

October 23, 2002

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors
Single Family Housing Funding Contacts

FROM: David J. Villano /s/ William M. Toney *for*
Deputy Administrator
Single Family Housing

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

We are currently operating under a fourth CR until close of business Friday, November 22, 2002. We have been given authority to operate based on a small percentage of our allotment for FY 2002 for 502 Direct, or a total of \$49.9 million. Section 504 Loan and Grant funds have also been authorized for use by the Agency. We have been allotted \$2,689,898 in Section 504 Loan and \$1,844,420 in 504 Grant funds under the current CR.

SECTION 502 DIRECT FUNDS

Section 502 Direct funds will be disbursed to the States based on the allocation formula, with no State receiving less than \$250,000 total (spreadsheet attached). **Dire hardship requests must be funded from each State's allocation, as no 502 reserve is being held in the National Office during this CR. Section 502 loans must be funded from the allocation each State receives under the CR. Therefore, effective immediately, requests for Section 502 Direct hardships (which includes RHLP, CDFI, Self-Help, etc.) will not be processed through the National Office Reserve Funds (NORF) System.** Those 502 hardship requests currently submitted through NORF and awaiting processing will be withdrawn as of the date of this memorandum. **The only 502 loans you will be able to process in NORF under this CR are Program Credit Sales.** Please select the "Credit Sales (Program)" Fund Type when submitting these requests in the NORF system. We will accept requests for additional Fund Types in NORF when the RHS FY 2003 budget is approved and funds have been allotted in the Appropriations Accounting System. 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.

SECTION 504 LOAN/GRANT FUNDS

Section 504 Loan funds in the amount of \$50,000 will be placed in each State's appropriations accounting system. These funds should be used to finance all 504 Loan and the loan portion of all 504 Combo requests, as no 504 Loan reserve is being held in the National Office during this CR. You may request 504 Grant funds through the NORF system for dire emergency hardship cases only. A dire hardship case is one requiring a significant priority in funding, ahead of other requests, due to severe health or safety hazard, or physical needs of the applicant. These requests will be processed through NORF only until RHS receives its budget allotment for FY 2003 or at least until we receive a larger amount of 504 funds under a CR. You may submit Section 504 Grant and 504 Combo (Grant Portion Only) 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 of the request that it is a 504 Combo. **When selecting the "Fund Type" for your NORF request, please select the "504 Grant Hardships" fund ONLY.** There are no funds yet available for the other Fund Type selections in NORF. **Section 504 Grant requests submitted without Form RD 1944-3, "Budget and/or Financial Statement," a detailed justification for dire hardship consideration, and/or for a NORF Fund Type other than "504 Grant Hardships" will be rejected.** We will be verifying the information for each request in the FASTeller system, so please make sure the appropriate coding is applied to each loan and/or grant. **If your request does not match FASTeller exactly, it will be rejected.**

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.

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