

January 14, 2003

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors
Single Family Housing Funding Contacts

FROM: David J. Villano /s/
Deputy Administrator
Single Family Housing

SUBJECT: Distribution of FY 2003 Section 502 Direct
And Section 504 Loan and Grant Funds
Under a Sixth Continuing Resolution (CR)

We are currently operating under a sixth CR until close of business Friday, **January 31, 2003**. We have been allocated funding (including previous allotments) as follows:

Program	Funding Allotted
Section 502 Direct Low	\$68.9 Million
Section 502 Direct Very Low	\$87.6 Million
Total Section 502 Direct	\$156.5 Million
Non Program REO	\$291,370
Section 504 Loans	\$7.5 Million
Section 504 Grants	\$9.9 Million

SECTION 502 DIRECT FUNDS

The latest CR provided approximately \$30 million for the Section 502 Direct program. These funds were disbursed to the States based on the allocation formula, with no State receiving less than \$200,000 in additional funding.

This is different than the last distribution, which was based on year to date funding. The attached spreadsheet indicates the amount of additional funds distributed to each state instead of the total amount distributed.

- **REO is the only funding available through NORF for the Section 502 program.** Please select the “REO Sale (Program VL)” or “REO Sale (Program L)” Fund Types when submitting these requests in the NORF system. Other Section 502 fund types will not be available in NORF at this time. Any pending requests in NORF (except Program REO) will be withdrawn as of the date of this memorandum. **There is a small amount of carryover funds totaling \$291,370 available for Non Program Credit Sales.** These funds will be available through appropriations accounting until they are exhausted. Please use program type code 1024 when obligating these funds. Additional non program credit sale funds will be available when the Agency’s budget is passed.
- **Hardships must be funded from each State’s allocation, as a minimal 502 reserve is being held in the National Office during this CR.**
- **NORF requests that do not match FASTeller exactly will be rejected.**
- Loans for all special programs will be funded from the State’s allocation until our budget is final. Reimbursements of the National Office portion for Self-Help loans and/or RHLP/CDFI loans will be credited in accordance with RD Instruction 1940-L which will be published when our budget is final.

SECTION 504 LOAN/GRANT FUNDS

We are releasing an additional \$30,000 to 17 States that had a small, unobligated balance in the Appropriation Accounting System as of January 13, 2003 (see attachment). Additional Section 504 loan requests will be handled through the National Office Reserve (NORF) system on a case-by-case basis. States unable to utilize all of their Section 504 loan funds during this continuing resolution, may contact Gloria Denson at 202 720-1487.

Due to the limited availability of Section 504 grant funds, we are releasing an additional \$22,500 to each State. Requests for dire emergency and 504 loan/grant combinations will be handled through the National Office Reserve Fund (NORF) system on a case-by-case basis as follows:

- **A small amount of Section 504 Loan and Grant funds are available in NORF for dire hardships.** You may submit dire hardship requests through NORF, **with a detailed justification to follow**, to Gloria Denson via fax at 202-720-6895 or via e-mail at gdenson@rdmail.rural.usda.gov. State in the “Additional Notes” section if the request is a 504 Combo.
- **Section 504 Grant requests submitted without Form RD 1944-3, “Budget and /or Financial Statement,” and a detailed justification for dire hardship consideration will be rejected.**
- **NORF requests that do not match FASTeller exactly will be rejected.**
- There are no funds available for the other Fund Type selections in NORF.

States should carefully manage these funds to assure full utilization by the end of the CR.

The attached spreadsheets show the total fund distribution for Section 502 and Section 504 programs including funds allocated in previous CRs. Any State that does not anticipate using all of their 502 and/or 504 allocations under this CR should inform the National Office as soon as possible.

Section 502 Direct Loans and Section 504 Loans/Grants funded under this and previous CRs will be charged against your FY 2003 State allocation. When the Agency has a budget in place, you must fund all hardship requests from your State allocation. We anticipate that when the budget is released, we will have published the 1940-L and will operate under that guidance.

If you have questions regarding Section 502 funds, please contact Teresa Sumpter at 202-720-1485. If you have questions regarding 504 funds, please contact Gloria Denson at 202-720-1487.

Attachment