

# Section 515 Revitalization and the Section 538 Program



Committed to the future of rural communities.

# Discussion Topics

- **The section 515 Portfolio.**
- **515 rehab/repair needs in Maine**
- **How can the section 538 help?**
- **What are the advantages of using the section 538?**
- **Interest Credit and the Applicable Federal Rate.**
- **The Application Process.**



# 515 Portfolio as of January 2006

- **The average income of a family was \$10,036.**
- **76.6% of all households utilized project based rental assistance from RHS or HUD.**
- **58% of units nationwide were occupied by the elderly, disabled or handicapped.**
- **30.31% of units nationwide were occupied by minorities.**
- **72% of all households were female headed households.**



# Loss of Units

- **As of January 31, 2004 the 515 Rural Rental Housing portfolio contained 17,155 properties and 464,382 units.**
- **As of January 31, 2006 the number of properties had been reduced to 16,751 and number of units were reduced to 460,927.**
- **A reduction of 404 properties and 3,455 units in 2 years.**



# **515 rehab/repair needs in Maine**

**Maine has 344 Section 515 properties**

**Based on the national assessment completed by Onsite-Insite, a significant number of these will require some form of capital improvement to meet safe, decent, sanitary, and accessible standards.**

**Some of these needs can be met by increases to reserve funding. The majority will require rehab/repair funding.**



# 515 rehab/repair needs in Maine

- **Direct funding for 515 rehab/repair is limited.**
- **Of the \$99,000,000 allocated by congress for the 515 program in FY 2006, \$48,510,000 was available nationwide for rehab/repair**
- **No additional rental assistance is available for rehab/repair loans**



# **515 rehab/repair needs in Maine**

- **Maine RD identified 17 properties for the FY 2006 rehab/repair funding for the annual rehab/repair survey.**
- **These were the most critical properties with the greatest need.**
- **Totaling \$6,520,000 in immediate rehab/repair funding needs.**



# **515 rehab/repair needs in Maine**

- **Maine was awarded \$902,340 for 3 properties from the nationwide allocation. This represents 14% of the identified needs.**
- **14 properties still have immediate rehab need of over \$5.6 million.**





# 515 rehab/repair needs in Maine

- **The President's proposed budget for FY 2007 does not provide any funding for the section 515 program, including rehab and repair.**
- **The proposed budget calls for a doubling of the Section 538 program from \$99 million in FY 2006 to \$198 million in FY 2007. (Subsidy rate of 7.74 vs. 45.88)**



# 515 rehab/repair needs in Maine

- **In FY 2006, for the first time, rehab/repair of existing 515 properties is authorized under the Section 538 program.**



# How can the Section 538 help?

- **Transfer of a 515 property with \$6,500/unit rehab, or**
- **Acquire an existing 515 property with \$6,500/unit rehab.**
- **Equity funding for the MPR Demo Program transfers.**
- **An existing owner can use the 538 to revitalize and repair an existing 515 property**



# Advantages of using the Section 538 for Revitalization

- **Up to a 40 year amortization or useful life of property.**
- **Minimum loan term is 25 years.**
- **25 year term balloon with 40 year amortization is eligible.**
- **No Davis Bacon Requirement**



# Advantages of using the Section 538 for Revitalization, Cont.

- **Interest credit to buy down the loan to the Applicable Federal Rate (AFR)**



# What is the AFR?

**The AFR is the interest rate set by the U.S. Treasury for financing federal programs.**

**The AFR for April is 4.68**



# Where can AFR be found?

**Sign up for “Time Value Software's” free AFR update:**

**<http://www.timevalue.com/afrindex.htm>**

**We use the IRS Revenue Ruling for the Long Term Monthly Rate**



# Subordination Agreement

- **Section 538 requires a first lien position**
- **A standard subordination agreement has been developed and is being cleared by the Agency.**





# Sec. 538/Sec. 515 Application Process

**Publication of NOFA**  
(Federal Register)

**Selection of NOFA Response/Invitation to Proceed**

**Meeting with All Parties (Pre-Construction or Planning Meeting)**

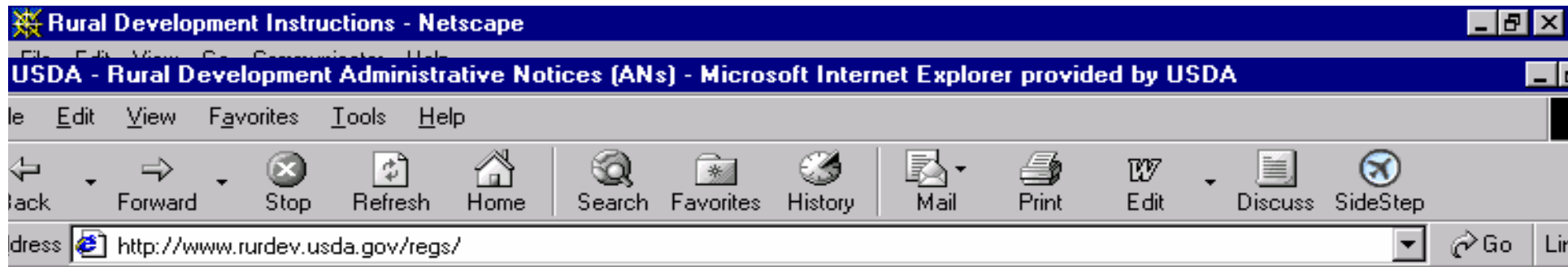
**GRRHP Application Development**  
**Lender Underwrites Loan Application/State Office Reviews It**

**Obligation of Funds & Issuance of Conditional Commitment**

**Completion of Work**

**Issuance of Permanent Guarantee**





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### **Rules Out for Comment**

*[Business and Industry Guaranteed Loan Program](#); Proposed Rule; Comment period ends June 6, 2005*

