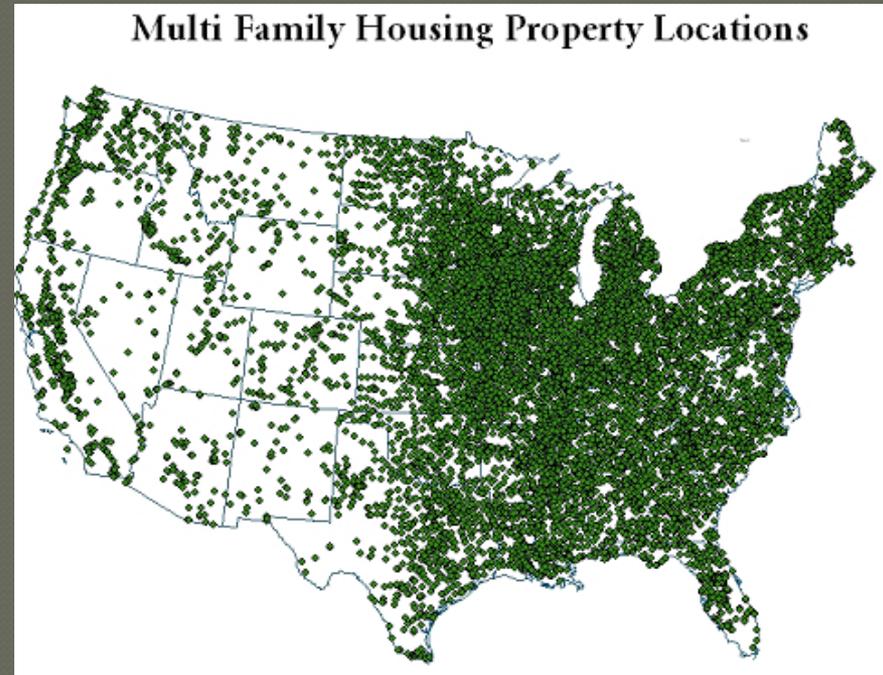
-  Up to 90% LTV for For-Profit-Entities
-  Up to 97% LTV for Non-Profit-Entities
-  Continous Guarantee Reduces
Construction Period Interest Rate Risk

Using the Section 538 for the Revitalization of Section 515 Projects

Revitalization of 515 Portfolio

In 2007 Section 515:

- Over 16,000 projects
- Over 442,000 units
- Avg. project size: 27 units
- 75% over 15 years old
- Over 50% > 20 years old



What does the Sec. 515 portfolio look like?

- 93.86% Very Low Income
- Avg. Household income: \$10,036
- Female head of household: 72.4%
- 59% elderly, disabled/handicapped
- 30% minority households

Sec. 515 Portfolio Issues

- ✘ Sale of units out of the program
- ✘ Aging of physical asset
- ✘ Lack of affordable capital resources
- ✘ Owners wanting or needing to sell, and
- ✘ Lack of affordable debt for acquisitions with rehabilitation

515 Revitalization - How can the 538 help?

Provide affordable debt to:

- Transfer or acquire ownership of property
- Revitalize existing property
- Must need at least \$6,500/unit rehab.

515 Revitalization - How can the 538 help?

The Section 515 mortgage must subordinate

The loan guaranteed by Section 538 must be 1st lien

515 Revitalization - How can the 538 help?

- Median Area HH Income \$ 31,308
- One project was a 515
- One project was HUD
- These were acquisition/rehabs
- Both projects had HUD Section 8

515 Revitalization - How can the 538 help?

Project I – 49 1 BDRMS

| | |
|-----------------------------------|--------------------|
| Total Development Cost | \$3,239,114 |
| FHLB | \$ 173,600 |
| Section 538 Loan Guarantee | \$1,585,000 |

Tax Credits/GP Equity = Balance

The Section 538 Loan Guaranteed was for 30 years @ 7.5% with 250 Basis Points to buy down to the AFR

515 Revitalization - How can the 538 help?

Project II – 31 1 BDRMS

| | |
|-----------------------------------|------------------|
| Total Development Cost | \$2,083,846 |
| Section 515 Assumption | \$724,000 |
| FHLB/AHP | \$106,400 |
| Section 538 Loan Guarantee | \$367,892 |

Tax Credits/GP Equity = Balance

515 Revitalization - How can the 538 help?

Rehab included a walkway from Project to Project, a new community room, and office space for manager and service coordinator

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QUESTIONS?