

December 6, 2002

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 Fifth Continuing Resolution (CR)

We are currently operating under a fifth CR until close of business Friday, January 11, 2003. We have been allocated funding (including previous allotments) as follows:

<b>Program</b>	<b>Funding Allotted</b>
<b>Section 502 Direct Low</b>	\$73.6 Million
<b>Section 502 Direct Very Low</b>	\$57.8 Million
<b>Total Section 502 Direct</b>	\$131.4 Million
<b>Section 504 Loans</b>	\$6.2 Million
<b>Section 504 Grants</b>	\$7.6 Million

### **SECTION 502 DIRECT FUNDS**

Section 502 Direct funds were disbursed to the States based on the allocation formula, with no State receiving less than \$500,000 total.

- **The only funding available through NORF for Section 502 is for Program Sales of REO.** Please select the “REO Sales (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 Any pending requests in NORF (except Program REO) will be withdrawn as of the date of this memorandum.

- **Hardships must be funded from each State's allocation, as no 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**

Section 504 funds were disbursed to the States based on the allocation formula, with no State receiving less than \$50,000 for Section 504 Loans and \$30,000 for 504 Grants.

- **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](mailto: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," a detailed justification for dire hardship consideration, and/or for a NORF Fund Type other than "504 Grant Hardships" will be rejected.**
- **NORF requests that do not match FASTeller exactly will be rejected.**
- There are no funds yet 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