

PART 1940 - GENERAL

Subpart L - Methodology and Formulas for Allocation of Loan and Grant
Program Funds

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PART 1940 - GENERAL
Subpart L - Methodology and Formulas for Allocation
of Loan and Grant Program Funds

§1940.551 Purpose and general policy.

(a) The purpose of this subpart is to set forth the methodology and formulas by which the Under Secretary of Rural Development allocates program funds to the States. (The term "State" means any of the States of the United States, the Commonwealth of Puerto Rico, any territory or possession of the United States, or the Western Pacific Areas.)

(Revised 7-12-88, PN 89.)

(b) The formulas in this subpart are used to allocate program loan and grant funds to State Offices so that the overall mission of the Agency can be carried out. Considerations used when developing the formulas include enabling legislation, congressional direction, and administration policies. Allocation formulas ensure that program resources are available on an equal basis to all eligible individuals and organizations.

(c) The actual amounts of funds, as computed by the methodology and formulas contained herein, allocated to a State for a funding period, are distributed to each State Office by an exhibit to this subpart. The exhibit is available for review in any Rural Development State Office. The exhibit also contains clarifications of allocation policies and provides further guidance to the State Directors on any suballocation within the State. Rural Development will publish a Notice of Availability of Rural Housing funds in the Federal Register each year. (Revised 01-27-92, SPECIAL PN.)

§1940.552 Definitions.

(a) Amount available for allocations. Funds appropriated or otherwise made available to the Agency for use in authorized programs. On occasion, the allocation of funds to States may not be practical for a particular program due to funding or administrative constraints. In these cases, funds will be controlled by the National Office. (Revised 7-12-88, PN 89.)

(b) Basic formula criteria, data source and weight. Basic formulas are used to calculate a basic State factor as a part of the methodology for allocating funds to the States. The formulas take a number of criteria that reflect the funding needs for a particular program and through a normalization and weighting process for each of the criteria calculate the basic State factor (SF). The data sources used for each criteria are believed to be the most current and reliable information that adequately quantifies the criterion. The weight, expressed as a percentage, gives a relative value to the importance of each of the criteria.

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Loan and Grant Making
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(c) Basic formula allocation. The result of multiplying the amount available for allocation less the total of any amounts held in reserve or distributed by base or administrative allocation times the basic State factor for each State. The basic formula allocation (BFA) for an individual State is equal to:

$$\text{BFA} = (\text{Amount available for allocation} - \text{NO reserve} \\ - \text{total base and administrative allocations}) \times \text{SF.}$$

(d) Transition formula. A formula based on a proportional amount of previous year allocation used to maintain program continuity by preventing large fluctuations in individual State allocations. The transition formula limits allocation shifts to any particular State in the event of changes from year to year of the basic formula, the basic criteria, or the weights given the criteria. The transition formula first checks whether the current year's basic formula allocation is within the transition range (+ or - percentage points of the proportional amount of the previous year's BFA).

$$\text{Transition Range} = 1.0 + \frac{\text{maximum } 20\%}{100}$$

$$\times \frac{(\text{Amount available for allocation this year} \times \text{State previous} \\ (\text{Amount available for allocation previous year}) \text{ year BFA})}{100}$$

If the current year's State BFA is not within this transition range, the State formula allocation is changed to the amount of the transition range limit closest to the BFA amount. After having performed this transition adjustment for each State, the sum of the funds allocated to all States will differ from the amount of funds available for BFA. This difference, whether a positive or negative amount, is distributed to all States receiving a formula allocation by multiplying the difference by the SF. The end result is the transition formula allocation. The transition range will not exceed 40% (+ 20%), but when a smaller range is used it will be stated in the individual program section.

(e) Base allocation. An amount that may be allocated to each State dependent upon the particular program to provide the opportunity for funding at least one typical loan or grant in each Rural Development State, District, or County Office. The amount of the base allocation may be determined by criteria other than that used in the basic formula allocation such as Agency historic data.

(f) Administrative allocations. Allocations made by the Administrator in cases where basic formula criteria information is not available. This form of allocation may be used when the Administrator determines the program objectives cannot be adequately met with a formula allocation.

(g) Reserve. An amount retained under the National Office control for each loan and grant program to provide flexibility in meeting situations of unexpected or justifiable need occurring during the fiscal year. The Administrator may make distributions from this reserve to any State when it is determined necessary to meet a program need or Agency objective. The Administrator may retain additional amounts to fund authorized demonstration programs. When such demonstration programs exist, the information is outlined in Exhibit A of this subpart (available in any Rural Development State Office). (Revised 7-12-88, PN 89)

(h) Pooling of funds. A technique used to ensure that available funds are used in an effective, timely and efficient manner. At the time of pooling those funds within a State's allocation for the fiscal year or portion of the fiscal year, depending on the type of pooling, that have not been obligated by the State are placed in the National Office reserve. The Administrator will establish the pooling dates for each affected program.

(1) Mid-year: This pooling addresses the need to partially redistribute funds based on use/demand. Mid-year pooling occurs near the midpoint of the fiscal year.

(2) Year-end: This pooling is used to ensure maximum use of program funds on a national basis. Year-end pooling usually occurs near the first of August.

(3) Emergency: the Administrator may pool funds at any time that it is determined the conditions upon the initial allocation was based have changed to such a degree that it is necessary to pool funds in order to efficiently carry out the Agency mission.

(i) Availability of the allocation. Program funds are made available to the Agency on a quarterly basis. In the high demand programs, it is necessary that specific instructions be given to the State Offices regarding the amount which is available for obligation during each quarter.

(j) Suballocation by the State Director. Dependent upon the individual program for which funds are being allocated, the State Director may be directed or given the option of suballocating the State allocation to District or County Offices. When suballocating the State Director may retain a portion of the funds in a State Office reserve to provide flexibility in situations of unexpected or justified need. When performing a suballocation the State Director will use the same formula, criteria and weights as used by the National Office.

(k) Other documentation. Additional instructions given to field offices regarding allocations.

§§1940.553 - 1940.554 Reserved

(Continued on page 5)

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(Revision 1)

(7-12-85) SPECIAL PN

§1940.555 Insured Farm Operating loan funds.

- (a) Amount available for allocations See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:

- (1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%
- (2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%
- (3) C= Tenant farm operators. Source: U.S. Census of Agriculture. 20%
- (4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.
- (5) E= Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$ where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

- (c) Basic formula allocation. See §1940.552(c) of this subpart.
- (d) Transition formula. See §1940.552(d) of this subpart. Not used.
- (e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

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§1940.555 (Con.)

- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.
- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Subobligation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§1940.556 Guaranteed Farm Operating loan funds.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:

- (1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%
- (2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%
- (3) C= Tenant farm operators. Source: U.S. Census of Agriculture. 20%
- (4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.
- (5) E= Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$ WHERE A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

- (c) Basic formula allocation. See §1940.552(c) of this subpart.
- (d) Transition formula. See §1940.552(d) of this subpart. Not used.
- (e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

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- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other Documentation. See §1940.552(k) of this subpart.

§1940.557 Insured Farm Ownership loan funds.

(a) Amount available for allocations. See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A = Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B = Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C = Tenant farm operations. Source: U.S. Census of Agriculture. 25%

(4) D = Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E = Value of farm real estate assets. Source: USDA Economic Research Service. 10% The basic allocation formula is a two-step process. IN step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: $Aa+Bb+Cc+Dd+Ee=State\ FACTOR$ where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The State FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation. See §1940.552(c) of this subpart.

(d) Transition formula. See §1940.552(d) of this subpart. The transition range is plus or minus 15%.

(e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

RD Instruction 1940-L
§1940.557 (Cont.)

- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. A portion of the allocation will be targeted to the State's rural socially disadvantaged population. The amount of targeted funds for each State is equal to the State's total rural population multiplied by the State's total fiscal year Insured Farm Ownership allocation. Source of data is U.S. Census of Agriculture. (Revised 7-12-88, PN 89)
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§1940.558 Guaranteed Farm Ownership loan funds.

(a) Amount available for allocation. See §1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria, data source and weight are:

- (1) A= Farm operators with sales of \$2,500 to \$39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%
- (2) B= Farm operators with sales of \$40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%
- (3) C= Tenant farm operations. Source: U.S. Census of Agriculture. 25%
- (4) D= Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.
- (5) E= Value of farm real estate assets. Source: USDA Economic Research Service. 10%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: $Aa+Bb+Cc+Dd+Ee=STATE\ FACTOR$ where A, B, C, D, and E represent selected CRITERIA expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the WEIGHT expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The STATE FACTOR represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) Basic formula allocation. See §1940.552(c) of this subpart.

(d) Transition formula. See §1940.552(d) of this subpart. Not used.

(e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations: See Section 1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not have administrative allocations.

RD Instruction 1940-L
§1940.558 (Con.)

- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. Suballocations by the State Director are optional.
- (k) Other documentation. See §1940.552(k) of this subpart.

§ 1940.559 Farmer Programs appropriations not allocated by State.

(Revised 7-12-88, PN 89)

(a) Emergency Disaster. State allocations are not made since it is impossible to predict occurrences. Obligating documents may be submitted to the Finance Office as loans are approved in designated areas. This type of loan is available only in areas designated as disaster areas. Designations may be by a single county, multiple of counties or areas, depending upon the scope and severity.

(b) Soil and Water. Funds are not allocated to States. Program size does not permit equitable distribution. Obligation of funds are on a first-come, first-served basis, subject to availability.

§ 1940.560 Guarantee Rural Rental Housing Program.

(Added 12-18-98, SPECIAL PN)

When funding levels are under \$100,000,000, all funds will all be held in a National Office reserve and made available administratively in accordance with the Notice of Funding Availability (NOFA) and program regulations. When program levels are sufficient for a nationwide program, funds are allocated based upon the following criteria and weights.

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. Each factor will receive a weight respectively of 40%, 40% and 20%. The criteria used in the basic formula are:

(1) State's percentage of National rural population,

(2) State's percentage of the National number of rural households between 50 and 115 percent of the area median income, and

(3) State's percentage of National average cost per unit. Data source for the first two of these criterion are based on the latest census data available. The third criterion is based on the cost per unit data using the applicable maximum per unit dollar amount limitations under section 207(c) of the National Housing Act, which can be obtained from the Department of Housing and Urban Development. The percentage representing each criterion is multiplied by the weight assigned and totaled to arrive at a State factor.

RD Instruction 1940-L
§ 1940.560(b)(3) (Con.)

State Factor = (criterion No. 1 x weight of 40%)+
(criterion No. 1 x weight of 40%)+
(criterion No. 1 x weight of 20%)

- (c) Basic formula allocation. See § 1940.552(c).
- (d) Transition formula. See § 1940.552(d).
- (e) Base allocation. See § 1940.552(e). Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations. See § 1940.552(f). Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See § 1940.552(g).
- (h) Pooling of funds. See § 1940.552(h).
- (i) Availability of the allocation. See § 1940.552(i).
- (j) Suballocation by the State Director. See § 1940.552(j).
- (k) Other documentation. Not applicable.

§§ 1940.561 - 1940.562 [Reserved]

§ 1940.563 Section 502 non-subsidized guaranteed Rural Housing (RH) loans.
(Added 03-13-91, PN 159.)

- (a) Amount available for allocations. See § 1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. The criteria used in the basic formula are:
 - (1) State's percentage of the National number of rural occupied substandard units,
 - (2) State's percentage of the National rural population in places of less than 2,500 population,
 - (3) State's percentage of the national number of rural households between 80 and 100 percent of the area median income, and

§ 1940.563(b) (Con.)

(4) State's percentage of the national number of rural renter households paying more than 35 percent of income for rent. Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF) as follows:

$$\begin{aligned} \text{SF} = & (\text{criterion 1 x weight of 30 \%}) + \\ & (\text{criterion 2 x weight of 10 \%}) + \\ & (\text{criterion 3 x weight of 30 \%}) + \\ & (\text{criterion 4 x weight of 30 \%}) \end{aligned}$$

- (c) Basic formula allocation. See § 1940.552(c) of this subpart.
- (d) Transitional formula. See § 1940.552(d) of this subpart. The percentage range used for Section 502 guaranteed RH loans is plus or minus 15.
- (e) Base allocation. See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.
- (f) Administrative allocations. See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See § 1940.552(g) of this subpart.
- (h) Pooling of funds. See § 1940.552(h) of this subpart.
- (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
- (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.
- (i) Availability of the allocation. See § 1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See § 1940.552(j) of this subpart. Annually, the Administrator will advise State Director's whether or not suballocation within the State Office jurisdiction will be required for the guaranteed housing program.
- (k) Other documentation. Not applicable.

§ 1940.564 Section 502 subsidized guaranteed Rural Housing (RH) loans.
(Added 03-13-91, PN 159.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

(1) State's percentage of the National number of rural occupied substandard units,

(2) State's percentage of the National rural population in places of less than 2,500 population,

(3) State's percentage of the national number of rural households below 80 percent of the area median income, and

(4) State's percentage of the national number of rural renter households paying more than 35 percent of income for rent. Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF) as follows:

$$\begin{aligned} \text{SF} = & (\text{criterion 1} \times \text{weight of } 30 \%) + \\ & (\text{criterion 2} \times \text{weight of } 10 \%) + \\ & (\text{criterion 3} \times \text{weight of } 30 \%) + \\ & (\text{criterion 4} \times \text{weight of } 30 \%) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transitional formula. See § 1940.552(d) of this subpart. The percentage range used for Section 502 guaranteed RH loans is plus or minus 15.

(e) Base allocation. See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart.

§ 1940.564 (Con.)

(h) Pooling of funds. See § 1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) Availability of the allocation. See § 1940.552(i) of this subpart.

(j) Suballocation by the State Director. See § 1940.552(j) of this subpart. Annually, the Administrator will advise State Director's whether or not suballocation within the State Office jurisdiction will be required for the guaranteed housing program.

(k) Other documentation. Not applicable.

§1940.565 Section 502 subsidized Rural Housing loans.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
 - (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria used in the basic formula are:
 - (1) State's percentage of the National number of rural occupied substandard units,
 - (2) State's percentage of the National rural population,
 - (3) State's percentage of the National rural population in places of less than 2,500 population,
 - (4) State's percentage of the National number of rural households between 50 and 80 percent of the area median income, and
 - (5) State's percentage of the National number of rural households below 50 percent of the area median income.
- Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF)
- $$\text{SF} = (\text{criterion 1} \times \text{weight of 25\%}) +$$
- $$(\text{criterion 2} \times \text{weight of 10\%}) +$$
- $$(\text{criterion 3} \times \text{weight of 15\%}) +$$
- $$(\text{criterion 4} \times \text{weight of 30\%}) +$$
- $$(\text{criterion 5} \times \text{weight of 20\%})$$
- (c) Basic formula allocation. See §1940.552(c) of this subpart.
 - (d) Transition formula. See §1940.552(d) of this subpart. The percentage range used for Section 502 subsidized RH loans is plus or minus 15.
 - (e) Base allocation. See §1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.
 - (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
 - (g) Reserve. See §1940.552(g) of this subpart.

- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
- (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. The State Director will suballocate funds to the District Offices and may, at his/her option, suballocate to the County Offices. The State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.565(b) and (c) of this section. The suballocations to District or County Offices will not be reduced or restricted unless written approval is received from the National Office in response to a written request from the State Director. The State Director's request must include the reasons for the requested action (e.g., high housing inventory and/or high housing delinquency).
- (k) Other documentation. The percentage distribution of funds to the States by income levels is based on prevailing legislation.

§1940.566 Section 504 Housing Repair loans.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b). The criteria used in the basic formula are:

- (1) State's percentage of the National number of rural occupied substandard units, and
- (2) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

$$SF = (\text{criterion No. 1} \times \text{weight of 50\%}) + (\text{criterion No. 2} \times \text{weight of 50\%})$$

- (c) Basic formula allocation. See §1940.552(c) of this subpart.
- (d) Transition formula. See §1940.552(d) of this subpart. The percentage range used for Section 504 Housing Repair Loans is plus or minus 15.
- (e) Base allocation. Not used.
- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
- (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
 - (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.
- (i) Availability of the allocation. See §1940.552(i) of this subpart.

(j) Suballocation by the State Director. See §1940.552(j) of this subpart. At the option of the State Director, Section 504 loan funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.566(b) and (c) of this section.

(k) Other documentation. Not applicable.

§1940.567 Section 504 Housing Repair grants.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. The criteria used in the basic formula are:
 - (1) State's percentage of the National number of rural occupied substandard units,
 - (2) State's percentage of the National rural population 62 years and older, and
 - (3) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

$$\begin{aligned} \text{SF} = & (\text{criterion No. 1} \times \text{weight of } 33 \frac{1}{3}\%) + \\ & (\text{criterion No. 2} \times \text{weight of } 33 \frac{1}{3}\%) + \\ & (\text{criterion No. 3} \times \text{weight of } 33 \frac{1}{3}\%) \end{aligned}$$

- (c) Basic formula allocation. See §1940.552(c) of this subpart.
- (d) Transition formula. See §1940.552(d) of this subpart. The percentage range used for Section 504 Housing Repair grants is plus or minus 15.
- (e) Base allocation. Not used.
- (f) Administrative allocations. See §1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See §1940.552(g) of this subpart.
- (h) Pooling of funds. See §1940.552(h) of this subpart.
 - (1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.
 - (2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

- (i) Availability of the allocation. See §1940.552(i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552(j) of this subpart. At the option of the State Director, Section 504 grant funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in §1940.567(b) and (c) of this section.
- (k) Other documentation. Not applicable.

§1940.568 Single Family Housing programs appropriations not allocated by State. The following program funds are kept in a National Office reserve and are available as determined administratively:

- (a) Section 523 Self-Help Technical Assistance Grants.
- (b) Section 523 Land Development Fund.
- (c) Section 524 Rural Housing Site Loans.
- (d) Section 509 Compensation for Construction Defects.
- (e) Section 502 Nonsubsidized Funds.

§§1940.569 - 1940.574 Reserved.

§1940.575 Section 515 Rural Rental Housing (RRH) loans. (Revised 7-12-88, PN 89)

(a) Amount available for allocations. See §1940.552 (a) of this subpart.

(b) Basic formula criteria, data source and weight. See §1940.552 (b) of this subpart.

The criteria used in the basic formula are:

- (1) State's percentage of National rural population,
- (2) State's percentage of National number of rural occupied substandard units, and
- (3) State's percentage of National rural families with incomes below the poverty level.

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight assigned and summed to arrive at a State factor (SF).

$$\text{SF} = (\text{criterion No. 1} \times \text{weight of } 33 \frac{1}{3}\%) + (\text{criterion No. 2} \times \text{weight of } 33 \frac{1}{3}\%) + (\text{criterion No. 3} \times \text{weight of } 33 \frac{1}{3}\%)$$

(c) Basic formula allocation. See §1940.552 (c) of this subpart.

(d) Transition formula. See §1940.552 (d) of this subpart.

(e) Base allocation. See §1940.552 (e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See §1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) Reserve. See §1940.552 (g) of this subpart.

(h) Pooling of funds. See §1940.552 (h) of this subpart.

(i) Availability of the allocation. See §1940.552 (i) of this subpart.

(j) Suballocation by the State Director. See §1940.552 (j) of this subpart.

(k) Other documentation. Not applicable.

§1940.576 Rental Assistance (RA) for new construction. (Revised 7-12-88, PN 89)

- (a) Amount available for allocations. See §1940.552 (a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.575 (b) of this subpart.
- (c) Basic formula allocation. See §1940.552 (c) of this subpart.
- (d) Transition formula. See §1940.552 (d) of this subpart.
- (e) Base allocation. See §1940.552 (e) of this subpart.
- (f) Administrative allocations. See §1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.
- (g) Reserve. See §1940.552 (g) of this subpart.
- (h) Pooling of funds. See §1940.552 (h) of this subpart.
- (i) Availability of the allocation. See §1940.552 (i) of this subpart.
- (j) Suballocation by the State Director. See §1940.552 (j) of this subpart.
- (k) Other documentation. Not applicable.

§1940.577 Rental Assistance (RA) for existing projects.

(a) Amount available for allocations. See §1940.552 (a) of this subpart. RA appropriated for existing projects will first be used to replace contracts expiring each fiscal year and for the first few months of the following fiscal year. This is done to assure continued RA funding. RA units not needed for replacement purposes will be used for existing multiple family housing projects experiencing servicing problems.

(b) Basic formula criteria, data source and weight. No formula or weighted criteria is used to allocate replacement RA. The basic allocation for replacement RA will be made based on the following:

(1) Criteria. This allocation is based on the estimated need to replace RA contracts expiring from the depletion of funds.

(2) Data source. The most accurate and current information available from Rural Development computerized data sources.

(c) Basic formula allocation. While no formula will be used, the basic allocation will be made to each State according to the need determined using the basic criteria.

(d) Transition formula. Not applicable.

(e) Base allocation. Not applicable.

(f) Administrative allocation. Not applicable.

(g) Reserve. See §1940.5522 (g) of this subpart. The National Office maintains a reserve adequate to compensate for the differences between actual and projected replacement activity. Units will be administratively distributed for existing housing to either satisfy previously unidentified replacement needs or address servicing situations. Units will be distributed to any State when the Administrator determines that additional allocations are necessary and appropriate.

(h) Pooling of funds. See §1940.552 (h) of this subpart. Units will be pooled at the Administrator's discretion.

(i) Obligation of the allocation. See §1940.552 (i) of this subpart. (Revised 7-12-88, PN 89)

(j) Suballocation by the State Director. See §1940.552 (j) of this subpart.

(k) Other documentation. Not applicable.

§1940.578 Housing Preservation Grant (HPG) program. (Revised 7-12-88, PN 89)

- (a) Amount available for allocations. See §1940.552 (a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.575 (b) of this subpart.
- (c) Basic formula allocation. See §1940.552 (c) of this subpart.
- (d) Transition formula. See §1940.552 (d) of this subpart.
- (e) Base allocation. See §1940.552 (e) of this subpart.
- (f) Administrative allocations. See §1940.552 (f) of this subpart.
- (g) Reserve. See §1940.552 (g) of this subpart.
- (h) Pooling of funds. See §1940.552 (h) of this subpart. Funds may be pooled after all HPG applications have been received and HPG fund demand by State has been determined. Pooled funds will be combined with the National Office reserve to fund eligible projects. Remaining HPG funds will be available for distribution for use under the Section 504 program.
- (i) Availability of the allocation. See §1940.552 (i) of this subpart.
- (j) Suballocation by the State Director. Not applicable.
- (k) Other documentation. Funds for the HPG program will be available for a limited period each fiscal year. Due to the requirements by law to allocate funds on a formula basis to all States and to have a competitive selection process for HPG project selection, Rural Development will announce opening and closing dates for receipt of HPG applications. After the closing date, Rural Development will review and evaluate the proposals, adjust State allocations as necessary to comply with the law and Program demand, and redistribute remaining unused HPG resources for use under Section 504 (as required by statute).

§ 1940.579 Multiple Family Housing appropriations not allocated by State.
(Revised 06-07-99, SPECIAL PN.)

Funds are not allocated to States. The following program funds are kept in a National Office reserve and are available as determined administratively:

- (a) Section 514 Farm Labor Housing Loans.
- (b) Section 516 Farm Labor Housing Grants.

§§ 1940.580 - 1940.584 [Reserved]

(Continued on page 29)

§ 1940.585 Community Facility loans.

- (a) Amount available for allocations. See §1940.552(a) of this subpart.
- (b) Basic formula criteria, data source and weight. See §1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) + (\text{criterion (b)(1)(ii)} \times 25 \text{ percent}) + (\text{criterion (b)(1)(iii)} \times 25 \text{ percent})$$

(c) Basic formula allocation. See §1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) Transition formula. See §1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent (+ 15%).

(e) Base allocation. See §1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation. See §1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) Reserve. See §1940.552(g) of this subpart. States may request funds by forwarding a completed copy of Guide 26 of Subpart A of Part 1942 of this chapter (available in any Rural Development office), to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate the loan requested.

(h) Pooling of funds. See §1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See §1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by the State Director. See §1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

(k) Other documentation. Not applicable.

§§1940.586 - 1940.587 [Reserved]

(Continued on page 35)

§ 1940.588 Business and Industry Guaranteed and Direct Loans.
(Revised 04-25-03, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\begin{aligned} \text{SF} = & (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) + \\ & (\text{criterion (b)(1)(ii)} \times 25 \text{ percent}) + \\ & (\text{criterion (b)(1)(iii)} \times 25 \text{ percent}) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transition formula. See § 1940.522(d) of this subpart. The percentage range for the transition equals 30 percent (\pm 15%). (Revised 02-04-04, PN 370.)

(e) Base allocations. See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) Administrative allocations. See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive initial administrative allocations.

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(g) Reserve. See § 1940.552(g). States may request reserve funds from the B&I reserve when all of the state allocation has been obligated or will be obligated to the project for which the request is made.

(Revised 04-25-03, SPECIAL PN.)

(h) Pooling of funds. See § 1940.552(h). Funds are pooled near fiscal year-end. Pooled funds will be placed in a reserve and made available on a priority basis to all States. (Revised 04-25-03, SPECIAL PN.)

(i) Availability of the allocation. See § 1940.552(i) of this subpart. There is a 6-day waiting period from the time project funds are reserved to the time they are obligated.

(j) Suballocation by the State Director. Suballocation by the State Director is authorized for this program. (Revised 04-25-03, SPECIAL PN.)

§ 1940.589 Rural Business Enterprise Grants. (Revised 08-20-92, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source and weight. See § 1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.
(Revised 04-25-03, SPECIAL PN.)

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\begin{aligned} SF = & (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) + \\ & (\text{criterion (b)(1)(ii)} \times 25 \text{ percent}) + \\ & (\text{criterion (b)(1)(iii)} \times 25 \text{ percent}) \end{aligned}$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart.

(d) Transition formula. See § 1940.522(d) of this subpart. The percentage range for the transition equals 30 percent (\pm 15%). Revised 02-04-04, PN 370.)

(e) Base allocation. See § 1940.552(e) of this subpart.

(f) Administrative allocation. Not used.

(g) Reserve. See § 1940.552(g). States may request funds by written request to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate from the State's allocation. The National Office may also consider requests to provide funds from the National Reserve for projects that will operate in multiple states. (Revised 04-25-03, SPECIAL PN.)

(h) Pooling of funds. See § 1940.552(h). Funds are pooled near fiscal year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively. (Revised 04-25-03, SPECIAL PN.)

(i) Availability of the allocation. See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by the State Director. See § 1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

§ 1940.590 Community and Business Programs appropriations not allocated by State. (Revised and renumbered 7-12-88, PN 89.)

(a) Watershed Protection Loans, Resource Conservation and Development Loans, and Flood Protection Loans. State allocations will not be made for these type loans. Instead, obligating documents may be submitted to the Finance Office when a loan is approved. Only States that are authorized to process P.L. 534 loans may submit obligating documents to the Finance Office for that type loan. Resource Conservation and Development (RC&D) loan funds will be used in preference to community facility funds in designated RC&D areas for loan purposes included in Subpart A of Part 1942 of this chapter.

(b) Indian Land Acquisition. Control of funds will be retained in the National Office and allocated on an individual case basis. Requests for funds will be made to the Director, Community Facilities Division, when it is determined the loan can be approved.

(c) Nonprofit National Corporation Guaranteed Loans and Grants. Control of funds will be retained in the National Office. These funds are not available for obligation by States.

(d) Rural Development Loan Fund Relending Program. Control of funds will be retained in the National Office. These funds are not available for obligation by States.

(e) Technical Assistance and Training Grants. Control of funds will be retained in the National Office and allocated on a project case basis. These funds are not available for obligation by States.

(f) Emergency Community Water Assistance Grants. Control of funds will be retained in the National Office and allocated on a project case basis. Requests for funds will be made to the Director, Water and Waste Disposal Division. (Added 4-4-90, SPECIAL PN.)

(g) System for Delivery of Certain Rural Development Programs Panel Grants. Control of funds will be retained in the National Office and made available to eligible States. (Added 05-06-92, SPECIAL PN.)

(h) Television Demonstration Grants. Since this is a demonstration program, all funds are being retained in the National Office. Funds may be requested by sending in attachment 1, section C of RD Instruction 1942-G. (Added 08-20-92, SPECIAL PN.)

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(i) Section 306C WWD loans and grants in subpart E of part 4284 of this title. Control of funds will be retained in the National Office and allocated on a project case basis. Requests for funds will be made to the Director, Water and Waste Disposal Division. (Added 01-22-93, SPECIAL PN.)

(j) Rural Cooperative Development Grants. Control of funds will be retained in the National Office and allocated on a project case basis. Funds may be requested by sending in exhibit B of RD Instruction 4284-F. (Revised 08-07-97, SPECIAL PN.)

§ 1940.591 Community Program Guaranteed loans. (Revised 3-26-90, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source, and weight. See § 1940.552(b) of this subpart. (Revised 10-22-93, SPECIAL PN.)

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b)(1)(i) x 50 percent}) + \\ (\text{criterion (b)(1)(ii) x 25 percent}) + \\ (\text{criterion (b)(1)(iii) x 25 percent})$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

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(d) Transition formula. The transition formula for Community Programs Guaranteed loans is not used. (Revised 3-26-90, SPECIAL PN.)

(e) Base allocation. See § 1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation. See § 1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart. States may request funds by forwarding a request following the format found in Guide 26 of subpart A of Part 1942 of this chapter to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds from the State's allocation to obligate the loan requested. (Revised 3-26-90, SPECIAL PN.)

(h) Pooling of funds. See § 1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See §1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by State Director. See §1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

(k) Other documentation. Not applicable.

§ 1940.592 Community Facilities Grants. (Added 04-07-97, SPECIAL PN.)

(a) Amount available for allocation. See § 1940.552(a) of this subpart.

(b) Basic formula criteria, data source, and weight. See § 1940.552(b) of this subpart.

(1) The criteria used in the basic formula are:

(i) State's percentage of National rural population - 50 percent.

(ii) State's percentage of National rural population with incomes below the poverty level - 50 percent.

(2) Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF).

$$\text{SF} = (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) \\ + (\text{criterion (b)(1)(ii)} \times 50 \text{ percent})$$

(c) Basic formula allocation. See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) Transition formula. The transition formula for Community Facilities Grants is not used.

(e) Base allocation. See § 1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) Administrative allocation. See § 1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) Reserve. See § 1940.552(g) of this subpart. States may request funds by forwarding Form Letter RD 3570-B-1 to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds from the State's allocation to obligate the grant requested.

(h) Pooling of funds. See § 1940.552(h) of this subpart. Funds are generally pooled at midyear and yearend. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) Suballocation by State Director. See § 1940.552(j) of this subpart. State Director has the option to suballocate to area offices.

§ 1940.593 Rural Business Opportunity Grants. (Added 04-25-03, SPECIAL PN.)

(a) Amount available for allocations. See § 1940.552(a).

(b) Basic formula criteria, data source, and weight. See § 1940.552(b).

(1) The criteria used in the basic formula are:

(i) State's percentage of national rural population - 50 percent.

(ii) State's percentage of national rural population with incomes below the poverty level - 25 percent.

(iii) State's percentage of national nonmetropolitan unemployment - 25 percent.

(2) The data source for each criterion is based on the latest census data available. The percentage representing each criterion is multiplied by the weight factor and added to arrive at a State Factor (SF). The SF cannot exceed .05.

$$\text{SF} = (\text{criterion (b)(1)(i)} \times 50 \text{ percent}) + (\text{criterion (b)(1)(ii)} \times 25 \text{ percent}) + (\text{criterion (b)(1)(iii)} \times 25 \text{ percent})$$

(c) Basic formula allocation. See § 1940.552(c).

(d) Transition formula. The transition formula is not used for Rural Business Opportunity Grants (RBOG).

(e) Base allocation. See § 1940.552(e).

(f) Administrative allocation. The administrative allocation is not used for RBOG.

(g) Reserve. See § 1940.552(g). States may request funds by submitting a copy of RD Instruction 4284-G, Exhibit A, to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate from the State's allocation. The National Office may also consider requests to provide funds from the National Reserve for projects that will operate in multiple states.

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§ 1940.593 (Con.)

(h) Pooling of funds. See § 1940.552(h). Funds are pooled near fiscal year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) Availability of the allocation. See § 1940.552(i). The allocation of funds is made available to States on an annual basis.

(j) Suballocation by the State Director. Suballocation by the State Director is authorized for this program.

§§ 1940.594 - 1940.600 [Reserved]

Attachments: Exhibits A, B, C, and D.

oOo

ALLOCATION OF PROGRAM FUNDS

This exhibit provides the allocation for program funds and instructions for the use of those funds. Planning and the commitment of resources should be based on these allocations.

The methodology and formulas for the allocation of funds to the States is as stated in the Instruction. Only those areas where it was necessary to provide additional information have been addressed in this exhibit. Refer to the main body of this Instruction for all basic information on the allocation and use of program funds. Attachments 1 and 2 of this exhibit provide information on the various programs as follows:

Attachment 1 - Rural Business-Cooperative Service

Attachment 2 - Rural Housing Service

Part I - Rural Community Advancement Program/Rural
Housing Assistance Grants

Part II - Rural Housing Service

Subpart A - Rural Community Advancement Program
Community Facilities

Subpart B - Multi-Family Housing (MFH)

Subpart C - Single Family Housing (SFH)

The fund control function is performed by the National Office. Fund control balances can be obtained on the State Office terminal through APROPTN, the acronym for the Appropriation Accounting System, on the Online Subsystem Selection Menu screen. Should you have any questions regarding your State's distribution balances, call the respective program division. You can monitor your distribution amount via the Detail File Appropriation Screen.

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RURAL BUSINESS-COOPERATIVE SERVICE
BUSINESS AND COOPERATIVE PROGRAMS

I. General.

A. This attachment provides loan and grant funding allocations available for fiscal year (FY) 2004. Computations for allocations available to individual States have been performed in accordance with §§ 1940.588 and 1940.589 of this instruction. Every effort will be made to re-emphasize Rural Development's mission as a provider of affordable credit to those areas of greatest need.

B. Rural Area Eligibility. Program assistance under the Rural Community Advancement Program (RCAP) is limited to rural areas, as defined in applicable program regulations.

In addition, the following areas will be considered as rural areas for certain programs authorized under RCAPs, regardless of population, including the Business and Industry (B&I) Guaranteed Loan, Rural Business Enterprise Grant (RBEG), and Rural Business Opportunity Grant (RBOG) Programs. These cities will be eligible until the decennial Census in 2010:

- City of Berlin, New Hampshire
- City of Guymon, Oklahoma
- City of Shawnee, Oklahoma
- City of Altus, Oklahoma

Also, the following cities are eligible for funding under all Business Programs this fiscal year:

- County of Lawrence, Ohio
- City of Havelock, North Carolina
- City of Portsmouth, Ohio
- City of Binghamton, New York
- City of Vestal, New York
- City of Ithaca, New York
- City of Casa Grande, Arizona
- City of Clarksdale, Mississippi
- City of Coachella, California
- City of Salinas, California
- City of Watsonville, California
- City of Hollister, California
- Municipality of Carolina, Puerto Rico
- City of Kinston, North Carolina

In addition, the following city is eligible for B&I Guaranteed Loan assistance only:

- City of Great Falls, Montana

C. RCAP budget authority has been allotted to the Rural Business-Cooperative Service for B&I Guaranteed Loans, RBEGs, and RBOGs. State Directors have authority to transfer up to 20 percent of their initial State B&I Guaranteed Loan and RBEG allocations between the B&I Guaranteed and RBEG accounts. Due to the way the funds control system is currently configured, the National Office will have to make these transfers on behalf of the State Director. In an effort to minimize the burden of making numerous transfers, each State may submit transfer requests to the National Office by the third Tuesday of each month for transfer by the first Tuesday of the following month. Transfer requests are to be e-mailed to Sylvia Neal, (sylvia.neal@usda.gov), with an e-mail copy to Andrea Campbell, (andrea.campbell@usda.gov), and Lori Washington, (lori.washington@usda.gov). **The originating office will receive a confirmation that the National Office received all requests sent via e-mail.** Emergency requests will be considered when it can be demonstrated that the viability of the business will be compromised or jobs will be lost or not created if the transfer is not completed in a more timely manner.

Transfer of Funds

The impact of transferring funds is dependent on the loan subsidy rate established for the year. The subsidy rate for grants is 100 percent; therefore, the program level is the same as the budget authority amount. However, the program level for B&I Guaranteed Loan funds is considerably higher than the appropriated subsidy; it is determined by dividing the budget authority amount by the subsidy rate. The rate for B&I Guaranteed Loans is .0486. The impact of transfers is shown in the following examples of the maximums that could be made under the 20 percent limit.

NOTE: In the request for transfer, you must show all calculations. Calculations are to be rounded down.

Maximum transfer of guaranteed loan to grant:

\$14,000,000	- Initial B&I Guaranteed Loan allocation (program level)
\$ 2,800,000	- 20 percent of allocation (\$2,800,000 x .0486 = \$136,080)
\$ 136,080	- Grant allocation increase

Maximum transfer of grant to guaranteed loan:

\$ 500,000 - Initial grant allocation
\$ 100,000 - 20 percent of allocation
($\$100,000 \div .0486 = \$2,057,613.16$)
\$2,057,613.16 - B&I Guaranteed Loan allocation (program
level) increase

D. For any funds obligated for statutorily authorized where funds cannot be used in accordance with the original approved plan of work or scope of work, the State Director can approve changes in accordance with their delegated authority, regulations, policy, and statutes, subject to review and concurrence of the National Office. For Empowerment Zones/Enterprise Communities (EZ/EC) and Rural Economic Area Partnership (REAP) earmarked funds, the State Director should coordinate with the Office of Community Development (OCD) to ensure that changes in the project scope of work are consistent with approved benchmarks. The project file should contain a copy of documentation to verify OCD concurrence. **Random reviews of selected projects submitted for funding will be conducted by the National Office prior to States being notified of the awards.**

E. Throughout this instruction, you will find references where funds have to be obligated by certain dates. There has been some confusion in the past as to whether reserving the funds on the deadline date fulfills obligation requirements; it does not. The deadline date we refer to is the last possible date your project can be obligated; you must reserve the funds in the Guaranteed Loan System 6 working days before the deadline date in order to fulfill the obligation requirement.

F. Biobased Products and Bioenergy. Executive Order 13134, Developing and Promoting Biobased Products and Bioenergy, signed by the President on August 12, 1999, contains criteria for agencies to follow in the creation and adoption of technologies needed to make biobased products and bioenergy cost-competitive in large national and international markets. One of the fundamental goals articulated in the Executive Order is to promote national economic growth, with specific attention to rural economic interests through the conversion of renewable farm and forestry resources to affordable electricity, fuel, chemicals, pharmaceuticals, and other materials. States are encouraged to work with these applicants and consider these applications, where allowed under current program regulations, as priority applications. Further guidance will be provided, under separate cover, outlining guidelines to utilize in evaluating and processing these applications.

G. Congressionally Suggested and Requested Projects. Certain individual projects were identified in the House, Senate, and Conference appropriation reports. A listing of these projects can be found on pages 40-51 of this attachment. States are encouraged to work with these entities. If eligible, these projects should be considered along with all other projects on hand to compete for available funding. States should consider utilizing any applicable discretionary points available when prioritizing the projects. Each State must determine their priorities, consistent with selection criteria outlined in the regulation, for utilizing its allocation. Any project funded must be for an eligible purpose under the applicable program regulations.

H. B&I Direct Loan Program.

There are no funds appropriated this fiscal year for this program.

I. Funds Not Distributed to States.

1. Native American Earmarked Funds. Native American earmarked funds will be used for projects where at least 75 percent of the benefits of the project will be received by members of a Federally Recognized Native American Tribe.

Waiver of the 75 percent minimum is possible on a case-by-case basis if the project will otherwise provide significant benefits to members of Federally Recognized Native American Tribes. Requests for exceptions must be submitted to the Administrator. The Administrator must approve all waiver requests.

Earmarked funds will be kept in a National Reserve fund and allocated on a national competitive basis, in accordance with the schedule outlined on page 22 of this attachment. Funds cannot be used for purposes other than earmarked program purposes. The following amounts are available this fiscal year:

Native American Earmarks:

Rural Business Enterprise Grant Program	\$2,733,775.00
RBEG for Rural Transportation	248,525.00
Intermediary Relending Program	3,960,776.51
Rural Business Opportunity Grant Program	<u>994,100.00</u>
Total	\$7,937,176.51

Native American Earmarked Carryover:

B&I Guaranteed Loans	\$6,900,385.39
RBEG Grants	\$150,000.00

Requests for B&I funds under the earmarks should be e-mailed to Andrea Campbell (andrea.campbell@usda.gov), with an e-mail copy to Fred Kieferle (fred.kieferle@usda.gov). Requests for RBEG funds should be emailed to Amy Cavanaugh (amy.cavanaugh@usda.gov); requests for Intermediary Relending Program (IRP) funds should be e-mailed to Lori Washington (lori.washington@usda.gov); and requests for RBOG funds should be e-mailed to Diane Berger (diane.berger@usda.gov), with an e-mail copy to Joseph Ben-Israel (ben.israel@usda.gov). Requests should clearly document how the specific project meets the above criteria to qualify for the earmarked funds. Acknowledgement of receipt of all e-mail requests will be provided by the National Office. Requests not providing this documentation will be returned to the State. Procedures to be followed in distribution of these funds will be addressed under applicable program funding allocation procedures outlined later in this instruction. **Except for IRP, funds not used during FY 2004 will be carried over to FY 2005 for funding of Native American projects.** For IRP, funds will be available for Native American projects through June 29, 2004. This means that earmarked funds must have an obligation date of no later than June 29, 2004. After that date, any remaining funds not obligated will revert to the regular IRP reserve.

2. Delta Regional Authority Earmark Funds. RCAP earmarked funds will be available to the Delta Regional Authority to provide assistance to businesses and residents residing in the Lower Mississippi Delta designed counties. Earmarked funds will be kept in the National Office Reserve and awarded to the Delta Regional Authority upon receipt of an application complete with a Scope of Work identifying the intended use of the funds. Any RCAP earmarked funds not used in FY 2004 will be carried over into FY 2005. The IRP earmarked funds will be available only until June 29, 2004. This means that an application must be received, approved, and funds obligated no later than June 29, 2004, for the IRP earmarked funds. Any IRP earmarked funds not obligated by June 29, 2004, will revert to the regular IRP reserve. The following amounts are available this fiscal year:

RCAP	\$1,739,675.00
IRP	\$7,923,852.55

3. Alaska Pilot Program for Community Planning. RCAP funds for \$99,410 have been earmarked for a pilot program in the State of

Alaska to assist communities with community planning. Funds will be kept in the National Office Reserve. Further direction will be provided to the Rural Development Alaska State Office on the administration of this earmark at a later date.

4. EZ/EC and REAP Earmarked Funds. EZ/EC earmarked funds will be kept in a Reserve fund and controlled by the National Office. Funds may be requested in the same manner as requesting Reserve funds for regular programs. The earmarked funds will be available for EZ/EC and REAP projects through June 29, 2004. This means that earmarked funds must have **an obligation date of no later than** June 29, 2004.

After that time, any remaining unobligated funds will be pooled and revert to regular program use. This includes funds that have been allocated to States but have not been obligated (see page 22 of this attachment for funding cycle information). The following amounts are available for EZ/EC and REAP projects for FY 2004:

Business and Industry Guaranteed Loans	\$11,250,102.88
Intermediary Relending Program Loans	5,621,823.43
Rural Business Enterprise Grant Program	6,958,700.00
Rural Business Opportunity Grant Program	<u>994,100.00</u>
Total	\$24,824,726.31

In order to be eligible for competition for EZ/EC and REAP earmarked funds, you must submit a copy of the benchmark documents identifying your project or include the specific benchmark number in your request for funds. Please do not submit any requests for projects not specifically identified in the benchmarking documents. If the community elects to amend their strategic plan and benchmark documents to reflect the project, it would not be eligible for competition until after the project is adopted by the community, approved by the State Director, and entered into the OCD's benchmark tracking system. EZ/EC and REAP earmarked funds will be used for projects identified in the EZ/EC or REAP Strategic Plan and benchmark documents, provided at least 75 percent of the benefits of the project will be received by residents within the EZ/EC and REAP census tract boundaries. Waiver of the 75 percent minimum is possible on a case-by-case basis if the project would otherwise provide significant benefits to the EZ/EC and REAP areas. Requests for waivers should be submitted to the Administrator, with a copy to the OCD, Attention: Empowerment Program Division.

5. Intermediary Relending Program (IRP). All funds are retained in the National Office. Non-earmarked funds will be made available in accordance with the schedule outlined on page 22 of this attachment and based on national competition. Applications must be received by the Agency prior to the schedule outlined on page 22 of this attachment to be considered during the referenced periods for an allocation of funds. The National Office should be notified by e-mail to Lori Washington (lori.washington@usda.gov), with an e-mail copy to Joseph Ben-Israel (ben.israel@usda.gov), within 5 days of receipt of an application with the name, address, amount requested, and date of application. For this fiscal year, the initial funding selection will include applications received in the National Office by February 27, 2004. The amount of funds customarily available for the first two quarters in the fiscal year will be made available for the initial funding selection. **No request for funding will be considered unless the project is ready to be obligated.**

E-mail requests for IRP funding will include a Certification for Request of Funds (see page 28); the administrative point justification in accordance with RD Instruction 4274-D, § 4274.344(c)(6) (see page 29 for additional guidance); a priority score sheet (see pages 30 and 31) in accordance with RD Instruction 4274-D, Exhibit C; and a Project Information/Fund Request Sheet (see page 23 of this attachment). **Random reviews of selected projects submitted for funding will be conducted by the National Office prior to States being notified of the awards.**

NOTE: When considering Administrator points based on IRP coverage, 15 points may be awarded *only* where it is the intermediary's initial application and/or there are no other intermediaries in the targeted service area. Five points may be awarded *only* if the intermediary has demonstrated that the service area has expanded since its prior application (this must be documented in the workplan); otherwise, the scores are unmerited. Also, when considering points for severe economic problems, the key factor is whether the service area has experienced *long-term* (over the last 60 years) poverty, population decline, or job deterioration. **Points will only be awarded for well-documented justifications.** Requests for funds are to be e-mailed to Lori Washington (lori.washington@usda.gov) with an e-mail copy to Joseph Ben-Israel (ben.israel@usda.gov).

Each application will continue to be considered each funding cycle until it has been selected for funding or considered in four consecutive funding cycles. The National Office will notify the State Director or designee when an IRP application is selected for funding. The amount available for FY 2004 is \$39,764,000.46 which

includes \$5,621,823.43 earmarked for EZ/EC and REAP, \$3,960,776.51 earmarked for Federally Recognized Native American Tribes, and \$7,923,852.55 earmarked for Delta Regional Authority. Due to the large demand for this program, the following loan initiatives are being implemented for applications approved this fiscal year:

Initial Loan Application: The loan is limited to a maximum of \$750,000 unless:

- the service area is not covered by another intermediary,
- the State has not received any IRP funding the last 2 fiscal years, and
- the proposed service area is an under-served area as defined in the National/State Strategic Plan.

In cases where all three of the above criteria are met and it is an initial loan application, a maximum loan of \$1 million will be considered.

NOTE: This is not applicable for any separate earmark funding, such as EZ/EC/REAP and Native American.

Subsequent Loan Application: All subsequent loan applications will be limited to a maximum of \$750,000. For any pending applications on file that exceed this amount, you should immediately contact applicants and advise them of loan limitations for this fiscal year.

The applicants must advise you, in writing, whether they wish their application to continue to be considered under the above-stated loan limitations.

IRP funds earmarked for EZ/EC and REAP or Native American Tribes may be requested in the same manner as regular program funds and will be allocated according to the schedule on page 22 of this attachment. If you have any applications that qualify for earmarked funds, including applications for which you have previously submitted a score sheet, be sure to notify the National Office that they qualify for earmarked funds.

Pooling of Funds: EZ/EC/REAP/Native American earmarked funds awarded to States must have an obligation date of no later than June 29, 2004, or they will revert to regular program use. Delta Regional Authority funds not obligated by June 29, 2004, will also revert to regular program use.

6. Rural Economic Development Loan (REDL) Program. All funds are retained in the National Office. Applications will be processed in the State Office. Selections will be made in the National Office

based on national competition. The amount of funds customarily available in the first and second quarters will be made available for the initial cycle of funding. Complete applications received in the National Office by February 27, 2004, will compete in this initial funding cycle. Please refer to page 22 of this attachment for funding cycles for FY 2004. Each application will continue to be considered each quarter until it has been selected for funding or considered in four consecutive quarterly cycles. The amount available for FY 2004 is \$14,914,169.80. The maximum loan for any one project in FY 2004 will be \$450,000. **A Federal Register document announcing this limitation will be published at a later date.** Requests for funds in the form of the Application Analysis and Project Evaluation Summary, and Project Information/Fund Request Sheet (see page 23 of this attachment), and the signed Certification for Request of Funds (see page 28 of this attachment) are to be e-mailed to Diane Berger (diane.berger@usda.gov) with an e-mail copy to Joseph Ben-Israel (ben.israel@usda.gov). **No request for funding will be considered unless the project is ready to be obligated.**

7. **Rural Economic Development Grant (REDG) Program.** All funds are retained in the National Office. Applications will be processed in the State Office. Selections will be made in the National Office based on national competition. The amount of funds customarily available for the first and second quarters will be made available for the initial funding selection. Complete applications received in the National Office by February 27, 2004, will compete in this initial funding cycle. Each application will continue to be considered each quarter until it has been selected for funding or considered in four consecutive quarterly cycles. The amount available for FY 2004 is approximately \$4,000,000. The maximum grant for any one project in FY 2004 will be \$200,000. **A Federal Register document announcing this limitation will be published at a later date.** Due to limited funding in the REDG Program, approximately \$1 million will be allocated for each quarter. Requests for funds in the form of the Application Analysis and Project Evaluation Summary including the Project Information/Fund Request Sheet (see page 23 of this attachment) are to be e-mailed to Diane Berger (diane.berger@usda.gov) with an e-mail copy to Processing Branch Chief, Joseph Ben-Israel (ben.israel@usda.gov). **No request for funding will be considered unless the project is ready to be obligated.**

8. **The North American Development Bank (NADBank) Initiative.** Loans made under this authority are to be processed under provisions of the Memorandum of Understanding (MOU) between USDA and Treasury,

Guidelines for the Community Adjustment and Investment Program (CAIP), U.S. Community Adjustment and Investment Program Policies and Procedures, and RD Instructions 4279-A and B, as if they were regular B&I Guaranteed Loans, except that for FY 2004, in cases where the NADBank does not pay the loan subsidy, NADBank may pay the guarantee fee on behalf of the lender or borrower for loans which will create jobs within CAIP-eligible areas, as defined in the Guidelines and as revised periodically by the US CAIP Finance Committee, subject to the requirements that: the cost-per-job not exceed the \$70,000 ceiling (computed on the guaranteed portion), and that debt refinancing is restricted to less than half of the total loan amount.

However, for payment of the guarantee fee, jobs, which are saved, will not count toward calculation of the \$70,000 ceiling. This approach varies from that which has been the case for FY 2003 and before, when NADBank generally paid the loan subsidy for loans which created and/or saved jobs but rarely paid guarantee fees. Requests for funding and concurrence in loan approval for NADBank loans, which would regularly be within the State Director's delegated B&I loan approval authority, are to be made by e-mailing completed copies of pages 37-39 of this attachment, along with the other information regularly submitted for a request for B&I Guaranteed Loan funds, to Steve Levy (levysteve@mail.com), Rick Bonnet (rick.bonnet@usda.gov), Andrea Campbell (andrea.campbell@usda.gov), and Fred Kieferle (fred.kieferle@usda.gov).

For loans in excess of the State Director's delegated B&I Guaranteed Loan approval authority, the complete casefile (in addition to the information above) must be forwarded under separate cover to the B&I Division.

For this fiscal year, a limit of 50 percent of funding provided can be for loan requests with a guarantee percentage in excess of 80 percent, and these requests must have a strong justification provided as part of the request. However, if the loan subsidy is paid by the Business and Industry program, the regular B&I 15 percent limit applies, rather than the CAIP 50 percent limit.

9. Armament Retooling and Manufacturing Support (ARMS) Initiative. Loans made under this authority are to be processed under provisions of the MOU between RBS and the Army and RD Instructions 4279-A and B, with provisions of the MOU taking precedence. There is no delegated loan approval or servicing authority for loans made under this authority. All requests for funding must be submitted to the Director, B&I Division, along with the complete casefile and State recommendation. Appendix A of RD Instruction 4287-B should be submitted for loan servicing requests.

10. Rural Business Opportunity Grants (RBOG). All funds are retained in the National Office. Funds will be allocated to the States for projects that best meet Agency priorities. Requests for funding will include a Certification for Request of Funds (see page 28 of this attachment), a Project Information/Fund Request Sheet (see page 23 of this attachment) and a Priority Score Sheet (see page 32 of this attachment). For funding cycle information, (see page 22 of this attachment). The deadline for the receipt of applications in the State Office is June 4, 2004. There will be one funding cycle for regular, non-earmarked funds. Random reviews of selected projects for funding will be conducted by the National Office prior to States being notified of awards. **You may have up to two requests competing in the National Office Reserve funding cycle; however, this is not applicable to multi-State projects.** Requests for National Office Reserve funding must be accompanied by a list of applications currently on hand. **The limitation on the number of applications you can submit to the National Office is not applicable for any separate earmark funding cycles, such as EZ/EC and REAP.** The requests must be e-mailed to Diane Berger (diane.berger@usda.gov), with an e-mail copy to Joseph Ben-Israel (ben.israel@usda.gov), after the docket has been developed to the point where the grant can be approved upon notification that funds are available. **No request for funding will be considered unless the project is ready to be obligated.** All applications on the National Office Reserve list for FY 2003 were removed on October 1, 2003. Should the State Office determine that those projects are still viable, they may resubmit the requests for competition. The amount available for FY 2004 is \$3,052,310.38 which includes \$70,010.38 carryover, \$994,100 earmarked for Native Americans, and \$994,100 earmarked for EZ/EC and REAP.

Grant Limits. In order to distribute limited non-earmarked funds among more communities and applicants, no more than \$50,000 in RBOG funds may be allocated to a single State or sub-State applicant or project. For multi-State projects, no more than \$150,000 in RBOG funds may be allocated to a single applicant. **A Federal Register document announcing these restrictions will be published at a later date.** These limits do not, however, apply to earmarked funds. Also, when calculating funds to be scored for the leveraging priority score criteria, you may not include third-party in-kind contributions in your calculations.

11. Pooling of Funds. There will not be a pooling of funds for the Native American funds. For Native American projects, there will be one funding cycle (see page 22 of this attachment). **Any applications for Native American funds received after the cut off date will be considered on an individual basis for any remaining**

available funds. Any funds not obligated by September 30, 2004, will carry over into FY 2005.

12. Earmarked Funds. RBOG funds earmarked for EZ/EC and REAP and Native American Tribes may be requested in the same manner as regular funds and will be allocated according to the schedule on page 22 of this attachment. Any awarded EZ/EC and REAP applications not obligated by June 29, 2004, will be pooled and revert to the National Office Reserve. If your application meets more than one earmark, inform the National Office from which earmark you want that application to be considered.

13. Renewable Energy Program. All funds will be retained in the National Office. The amount available for FY 2004 is \$22,864,000. Further information on the delivery of this program will be provided at a later date.

14. Value-Added Agricultural Market Development Grant Program (VAPG). The VAPG program assists producers of agricultural commodities to move into the adding of value to those commodities allowing them to receive a greater percentage of the consumer's food dollar. Grants may be used for planning purposes such as feasibility studies and business plans or to establish working capital accounts to pay salaries and other eligible expenses to help a new venture to start operating. While this program uses extensive resources from the State Offices, no funds are allocated to the States. Funds available for FY 2004 are \$14,165,925.

15. The Agricultural Marketing Resource Center (AgMRC). AgMRC brings together experts from three agricultural universities - Iowa State University, Kansas State University and the University of California - into a dynamic, electronically based center to create and present information about value-added agriculture. The Center provides independent producers and processors with critical information needed to build successful value-added agriculture enterprises. No funds are allocated to the State Offices; however, the Iowa State Office helps monitor the center. Funds available for FY 2004 are \$745,575.

16. Rural Cooperative Development Grants Program (RCDG). RCDG funds are used to establish and operate centers for cooperative development for the primary purpose of improving the economic condition of rural areas through the development of new cooperatives and improving operations of existing cooperatives. Centers engage in a range of technical assistance and educational activities, including working directly with producers and rural residents to assist them in establishing new adequately capitalized cooperatives.

Cooperatives return profits to their members enhancing their capital position. No funds are allocated to the State Offices, but the State Offices are responsible for monitoring those centers that received grant funds. Funds available for FY 2004 are \$4,970,500.

17. Grants to Assist Small, Minority Producers (SMP). The SMP program is implemented through the RCDG program, assuring grant funds are available for RCDG applications that focus on assistance to small, minority producers through their cooperative businesses. No funds are allocated to the State Offices, but the State Offices are responsible for monitoring those centers that received grant funds. Funds available for FY 2004 are \$1,491,150.

18. The Appropriate Technology Transfer for Rural Areas (ATTRA). The ATTRA program provides information to farmers, extension agents, and other rural residents on a variety of sustainable agricultural practices that include both cropping and livestock operations. The program encourages agricultural producers to adopt sustainable agricultural practices, which allow for them to maintain or improve profits, produce high quality food, and reduce adverse impacts to the environment. This program is administered exclusively in the National Office. Funds available for FY 2004 are \$2,485,250.

19. Agriculture Innovation Center Demonstration Program Grants (AIC). Grant funds are to be used for a demonstration program whereby centers are established to provide agricultural producers with technical and business development assistance for establishing businesses producing and selling value-added agricultural products, and assistance in marketing, market development and business planning and organizational and development assistance to increase the viability, growth and sustainability of value-added businesses. Grants may be used for: applied research, consulting services, hiring of employees, the making of matching grants, legal services and other related costs of conducting the above activities. No funds are allocated to the State Offices, but the State Offices are responsible for monitoring those centers that received grant funds. They are no funds available for FY 2004.

- J. Quarterly Apportionment of Loan Funds. State allocations are made on an annual basis; however, the National Office receives apportionment of funds on a quarterly basis for loan programs. If States collectively request obligations greater than the amount apportioned for the quarters, there may not be sufficient funds to honor all obligations requested in a particular quarter. Obligations in excess of the quarterly apportionment cannot be entered until the next quarter.

II. State Allocations.

All allocations have been calculated in accordance with the methodology and formulas stated in §§ 1940.588 and 1940.589 of this instruction and calculated as program level amounts, not budget authority. The additional information provided here is coordinated with the format of the regulation.

A. Business and Industry Guaranteed Loans.

1. Program level available for allocation.

Amount available (includes carryover)	\$839,985,795.67
Less earmark for EZ/EC and REAP	\$ 11,250,102.88
Less set aside for Native Americans (carryover)	\$ 6,900,385.39
Less National Office Unrestricted Reserve	\$122,579,177.41
Formula allocation	\$699,256,130.00

2. Basic formula criteria, data source, and weight. The census information used in the formula is from the 2000 Census data of rural population, rural population with incomes below the poverty level and non-metropolitan unemployment.

3. Basic formula allocation. State allocations are shown on page 20 of this attachment.

4. Transition formula. See §1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent (±15).

5. Base allocation. The amount of base allocation is \$5 million.

6. Administrative allocation. Not used.

7. Unrestricted Reserve. Funds will be allocated on a bi-monthly (every 2 weeks) competitive basis to States from the National Office Reserve for projects that best meet Agency priorities according to funds available at the time of the request. Highest priority projects must be funded with State allocations to the extent possible. National Office Reserve funds may only be requested when the State Office allocation is not sufficient to fund projects ready to be obligated. Requests for National Office Reserve funding must be accompanied by a list of projects funded this fiscal year and those applications currently on hand. Information provided is to include date received, current status, and priority score, using the same format as shown on page 24 of this attachment. For example, if a project with a lower priority score is funded ahead of a project with a higher priority score, you will need to explain why this was done. **Only requests for funding that have a priority score of 25 points or higher, not including Administrator**

points, will be considered for funding cycles, except for the last month of the fiscal year. A copy of Appendix C to RD Instruction 4279-B (see pages 25-27 of this attachment) must be attached to the request. A request for funding should not be submitted unless the project is **ready to be obligated.**

The State Director or designee may request funds from the National Office Reserve by e-mailing pages 23-27 of this attachment to Andrea Campbell (andrea.campbell@usda.gov), with a copy to Fred Kieferle (fred.kieferle@usda.gov). Requests on hand as of the 1st and 15th of the month will be processed and States notified. If you want the Administrator to consider the addition of Administrator discretionary points, complete the applicable section of the Project Information/Fund Request Sheet (see page 23 of the attachment).

Funds for any projects funded from the National Office Reserve that are subsequently deobligated cannot be used for funding other projects within the State but, instead, must be returned to the National Office Reserve.

All States will be notified of the project selections. For projects not selected, States should contact the lenders to advise them and determine if the lenders want the projects to be reconsidered in the next funding cycle. States are responsible for notifying Andrea Campbell or Fred Kieferle of projects when the lenders do not want further funding consideration to be given in the next funding cycle; these projects will be removed from consideration.

A portion (\$122,579,177.40) of the National Office unrestricted reserve will be available on a quarterly apportionment schedule as follows:

First Quarter	40 Percent	\$49,031,670.96
Second Quarter	30 Percent	\$36,773,753.22
Third Quarter	20 Percent	\$24,515,835.48
Fourth Quarter	10 Percent	\$12,257,917.74

8. **Pooling of funds.** Funds not obligated by the close of business June 29, 2004, will be pooled and revert to the National Office Reserve. Any funds that are deobligated after close of business June 29, 2004, will also revert to the National Office Reserve. **An emergency pooling of funds may be necessary to replenish the National Office Reserve. If such a pooling becomes necessary, 30 days advance notice will be given.** Pooled funds will be placed in the National Office Reserve and made available to States on a competitive basis. States are to immediately notify the National Office of any deobligations by sending a copy of Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation," to Andrea Campbell (andrea.campbell@usda.gov).

9. Certified Lenders Program (CLP). RD Instruction 4279-A, § 4279.43(f)(1), provides that a State may hold an amount in reserve, equal to the proposed loan, for a period of 30 days, pending receipt of the complete application from the CLP lender, provided the complete application is not rejected within that time period. Funds may not be held in reserve for CLP lenders after pooling. RD Instruction 4279-A, § 4279.43(f)(1), provides that the Agency will notify a CLP lender if there is sufficient guarantee authority for the CLP lender's proposed guaranteed loan request. National Office Reserve funds may not be requested for this purpose. Furthermore, the State may not request funds from the National Office Reserve if the State has funds outstanding that have been set aside for this purpose.

10. Funding for B&I Guaranteed Loans where the percentage of guarantee is in excess of 80 percent and for 1 percent guarantee fees. A limited amount of the annual appropriation for the B&I Guaranteed Loan Program with a percentage of guarantee that exceeds 80 percent and loans with a 1 percent guarantee fee will be available. The amount of funding available will be apportioned on a quarterly basis.

All requests for authority to approve loans where the percentage of guarantee will exceed 80 percent must be e-mailed, including a copy of the Project Information/Fund Request Sheet (see page 23 of the attachment) in advance of reserving or obligating funds, to Andrea Campbell (andrea.campbell@usda.gov), with an e-mail copy to Fred Kieferle (fred.kieferle@usda.gov). Requests on hand as of the 1st and 15th of the month will be processed and States notified. Requests must include a copy of the priority scoresheet and written documentation from the lender that the loan will not be made and the project will not be completed without the increased percentage of guarantee. Where the guarantee fee will be 1 percent, all requests for authority to approve loans must be submitted, in advance of reserving or obligating funds, to Andrea Campbell (andrea.campbell@usda.gov), with an e-mail copy to Fred Kieferle (fred.kieferle@usda.gov). Requests on hand as of the 1st and 15th of the month will be processed and States notified. Requests must include a copy of the priority scoresheet (see pages 25-27). **A Federal Register document announcing these restrictions was published on January 27, 2004.**

Seventy-five percent of the funds for EZ/EC, REAP, and Native American projects have been reserved to be obligated at a percentage of guarantee in excess of 80 percent and 12 percent of the funds with a guarantee fee of 1 percent. Additionally, projects in areas of Alaska that are not connected by roads to other communities are eligible for 1 percent guarantee fees and 90 percent guarantees.

11. EZs/ECs and REAPs. Earmarked funds of \$11,250,102.88 will be available from the B&I Guaranteed Loan Program National Office Reserve for obligation. This will only affect the National Office Reserve and not impact regular State Office allocations. Any of the funds earmarked for this purpose which have not been obligated by June 29, 2004, will be available for regular program funding of B&I Guaranteed Loans from the National Office Reserve. Requests for funding from this earmark may be made at any time and will be approved on a first-come, first-served basis.

B. Rural Business Enterprise Grants (RBEG).

1. Program level available for allocation.

Amount available	
(includes \$1,374,707.20 carryover)	\$43,773,072.20
Less earmark for EZ/EC and REAP	\$ 6,958,700.00
Less Passenger Transportation	\$ 497,050.00
Less Passenger Transportation for Native Americans	\$ 248,525.00
Less Native American	\$ 2,733,775.00
Less TV Demonstration	\$ 1,988,200.00
Less National Office Unrestricted Reserve	\$ 2,415,702.20
Basic formula amount	\$28,931,120.00

2. Television Demonstration Grants (TV Demo). There is a \$1,988,200 earmark held in the National Office Reserve for funding TV Demo projects. TV Demo funding may be made to Statewide projects servicing 90 percent of the State population and no less than 80 percent of the rural land area of the State. The applicant must be a private, nonprofit, public television system.

States currently eligible to receive TV Demo funding are: Alaska, Maine, North Dakota, Oregon, and Vermont. The applicant must provide information on agriculture and other issues of importance to farmers and other rural residents. State Office is responsible for timely notifying potential applicants of the availability of these funds along with time frames for applying. Applications will be processed within timeframe outlined on page 22 and forwarded to the National Office for funding decision.

3. Transportation. There are two earmarks held in the National Office Reserve, a \$497,050 earmark and a \$248,525 Native American earmark, for the purpose of providing technical assistance for public transportation. A notice will be published in the Federal Register in the immediate future inviting preapplications and establishing a time schedule for accepting and processing the preapplications.

4. Basic formula criteria, data source, and weight. The census information used in the formula is from the 2000 Census data for rural population, rural population with incomes below the poverty level and non-metropolitan unemployment.
5. Basic formula allocation. State allocations are shown on page 21 of is attachment.
6. Transition formula. See §1940.552(d) of this instruction. The percentage range for the transition formula equals 30 percent (±15).
7. Base allocation. The amount of base allocation is \$50,000.
8. Administrative allocation. Not used.
9. Reserve. Funds from the National Office Reserve will be allocated to the States for projects that best meet Agency priorities and according to funds available at the time of the request. **No request for funding will be considered unless the project is ready to be obligated.** RBEG funds earmarked for EZ/EC/REAP, Native American Tribes, Rural Transportation, or TV Demonstration may be requested in the same manner as regular funds (see page 22 of this attachment for funding cycle information). If your application meets more than one earmark, you must inform the National Office from which earmark you want the application to be considered.

There will be one funding cycle for regular non-earmarked. In order to compete in the National Office Reserve funding cycle, all funds allocated to the State must be obligated or transferred under RCAP authorities by June 29, 2004. **Highest priority projects must be funded with State allocations to the extent possible.** National Office Reserve funds may only be requested when the State Office allocation is not sufficient to fund projects ready to be obligated. Requests for National Office Reserve funding must be accompanied by a list of projects funded this fiscal year and those applications currently on hand. Information provided is to include date received, current status, and priority score, using the same format as shown on page 36 of this attachment. For example, if a project with a lower priority score is funded ahead of a project with a higher priority score, you will need to explain why this was done. **You may only have up to two requests competing in the National Office Reserve funding cycle; however, this is not applicable to multi-State projects. This is not applicable for any separate earmark funding cycles, such as EZ/EC and REAP.** Requests for National Office Reserve funding will include a signed Certification for Request of Funds (see page 28) of this attachment); a Project Information/Fund Request Sheet (see page 23 of this attachment); the Priority Score Sheet (see pages 33, 34 and 35 of this attachment); and a

State Project List (see page 36 of this attachment). Random reviews of projects selected for funding will be conducted by the National Office prior to States being notified of awards. The requests must be e-mailed to Amy Cavanaugh (amy.cavanaugh@usda.gov), Specialty Lenders Division, with an e-mail copy to Joseph Ben-Israel (ben.israel@usda.gov), after the grant has been developed to the point where it can be approved upon notification that funds are available. Multi-State projects will be considered for funding from the National Office Reserve. The originating office will receive a confirmation from the National Office that the National Office received all request sent via e-mail. **Consideration will not be given to requests received in the National Office after the dates indicated on page 22 of this attachment listing funding cycles for FY 2004.** All applications on the National Office Reserve list for FY 2003 were removed on October 1, 2003. Should the State Office determine that those projects are still viable, they may use their State allocation to fund the projects, or, if the State allocation has been committed to higher scoring projects, the State Office may resubmit the requests for competition.

10. Pooling of funds. Except for the Native American Earmark, funds must have an obligation date of no later than June 29, 2004, or they will revert to the National Office for redistribution. For Native American projects, there will be one funding cycle (see page 22 of this attachment). **Any applications for Native American funds received after the cut off date will be considered on an individual basis for any remaining available funds.** Any funds not obligated by September 30, 2004, will carry over to FY 2005.

State	FY 2004 Allocation
Alabama	\$21,333,997
Alaska	5,923,697
Arizona	7,033,403
Arkansas	16,176,000
California	20,013,000
Colorado	6,849,373
Delaware	5,923,697
Maryland	7,887,205
Florida	17,232,000
Virgin Islands	5,500,000
Georgia	24,252,000
Hawaii	5,923,697
W. Pacific Areas	5,500,000
Idaho	6,184,340
Illinois	16,302,770
Indiana	17,027,000
Iowa	13,034,503
Kansas	9,042,721
Kentucky	22,510,000
Louisiana	16,521,000
Maine	7,859,561
Massachusetts	6,870,699
Connecticut	5,923,697
Rhode Island	5,567,000
Michigan	22,135,946
Minnesota	14,848,000
Mississippi	20,229,000
Missouri	18,820,000
Montana	5,923,697
Nebraska	5,923,697
Nevada	5,923,697
New Jersey	5,923,697
New Mexico	7,044,460
New York	21,466,000
North Carolina	28,333,000
North Dakota	5,923,697
Ohio	22,424,919
Oklahoma	13,832,227
Oregon	10,636,590
Pennsylvania	26,539,433
Puerto Rico	27,466,483
South Carolina	17,920,368
South Dakota	5,923,697
Tennessee	21,623,000
Texas	27,466,483
Utah	5,923,697
Vermont	5,923,697
New Hampshire	5,923,697
Virginia	18,713,000
Washington	12,724,891
West Virginia	14,869,000
Wisconsin	16,535,000
Wyoming	<u>5,923,697</u>
TOTALS	699,256,130.00
Total National Office Reserve	<u>140,729,665.67</u>
Grand Total	<u>839,985,795.67</u>

State	FY 2004 Allocation
Alabama	\$956,426
Alaska	92,731
Arizona	314,855
Arkansas	674,000
California	888,000
Colorado	307,307
Delaware	79,792
Maryland	302,000
Florida	733,000
Virgin Islands	50,000
Georgia	1,125,000
Hawaii	71,166
W. Pacific Areas	50,000
Idaho	277,116
Illinois	730,833
Indiana	722,000
Iowa	520,000
Kansas	375,000
Kentucky	1,028,000
Louisiana	693,000
Maine	352,595
Massachusetts	227,937
Connecticut	185,697
Rhode Island	59,305
Michigan	1,024,000
Minnesota	600,000
Mississippi	900,000
Missouri	822,000
Montana	253,394
Nebraska	248,002
Nevada	76,557
New Jersey	229,000
New Mexico	315,933
New York	970,000
North Carolina	1,353,000
North Dakota	168,210
Ohio	1,042,000
Oklahoma	620,006
Oregon	426,000
Pennsylvania	1,189,896
Puerto Rico	1,231,339
South Carolina	781,000
South Dakota	200,558
Tennessee	979,000
Texas	1,353,000
Utah	133,706
Vermont	190,854
New Hampshire	225,000
Virginia	816,000
Washington	563,000
West Virginia	601,000
Wisconsin	694,000
Wyoming	<u>108,905</u>
TOTALS	28,931,120.00
Total National Office Reserve	<u>14,841,952.20</u>
Grand Total	<u>43,773,072.20</u>

Program	Type of Funding	Last Day Requests will be Received in N/O for Funding Cycle	Pooling				
Business and Industry Guaranteed Loan Program	National Office Reserve	First and Fifteenth of the Month	June 29, 2004	Any remaining funds not obligated by June 29, 2004, will revert to regular B&I reserve.			
	EZ/EC and REAP	N/A	June 29, 2004	Any remaining funds not obligated by June 29, 2004, will revert to regular B&I reserve.			
	Native American	N/A	N/A	Any remaining funds not obligated by September 30, 2004, will be carried over to the next fiscal year.			
Rural Business Enterprise Grant Program	National Office Reserve	July 9, 2004	June 29, 2004				
	EZ/EC and REAP	April 30, 2004	June 29, 2004	Any remaining funds not obligated by June 29, 2004, will revert to regular RBEG reserve.			
	Native American	April 30, 2004	N/A	Any remaining funds not obligated by September 30, 2004, will be carried over to the next fiscal year.			
	TV Demo	July 9, 2004					
Rural Business Opportunity Grant Program							
<u>Applications in S/O by:</u> June 4, 2004	National Office Reserve	July 9, 2004	N/A				
	EZ/EC and REAP	April 30, 2004	June 29, 2004	Any remaining funds not obligated by June 29, 2004, will revert to regular RBOG reserve.			
	Native American	April 30, 2004	N/A	Any remaining funds not obligated by September 30, 2004, will be carried over to the next fiscal year.			
Intermediary Relending Program							
<u>Applications in S/O by:</u> January 31, 2004	1st quarter	February 27, 2004					
January 31, 2004	2nd quarter	February 27, 2004					
March 31, 2004	3rd quarter	April 30, 2004					
June 30, 2004	4th quarter	July 30, 2004					
September 30, 2004	1st quarter (FY 2005)	October 29, 2004					
	EZ/EC and REAP	April 30, 2004	June 29, 2004	Any remaining funds not obligated by June 29, 2004, will revert to regular IRP reserve.			
	Native American	April 30, 2004	June 29, 2004	Any remaining funds not obligated by June 30, 2004, will revert to regular IRP reserve.			
Rural Economic Development Loan and Grant Program	1st quarter	February 27, 2004					
	2nd quarter	February 27, 2004					
	3rd quarter	April 30, 2004					
	4th quarter	July 30, 2004					
	1st quarter (FY 2005)	October 29, 2004					

Rural Business-Cooperative Service
Business Programs

PROJECT INFORMATION/FUND REQUEST SHEET

Program:
Applicant Name:
Project Location (City, County, State):
Lender Name, Address and Telephone Number:

Funding: _____ National Office-\$_____ State Office-\$_____

Source of Funding: National Reserve _____ EZ/EC/REAP _____ Bench Mark#_____
TV Demo _____ Native American _____
MS Delta _____ Transportation _____

Number of Jobs Created/Saved: Created _____ Saved:_____ _____
Number of Businesses Assisted: Number _____ Comments:_____ _____

Senators:

Representative: _____ District Number: _____

Project Description (Targeted communities, businesses, etc.) _____

B&I Debt Refinancing: (Yes or No) (New or Existing Lender) (New loan or Existing B&I Loan)

EZ/EC/REAP Entity Name:_____

Tangible Balance Sheet Equity (B&I Only): _____
Lien Position(B&I)_____ Loan-to-net market value_____
Terms (only B&I): 1% Fee _____ 1% EZ/EC/REAP Fee _____
90% Guarantee _____ 1% Fee & 90% Guarantee _____

Leveraging (Supplemental Financing - Include all sources private, bank, philanthropic, third party, etc.)

Amount: _____ From _____ Amount: _____ From _____ Amount: _____ From _____
Amount: _____ From _____ Amount: _____ From _____ Amount: _____ From _____
Total _____

Category: Technical Assistance _____ Revolving Loan Fund _____
Business Incubator _____ Other Business Dev. _____
Working Capital _____ Machinery & Equip. _____ Real Estate _____
Debt Refinancing _____ Miscellaneous Programs _____

Administrator Discretionary Points (Not Available to RBEG): Yes No

Explain _____

BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM

NATIONAL OFFICE RESERVE PRIORITY PROJECT SCORING INFORMATION SHEET

Projects Obligated in Fiscal Year 2004 to Date:

Per RD Instruction 1940-L, Exhibit A, Attachment 1, page 14, highest priority projects must be funded with State allocations to the extent possible.

A listing of all applications on hand indicating the date each was received, current status, priority score, and a brief explanation of why it was funded in the order in which it was presented or has not yet been funded is to be provided. For example, if a project with a lower priority score is funded ahead of a project with a higher priority score, you will need to provide an explanation of why this was done.

A copy of Appendix C of RD Instruction 4279-B (pages 25-27 of this attachment) should be attached to the memorandum.

Name	Priority Score	Amount	Date App. Rec.	Date Obligated

Projects Requested to be Obligated from the National Office Reserve:

Name	Priority Score	Amount	Date App. Rec.

If a project with a lower priority score was funded ahead of a project with a higher priority score, provide an explanation of why this was done.

If Administrator's priority points are being requested, provide an explanation why such points should be considered.

BUSINESS AND INDUSTRY
APPLICATION PRIORITY POINTS SCORING

Date: _____

Name _____

State _____

List the maximum points the applicant is eligible for under each category.
See § 4279.155 of this subpart for information on how to determine points.

1. Population priority.

Located in an unincorporated area or in a city with under 25,000
population. (10 points) _____

2. Community priority.

A. Located in an eligible area of long term population decline
and job deterioration based on reliable statistical data.
(5 points) _____

B. Located in a rural community that has remained persistently
poor over the last 60 years. (5 points) _____

C. Located in a rural community that is experiencing trauma as
the result of a natural disaster or experiencing fundamental
structural changes in its economic base. (5 points) _____

D. Located in a city or county with an unemployment rate 125
percent of the statewide rate or greater. (5 points)

3. Empowerment Zone/Enterprise Community (EZ/EC). (Cannot exceed a
total of 10 points).

A. Located in EZ/EC designated area. (10 points) _____

B. Located in a non-designated EZ/EC applicant community.
(5 points) _____

(12-23-96) SPECIAL PN

(03-17-04) SPECIAL PN

4. Loan features.

A. Lender will price the loan at the Wall Street Journal published Prime Rate plus 1.5 percent or less. (5 points) _____

B. Lender will price the loan at the Wall Street Journal published Prime Rate plus 1 percent or less. (5 points) _____

C. The Agency guaranteed loan is less than 50 percent of project cost. (5 points) _____

D. Percentage of guarantee is 10 or more percentage points less than the maximum allowable for a loan of its size. (5 points) _____

5. High impact business investment priorities (Total score for the following three categories):

A. Industry.

(i) Industry that has 20 percent or more of its sales in international attractions. (5 points) _____

(ii) Industry that is not already present in the community. (5 points) _____

B. Business.

(i) Business that offers high value, specialized products and services that command high prices. (2 points) _____

(ii) Business that provides an additional market for existing local businesses. (3 points) _____

(iii) Business that is locally owned and managed. (3 points) _____

(iv) Business that will produce a natural resource (value-added) products. (2 points) _____

C. Occupations (Cannot exceed 10 points).

(i) Business that creates jobs with an average wage exceeding 125 percent of the Federal minimum wage. (5 points) _____

(ii) Business that creates jobs with an average wage exceeding 150 percent of the Federal minimum wage. (10 points) _____

6. State Director's administrative points: (May be up to 10 points). Attach justification. _____

Total points _____

Signature

Date

Title

oOo

(12-23-96) SPECIAL PN

(03-17-04) SPECIAL PN

CERTIFICATION FOR REQUEST OF FUNDS

Program: _____

Name of Applicant: _____

Amount of Funds Requested: _____

Type of Funds: _____

I HEREBY CERTIFY THAT:

1. All priority points are accurate according to the regulations of the program for which the funds are being requested.
2. The applicant is eligible under the regulation from which funds are being requested, the proposed loan/grant is for an eligible purpose, and the proposed loan/grant complies with all applicable statutes and regulations.
3. For funds requested from the EZ/EC/REAP earmark, at least 75 percent of the benefits of the project will be received by residents within the designated boundaries. Earmarked funds will be used for projects identified in the EZ/EC/REAP Strategic Plan and benchmark documents. The benchmark and task number is: _____.
4. If funds are requested from the Native American earmark, at least 75 percent of the benefits of the project will be received by members of a Federally recognized Native American Tribe.
5. Adequate documentation to justify points is part of the file and can be clearly discerned if the file is requested for review.
6. All other sources of funds (leveraging) have been verified and are/or will be available at the start of the project.

BY: _____
State Director, Rural Development

**Revised Guide for Recommending Administrative Points
 FOR FISCAL YEAR 2004 IRP APPLICATIONS**

Applicant: _____

State: _____

Administrative Point Criteria

	<i>(Points)</i>	Score
1. <u>Assuming there is adequate documentation of need for the amount requested, applications for \$500,000 or less:</u>		4 pts _____
2. <u>A particularly successful business development record and/or excellent utilization of a previous IRP loan:</u>		4 pts _____
3. <u>A service area with no other IRP coverage:</u> (Disregard coverage by multi-State intermediaries or intermediaries that specialize in indirect business-related financing, such as only loans for water/sewer or for transportation.		
No coverage:		15 pts _____
Some:		5 pts _____
4. <u>A service area with severe economic problems:</u> Such as communities that have remained persistently poor over the last 60 years or have experienced long-term population decline or job deterioration.		5 pts _____
5. <u>A service area with emergency conditions caused by a natural disaster or loss of a major industry:</u>		2 pts _____
6. <u>A work plan that is in accord with a strategic plan:</u> Particularly a plan prepared as part of a request for an Empowerment Zone/Enterprise Community designation or Champion Community or work plan identified in State Office Strategic Plans. Any combination may be used up to the maximum of 35 points.		5 pts _____

Total Administrative Points Awarded: _____

PRIORITY SCORESHEET

Applicant: _____

State: _____

List the maximum points the applicant is eligible for in each category, in accordance with § 4274.344(c) of this Instruction.

(1) Other Funds:

(i) Outside loan and grant funds.
Percent _____ Points _____

(ii) Intermediary funds.
Percent _____ Points _____

Total other funds points (Max. 25)..... _____

(2) Employment:

(i) Updated median household income, service area _____
Poverty line, family of four _____
Percent _____ Points _____

(ii) Income within State.
Percent _____ Points _____

(iii) Unemployment rate, service area _____
Unemployment rate, National _____
Percent _____ Points _____

(iv) Low-income families
Percent _____ Points _____

(v) Underrepresented groups
Percent _____ Points _____

(vi) Outmigration
Percent _____ Points _____

Total employment points
(Max. 90)..... _____

RD Instruction 4274-D
Exhibit C
Page 2

- | | |
|---|-------------------------|
| (3) <i>Intermediary contribution:</i>
Percent_____ | <i>Points (Max. 50)</i> |
| (4) <i>Experience:</i>
Years_____ | <i>Points (Max. 30)</i> |
| (5) <i>Community representation:</i>
Percent_____ | <i>Points (Max. 15)</i> |
| (6) <i>Administrative:</i> | <i>Points (Max. 35)</i> |
| <i>TOTAL POINTS.....</i> | <i>_____</i> |

oOo

PRIORITY SCORE - RBOG APPLICATION

Name of Applicant: _____

State: _____

(a) Sustainable Economic Development Points _____

(b) Quality of Economic Activity Points _____

(c) Leveraging Points _____

(d) (1) Natural Disaster Points _____

(2) Military Base/Employer Points _____

(3) Long-term poverty Points _____

(4) Long-term population Loss Points _____

(5) Long-term Job Loss Points _____

Subtotal Points _____

(e) Best Practice Points _____

(f) State Director Discretionary Points _____

TOTAL..... _____

Administrator Discretionary Points _____

GRAND TOTAL..... _____

oOo

Section C

Rural Business Enterprise and Television Demonstration Grant Program
Project Selection Criteria

Project Score _____

Name of Applicant _____

State _____ County _____

Grant \$ _____ Initial or Subsequent _____

Amount of previous Rural Development funding for this project
\$ _____

Purpose: Revolving Fund: || Technical Assistance: ||
Industrial Site: || Other Business Development: ||

Brief description of the proposed facility:

Priorities

Points

A. Population.

Proposed project is located in a rural
community having a population:

Between 15,000 and 25,000	5
Between 5,000 and 15,000	10
Under 5,000	15

(08-20-92) SPECIAL PN

(03-17-04) SPECIAL PN

B. Economic conditions.

1. Proposed project will be located in areas where the unemployment rate exceeds the State unemployment rate by:

- | | |
|-------------------------------------|----|
| a. 25 percent or more | 20 |
| b. less than 25 percent | 10 |
| c. equal to or less than State rate | 0 |

2. Proposed project will be located in areas where the median household income (MHI) of the population to be served by the proposed facility is:

- | | |
|---|----|
| a. Less than the poverty line for a family of four as prescribed by Section 673 (2) of the Community Services Block Grant Act (42 U.S.C. 9902 (2)). | 25 |
| b. More than the poverty line and less than 85 percent of the State's MHI. | 15 |
| c. More than the poverty line and between 85 percent and 100 percent of the State's MHI. | 10 |
| d. Equal or greater than State MHI. | 0 |

C. Experience. Applicant has substantial experience in administering a rural economic development program. (Revised 03-20-02, PN 343.) 10

D. Other.

1. Applicant has written evidence of commitment from small business that small business development will occur by startup or expansion as a result of the grant. 25

2. Grant request contains evidence that a substantial commitment of funds from nonfederal sources for proposed project is:

- | | |
|-------------------------|----|
| a. more than 50 percent | 15 |
|-------------------------|----|

- b. more than 25 percent and less than 50 percent 10
- c. between 5 percent and 25 percent 5

- 3. For grants to establish a revolving fund, or grant request contains proposed third party recipients. 25

- 4. The proposed project will create and/or save jobs at:
 - a. one job per each \$10,000 or less in grant funds expended 10
 - b. one job per each \$25,000 to \$10,000 in grant funds expended 5

- 5. Proposed project is consistent with, and are reflected in, local plans for the area. 5

- 6. Grant projects utilizing funds available under this subpart are:
 - a. less than \$100,000 25
 - b. \$100,000 to \$200,000 15
 - c. more than \$200,000 to \$500,000 10

- 7. The project will assist a small and emerging private business enterprise as described in §1942.305 (a)(2) of this subpart. (Revised 12-20-02, SPECIAL PN.) 10

E. Discretionary points for initial grants of not more than \$500,000 in accordance with §1942.305 (b)(3)(v) of this subpart. Give written justification. (Revised 12-20-02, SPECIAL PN.)

Chief, Community and Business Programs

Date

Directions: Complete the information requested on pages 17-19 of this Attachment. In paragraphs A-D of Section C, circle the points for those priorities that apply to, and are met by, the preapplication under consideration. Determine and justify the number of discretionary points, if any, to be awarded in paragraph E of Section C of this Attachment and add up the total number of points scored.

(08-20-92) SPECIAL PN
(03-17-04) SPECIAL PN

RURAL BUSINESS ENTERPRISE GRANT					
STATE PROJECT LIST					
FISCAL YEAR 2004					
STATE:					
Date :					
State Allocation: \$					
Applicant	Project Type	State Priority	Grant Amount	State Points	Obligation Date
Projects Funded with the State Office Allocation:					
			\$		
			\$		
			\$		
			\$		
			\$		
			\$		
			\$		
			\$		
			\$		
Total			\$		
Projects Submitted For Funding From the N/O Reserve: (This includes TV Demo)					
			\$		
			\$		
			\$		
			\$		
			\$		
			\$		
			\$		
Total			\$		
Projects Submitted for Earmark Funding: (This includes EZ/EC, REAP, Transportation and Native American earmarks. Please identify the project type in the column to the right.)					
			\$		
			\$		
			\$		
			\$		
			\$		
			\$		
Total			\$		
Projects on Hand in State Office (No Funding Available):					
			\$		
			\$		
			\$		
			\$		
			\$		
Total			\$		
RCAP Reserve (up to 20 percent):			\$		

ENDORSEMENT CHECKLIST FOR THE CAIP FINANCE COMMITTEE

Borrower/Entity Type: (Name of entity goes here).

Location: (City, State, County)

Area Eligibility: You need to choose the correct description of why the area is eligible. In some cases you will need to access data on the Internet and fully discuss why the area is eligible. You should use some variant of ONE of the following three statements, each of which meets the Finance Committee requirement for certification that the area where the borrower will be applying the loan proceeds is eligible for USDA under the CAIP. Beale Codes can be downloaded from the internet at: <http://www.ers.usda.gov/data/sdp/view.asp?f=rural/89021/>. Click on the ReadMe.doc link for an explanation of the codes and on the link just below that for the actual codes.

Unemployment data are available at:
http://naid.spsr.ucla.edu/NADBANK/NDB_COLD_FUSION_ROOT/index.cfm

This area has a rural Beale (Rural-Urban Continuum) Code and is an eligible area designated by the Finance Committee.

This county has an urban Beale Code, but the area in which the new facility [substitute the right description] is being constructed is eligible for B&I loans and the county has an unemployment rate of ___ percent, which is at least 1 percent over the national average.

This county has an urban Beale Code, but the area in which the new facility [substitute the right description] is being constructed is eligible for B&I loans and the Local Area Unemployment Statistics (LAUS) of the U.S. Department of Labor shows an unemployment rate of ___ percent for the immediate ___ [locality or census tract], which is at least 1 percent over the national average.

Amount/Rate/Term: \$(full \$ amount of loan) at __% (variable rate, Wall Street Journal Prime (or other benchmark) for __ years)

Case number: (Case number as assigned by State Office)

Loan Purpose: Loan funds will be used to. . . (describe this in detail, as in loan application, BUT include descriptions of):

- any compelling reason for NADBank to pay the loan guarantee [Note: This will be extremely difficult to justify during FY 2004, due to the expense of the program.],
- high unemployment rates in area,

- putting a viable but endangered business on a sound footing,
- if business will close imminently and how many jobs will be impacted,
- if area has been highly impacted by NAFTA and what was the impact,
- extent of importance of business to the economy of the area,
- high quality jobs with needed living wage jobs for area families, if that is the case, or even low wage "jobs" in an area with very high unemployment.

NAICS Code: (6 digits.)

Percent guaranteed: ___% requested by lender and approved by the Agency.

Guarantees/backing: Personal guarantee(s) of: (name(s) and \$ amount(s), and some indication of personal net worth(s) to lend some credibility to the guarantee(s)).

Source/Use of proceeds: [It is desired here that you reflect the overall scope of the project and the partnering between different sources of funding, not simply the B&I portion. Two formats are shown: The first is for a simple financing structure with minimal amounts contributed by the borrower or other entities. The second format is the one the Finance Committee prefers when there is any significant partnering. This shows uses on the left and the different sources as the column headings to show how much from the different entities goes toward each element of financing. Use the structure that makes sense for your loan, bearing in mind that the willingness of other entities to invest may influence the decision by the Finance Committee. PLEASE DON'T USE BOTH FORMATS AND PLEASE REMOVE THE UNDERLINING WHEN YOU INSERT AN ACTUAL NUMBER IN PLACE OF A BLANK.]

(Format 1)

Uses:

Land and Buildings _____ Machinery and Equipment _____
 Working Capital _____ Debt Restructuring _____

Sources:

CAIP Loan _____ Partner entity source 1 _____
 Borrower Funds _____ Other Funds _____

(Format 2)

Uses	CAIP Loan	Borrower	Locality	Entity A	Entity B
Land	\$0	\$50,000	\$100,000		
Buildings	\$150,000	\$25,000		\$100,000	
M&E	\$100,000				
D/R	\$ 25,000				\$10,000
W/C	\$ 75,000	\$275,000			
Other fees	\$ 7,200				
Totals:	\$357,200	\$350,000	\$100,000	\$100,000	\$10,000
Total Project Cost:	\$917,200				

(In this hypothetical example, the borrower contributed land they already owned (land having a discounted value of \$50,000) and the local government, in order to attract jobs to the community, contributed an adjoining parcel of land worth \$100,000. The CAIP loan financed \$150,000 of new construction, the borrower contributed a usable building already on the land worth \$25,000, and the county development authority contributed financing of \$100,000. In terms of debt restructuring, CAIP refinanced \$25,000 of existing indebtedness, and the existing lender forgave \$10,000 of the debt in return for the prompt payment. In actuality, total project financing may have multiple lenders, including local utilities, REDLG loans, etc. One FY 1999 loan had 7 separate funding sources.)

Collateral summary: The loan will be secured with (describe the collateral). The total discounted net collateral value is \$_____.

Tangible balance: As an existing business, this business meets the ___% tangible

Sheet equity: balance sheet equity requirement. The Proforma at loan closing shows ___% equity.

Loan to job ratio: Loan to job - \$_____ (loan amt)/ ___ (#)jobs = \$_____ per job.

Income range of jobs: guaranteed portion to job -
 \$_____ (loan amt) X 80% guaranteed = \$_____ / ___ jobs = \$_____ per job.
 Wages average about \$_____ per hour.

Lender name/location: _____

Guarantee Fee: \$_____ (loan amt) X 80% guaranteed X .02 = \$_____ to be paid by lender.

Subsidy needed: \$_____ (loan amt) X .0294 (for FY 2004) = \$_____

Total BA required: \$_____ (\$_____ / ___ jobs = \$_____ per job)
 and BA per job:

Recommended: _____
WILLIAM F. HAGY III
Deputy Administrator, Business Programs

Concur: _____
JOHN ROSSO
Administrator
Rural Business-Cooperative Service

APPROVED BY VOTE OF THE FINANCE COMMITTEE:

CHAIR	DATE		
_____		YES []	_____ YES []
Agriculture		NO []	Treasury NO []
_____		YES []	
Small Business Administration		NO []	

[Note: Please e-mail a copy of this Endorsement Checklist to Steve Levy (levysteve@mail.com) with an e-mail copy to (rick.bonnet@usda.gov).

USDA, Rural Development
 Rural Business-Cooperative Service

**FISCAL YEAR 2004
 CONGRESSIONALLY SUGGESTED / REQUESTED PROJECTS**

**House Committee Recommendations
 Rural Community Advancement Program**

State	Name of Project
LA	Lincoln Parish LA Alternative Water Supply
LA	Sustainable Economic Development Institute LA
LA	Southern University LA Center for Community and Economic Development
LA	Southern University LA Center for Excellence for Educational Outreach Technology
NC	Neuse Regional Water and Sewer Authority NC
GA	SW Georgia Low Income modular/mobile home demonstration
GA	Abraham Baldwin Ag College GA Blackbelt initiative
AL	Pine Barren AL Channel improvements
AR	Northwest Arkansas Conservation authority
VA	Floyd County Industrial Shell Building
VA	Grayson County Industrial Shell Building
VA	Buchanan County Small Business Incubator
FL	Shockey Heights and Wekiva Falls Lake County FL drinking water quality improvements
FL	Hernando County FL Fairgrounds Facility
SC	Freewood Farms SC
MI	Saginaw Chippewa MI Water Main Extension Projects
MI	Saginaw Chippewa MI Sewer Main Extension Program
VA	Luray VA water clarifier and selector tank

**House Committee Recommendations
 Rural Community Advancement Program**

State	Name of Project
VA	Page County VA economic development
VA	Raw water storage basin in Orange, VA
VA	Gordonsville VA water system upgrade
WV	Clay County Park WV
WV	Upper Fishers Branch/Guthie Water Project WV
WV	Town of New Haven WV Water System Upgrades
WV	Helvetia WV Swiss Revitalization Project
WV	East Bank/Multi-Purpose WV Building
CA	Central Coast CA Agritourism Council Program in San Luis Obispo and Santa Barbara Counties
HI	East Kauai HI Water Users Cooperative
HI	Grayson County Industrial Shell Building
HI	Honomalino HI Irrigation Cooperative
VI	Sanitary sewer system evaluation survey in St. Croix VI
VI	Reinforce west berm of the Airport Lagoon wastewater treatment plant in St. Thomas VI
VI	Plans and specifications to construct new Power Boyd Pump Station and construction of new Power Boyd Pump Station in St. John VI
SC	Summerton SC water and wastewater treatment system upgrade
SC	Pamplicao SC wastewater treatment facility
OR	Albany OR water conservation and steel water line replacement
FL	Establish a minimum of 20 First Book Local Advisory Boards in rural communities across Connecticut

**House Committee Recommendations
 Rural Community Advancement Program**

State	Name of Project
FL	Plantation FL stormwater management improvements
PA	Community development
PA	Erie County PA wastewater system evaluation and up-grades
PA	Leetdale Industrial Park, Alleghany County PA
PA	Big Beaver Industrial Business Park PA
FL	South Florida Fair Agriplex
NC	Cabarrus Arena and Events Center NC
NY	Water and sewer projects in the Village of Saugerties NY
NY	Water and wastewater projects in the Town of Nichols NY
NY	Southern Tier Sports and Recreation Development Center in Vestal NY
NY	Financial assistance for the Valley of Innovation Initiative in Binghamton NY
TX	Proyecto Azteca in South Texas for community facilities and housing
TX	Community Development of South Texas
OR	Dairy Manure Compost Plant, Tillamock County OR
OR	Opal Creek Wilderness and Scenic, Recreation Area OR
MD	Southern Maryland Regional Processing Kitchen and Agriculture Business Incubator Park, Prince George's County MD
CA	Sugarcane and Renewable Energy/Ethanol Project, Imperial Valley CA
OR	Albany OR water conservation and steel water line replacement
WA	Snohomish Basin BioGas Partnership WA

**House Committee Recommendations
 Rural Community Advancement Program**

State	Name of Project
LA	Louisiana Native Plant Materials Laboratory
TN	Little Milligan/Fish Springs water construction project Carter County TN
NC	Neuse Regional Water and Sewer Authority in Lenoir County NC
WI/IA	Agri-Waste to ethanol projects in Northwest Wisconsin and Southeast Iowa
TX	Sustainable agricultural/rural freshwater resources conservation initiative in the Rio Grande Basin region of South Texas
IL	North Morgan IL Water Conservation for water system installation and improvements
IL	City of Winchester IL for the construction of a new combination city hall/police station/fire department
IL	Cass County IL financial assistance to expand water treatment plant facilities
WA	Western Washington Regional Agricultural Marketing Program WA
WA	Skykomish River Basin for the lower Skykomish HCP/NW Chinook Recovery Program WA
WA	Skagit County rural business expansion WA
WA	Fiber optics development program
CA	Hi-Desert Regional Neonatal Medical Center CA
KY	Ohio County Regional Wastewater District KY
KY	Livestock exhibition center for Germantown KY Fair Board
KY	Refrigerated facility in Mason County KY
KY	Northern Kentucky regional farmers' market
ME	Maine rural community innovation center
NC	Caswell County NC high-speed telecommunications

**House Committee Recommendation
 Rural Community Advancement Program**

State	Name of Project
WV	Vandalia Heritage Foundation WV for revitalization through community and economic development
PA	Kiski-Conemaugh River Basin Economic Action Project PA
PA	Agriculture Entrepreneurial Alternative for Small Farmers PA
MA	Southeastern Massachusetts Agricultural Partnership MA
WA	Town of Ione WA water system upgrades
OH	Community Facility, Belmont OH
CA	International Agri-Center, Tulare CA
CA	Central Valley Applied Agricultural Technology Center CA
CA	Sewer system in Cutler County CA
CA	Buckhorn Water Treatment Plant Replacement in Amador County CA
NJ	Food Innovation Research and Extension Center in Bridgeton NJ
NM	Multi-Purpose center for the Southern New Mexico State Fair NM
NM	Community facility for the City of Tatum NM
NM	Pueblo of Laguna NM for Phase II and Phase III rehabilitation of the San Jose Valley Domestic Water System
CA	Cesar Chavez Education and Retreat Center CA
PA	Elk Regional Health Telehealth Project PA
PA	Keystone Community Network PA
PA	Monroe Township, Clarion County PA wastewater treatment
OH	Industrial/warehouse building in Pike County OH

**House Committee Recommendations
 Rural Community Advancement Program**

State	Name of Project
NC	Peanut marketing cooperatives NC
NY	21 st Century Fredonia Vineyard Lab Infrastructure NY
NY	Chautauqua County Fair Infrastructure Improvements NY
NY	Chautauqua County Fair equestrian and agricultural exhibition center NY
NY	Western New York Equestrian Center construction, Erie County, NY
MT	Technology Venture Center MT
NY	Springdale Farm NY milking parlor demonstration project
KY	Dorton Branch, City of Pineville KY water and waste systems
KY	Multi-purpose/senior center for the City of Pineville KY
KY	Mt. Vernon KY for water and wastewater systems
AR	Dallas County AR water system
PA	Franklin County PA Agriculture service center
CT	Quinebaug-Shetucket Heritage Corridor CT economic and community development
AR	Brushy Island AR Water Improvement Association-water improvements
AR	White County AR emergency warning systems
AR	Morrilton AR community facility
OH	Middleport OH community facility
OH	Salisbury Township in Meigs County OH water treatment facility
OH	Water line extension in norther Lawrence County OH

**House Committee Recommendations
 Rural Community Advancement Program**

State	Name of Project
MI	Northern Initiatives, Marquette MI
MI	City of Menominee MI community facilities upgrades
MI	Northern Lakes Economic Alliance MI
MI	City of Munising MI Water and Sewer Improvements
MI	Tuscarora Township MI Wastewater treatment system
LA	Online Louisiana
LA	St. Martin Parish LA Water and Wastewater
LA	St. James and St. John Parish LA water wastewater
LA	Choupique Drainage Canal improvements LA
LA	Iberia Parish conference center LA
LA	Chitmacha Tribe LA drainage and road improvements
NC	Emergency operating center
CA	Community youth center in Atascadero CA
CA	Tehachapi Valley Healthcare District in Kern County CA for medical facilities
CA	Laytonville CA wastewater treatment project
LA	City of Bogalusa LA for development of Town Square for rehabilitation of Main Street
LA	St Charles Parish LA farmers' market
LA	Tangipahoa Parish LA wastewater improvements
LA	Washington Parish LA for water treatment repairs

**House Committee Recommendation
 Rural Community Advancement Program**

State	Name of Project
LA	Lincoln Parish LA for water and wastewater treatment improvement
NM	Rural family health and diabetes outreach NM
OR	Klamath County OR Economic Development Association
OR	Lake County Economic Development Association
OR	Gilliam County OR Wheat Quality Initiative
OR	Blue Mountain OR Value-Added Agriculture Product Development and Education Center
OR	Union and Wallowa Counties Railroad Project OR
OR	Oregon Trail Beef Cooperative OR
TN	Grainger County TN water line construction
FL	St. Cloud FL storm water and rehabilitation project
KY	Purchase KY Area Regional Industrial Park
KY	Ohio County KY Regional Wastewater Project
NM	Digital Translators demonstration project NM
OH	Rail line upgrade in Perry County OH
OH	Community facility for Portsmouth OH
TX	Water Project, City of Marlin, Falls County TX
VA	Telework Consortium, Roanoke, VA
FL	DeSoto County FL water and waste-water facility
SC	Salkehatchie Leadership Center SC

**House Committee Recommendations
 Rural Community Advancement Program**

State	Name of Project
MA	Renewable Fuels Association
MO	National Corn Growers Association

**Rural Business Opportunity Grant Program
 Senate Committee Report**

State	Project Name
OR	Santiam Canyon Economic Development
CT	Quinebaug-Shetucket Corridor
LA	Louisiana Communication and Information Technology Capability Project

**Rural Business Enterprise Grant Program
 Senate Committee Report**

State	Project Name
MT	Sustainable Systems
MT	Mission Valley Market
MT	Power Applications Resource Center at Montana State University-Northern
MT	University of Montana Business Incubators
AK	Grants to Public Broadcasting Systems (OR/ME/ND/VT)
OK	New Product Development and Commercialization Center
AK	Calista Native Corporation
NJ	Vineland Produce Auction Association
MD	Southern Maryland Regional Processing Kitchen and Agriculture Business Incubator
CT	Quinebaug-Shetucket Heritage Corridor
MT	Technology Venture Center TechRanch
NY	New York Agriculture Development

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Rural Business Enterprise Grant Program
Senate Committee Report

State	Project Name
NJ	Agricultural Innovation Center
MN	Hibbing Technology Business Center
SC	Kershaw County Industrial Park
MA	Southeastern Massachusetts Agricultural Partnership
LA	Continental Structural Plastics
LA	Quachita Terminal and Dock
AK	Bering Straits Native Corporation
VT	Vermont Maple Industry Council
KY	Covington Northern Kentucky Regional Farmers Market
KY	Daviess County BioTech Cluster Initiative
KY	Kentucky Thoroughbred Association
MD	Chesapeake Innovation Center
GA	Center for Blackbelt Development
NE	Rural Enterprise Assistance Program
OR	Mobile Slaughter Facility
OR	Oregon Center for Rural Policy
OH	Southern Ohio Diversification Initiative
MD	Chesapeake Fields Institute

Intermediary Relending Program
Senate Committee Report

State	Project Name
LA	LED Microenterprise
PA	Forest County Technology
PA	Clarion County Economic Development
HI/WI	Women in Technology

Renewable Energy Program

State	Project Name
MT	Montana Bio-Refinery Project
MT	Bio-diesel Feedstock Feasibility Study
MN	Agri-Waste to Ethanol Program
NE	Ethanol Feedlot Project in Mead
WI	Ecofuels Project
IA	Ecofuels Project

Rural Business Opportunity Grant Program

Senate Committee Report

Rural Community Advancement Program

State	Project Name
MS	Town of Tchula

Rural Development Loan and Grant Programs

House Conference Report

State	Project Name
OH	Community facility, Belmont County
NM	Expansion of wastewater treatment plant facilities, Village of Ruidoso and Ruidoso Downs
NV	Jamerson rural Nevada small business project
WI	Forest Enterprises Technology Center
WI	Menominee Mini-Mall Development Project
WI	Mole Lake Water and Sewer Project
UT	Strawberry/Movie Ranch Project
UT	Meadow View Heights Projects
UT	Johnson Canyon
NJ	Garden State Ethanol
NJ	Energy Photovoltaics, Inc.

Rural Development Loan and Grant Programs
House Conference Report

State	Project Name
AR	Cleburne County Arkansas community facility/water and waste project
WI	Menominee Tribal Enterprise
CA	Cold Canyon Park California forestry center
VI	Wastewater pumping and treatment system improvements in St. John
VI	Wastewater pumping and treatment system improvements in St. Thomas
VI	Rehabilitation of six major wastewater pump stations in St. Thomas and St. Croix
VI	Rehabilitation and replacement of sanitary sewer infrastructure components in St. Croix
VI	Technical assistance to the Government of the U.S. Virgin Islands in formulating a prioritized wastewater system maintenance-management system
NC	Brunswick Community College turf grass and horticulture technology program
WI	Sewer and water system improvements on the Red Cliff Wisconsin reservation

RURAL HOUSING SERVICE
RURAL COMMUNITY ADVANCEMENT PROGRAM AND RURAL HOUSING ASSISTANCE GRANTS

I. General.

A. The Appropriations Act for 2004 funded the Rural Community Consolidated Advancement Program (RCAP) and the Rural Housing Assistance Grants (RHAG). All of the Community Facilities (CF) funds are included in RCAP. The housing grant programs, except for section 523 Mutual and Self Help Technical Assistance grants, section 516 Domestic Farm Labor Housing Grants, and section 521 Rental Assistance, are included in RHAG. The Administrator has allocated RCAP and RHAG budget authorities into program funds as provided in part II, subparts A, B, and C of this attachment. Each dollar of budget authority may support a different program level dependent upon whether it is a loan or grant program and the nature of the program. Program authorities are discussed in part II, subparts A, B, and C of this attachment. RHS programs administering RCAP or RHAG loan and grant funds are subject to the Equal Credit Opportunity Act, Title VI of the Civil Rights Act of 1964, Title VIII of the Fair Housing Act of 1968, as amended, section 504 of the Rehabilitation Act of 1973, and Executive Orders 11246 and 12898.

B. Since both the CF direct and guaranteed loan programs have negative subsidy rates for FY 2004, no budget authority is provided for these programs. No transfers in budget authority can be made between the CF programs in FY 2004.

C. RHAG programs provide flexibility for transfers in budget authority between programs in FY 2004. Because of the way the funds control system is currently configured, the National office will have to make these transfers on behalf of the State Directors.

1. RHAG transfers. For FY 2004, State Directors will have the flexibility to transfer their initial allocations of budget authority between the section 504 Rural Housing Grant program and the section 533 Housing Preservation Grant (HPG) program when funds allocated under the HPG program are uncommitted after receipt of HPG applications. RHAG transfers cannot be considered until the last day for applicants to file HPG applications in order to allow time to determine if funds are available for transfer.

2. To ensure adequate processing time, requests for transfer of funds should be submitted to the appropriate program areas in the National office by July 30, 2004. In an effort to keep down the

considerable burden of making these transfers, each State is limited to no more than two transfers during the year.

The following factors must be addressed when requesting the Administrator's concurrence to transfer funds: (1) all viable applications on hand in the program from which funds are proposed for transfer have been obligated; (2) there are insufficient funds available in the receiving program to fund the application; (3) there is not a backlog of applications on hand in the program from which funds are proposed for transfer and funds cannot be made available from the National office reserve to make up the deficiency; and (4) the population and per capita income of the community that would benefit from the project are equal to or less than that of a community that would benefit from the donor program based on the State's applications on hand.

The transfer of funds between grant programs should be based on sound judgment and the State's strategic plan.

D. Public notification. State Directors are encouraged to notify nonprofit and public agencies of the availability of RHS loan and grant funds. When applicable, State Directors are to ensure RHS programs comply with Executive Order 12898 and Rural Development Instruction 1901-E by directing outreach activities to low income and minority populations, underserved communities, and colonias.

E. Empowerment Zone (EZ), Enterprise Community (EC) and Rural Area EconomicPartnership (REAP) Zone Earmark. The Appropriations Act provided \$994,100 for Community Facility RCAP programs, \$7,058,110 for Rural Housing Insurance Fund (RHIF) programs, \$994,100 for section 523 Mutual and Self-Help Technical Assistance grants and \$1,789,380 in the RHAG programs for EZ, EC and REAP communities. See part II, subpart A of this attachment for RCAP, part II, subparts B and C of this attachment for RHIF programs, and part II, subpart B of this attachment for RHAG.

F. Underserved counties and colonias. The Cranston-Gonzalez Affordable Housing Act requires RHS to set aside 5 percent of its Rural Housing funds for the "100 Underserved Areas and Colonias." The top 100 counties, as listed on pages 3 and 4 of this part, are eligible for these funds. These funds have been set aside as follows:

SFH direct 502 loans:	\$67,569,850
SFH direct 504 loans:	1,739,856
SFH direct 504 grants:	1,513,789
MFH direct 515 loans:	5,792,869

1. Indian Country. When a county on the list is associated with Indian Country, the entire Indian Country area is eligible even though it crosses into one or more additional counties. Indian Country is defined as land inside the boundaries of Indian reservations, communities made up mainly of Native Americans, Indian trust and restricted lands, and tribal allotted lands.

2. Pooling. Since there are only 100 counties eligible for the list in FY 2004, there are no additional counties for the traditional pooled funds on June 30, 2004. Funds remaining after August 13, 2004, will be pooled and made available with the other program funds.

3. Single family housing programs. Further guidance will follow under separate cover.

4. Multi-family housing programs. Section 515 loans should be processed in accordance with part II, subpart B, paragraph (IV)(B)(2) of this attachment.

II. Exception authority. The Administrator, or the Administrator's designee, may, in individual cases, make an exception to any of the requirements of this attachment which are not inconsistent with the authorizing statute if the Administrator finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or designee, may exercise this authority upon the request of the State Director. The request must be supported by information that demonstrates the adverse impact or effect on the program. The Administrator, or designee, also reserves the right to change pooling dates, establish or change minimum or maximum fund usage from set asides and reserves, or restrict participation in set asides and reserves.

Housing in Underserved Counties
100 Eligible Counties

FIPS	STATE	COUNTY	% Substd Housing	% Poverty Pop	Combined Percentage	Rank
01105	Alabama	Perry County	35%	10%	45%	58
01131	Alabama	Wilcox County	40%	11%	51%	52
02050	Alaska	Bethel Census Area	20%	60%	80%	30
02070	Alaska	Dillingham Census Area	21%	32%	53%	46
02270	Alaska	Wade Hampton Census Area	26%	72%	98%	13
02290	Alaska	Yukon-Koyukuk Census Area	24%	60%	83%	27
04001	Arizona	Apache County	38%	44%	82%	29
04005	Arizona	Coconino County	20%	24%	45%	59
04017	Arizona	Navajo County	29%	25%	55%	45
05101	Arkansas	Newton County	20%	13%	33%	89
06003	California	Alpine County	20%	10%	30%	99
06019	California	Fresno County	22%	23%	44%	61
06031	California	Kings County	21%	19%	40%	68
08023	Colorado	Costilla County	27%	12%	39%	72
08109	Colorado	Saguache County	22%	10%	32%	93
12027	Florida	DeSoto County	23%	12%	34%	84
12049	Florida	Hardee County	23%	16%	39%	70
12051	Florida	Hendry County	23%	16%	40%	69
13043	Georgia	Candler County	26%	10%	36%	81
13141	Georgia	Hancock County	30%	10%	39%	71
22075	Louisiana	Plaquemines Parish	23%	10%	32%	94
28009	Mississippi	Benton County	23%	10%	33%	88
28021	Mississippi	Claiborne County	32%	10%	42%	64
28055	Mississippi	Issaquena County	33%	15%	48%	56
28123	Mississippi	Scott County	21%	10%	31%	97
30003	Montana	Big Horn County	29%	16%	45%	60
30035	Montana	Glacier County	27%	11%	38%	75
31173	Nebraska	Thurston County	25%	13%	38%	73
35006	New Mexico	Cibola County	25%	15%	40%	67
35033	New Mexico	Mora County	25%	12%	37%	77
35035	New Mexico	Otero County	23%	10%	33%	91
35043	New Mexico	Sandoval County	28%	23%	50%	53
38079	North Dakota	Rolette County	31%	10%	41%	65
38085	North Dakota	Sioux County	37%	19%	56%	43
46007	South Dakota	Bennett County	38%	15%	53%	47
46017	South Dakota	Buffalo County	58%	20%	78%	34
46031	South Dakota	Corson County	39%	19%	58%	41
46041	South Dakota	Dewey County	33%	15%	48%	55
46071	South Dakota	Jackson County	36%	17%	53%	48
46095	South Dakota	Mellette County	35%	14%	49%	54
46113	South Dakota	Shannon County	52%	48%	100%	10
46121	South Dakota	Todd County	47%	23%	71%	38
48013	Texas	Atascosa County	20%	12%	32%	92
48025	Texas	Bee County	24%	10%	34%	86
48047	Texas	Brooks County	40%	15%	55%	44
48107	Texas	Crosby County	28%	11%	38%	76
48115	Texas	Dawson County	20%	12%	31%	95
48117	Texas	Deaf Smith County	20%	13%	34%	87
48127	Texas	Dimmit County	33%	18%	51%	50
48131	Texas	Duval County	27%	12%	38%	74

Housing in Underserved Counties
100 Eligible Counties

FIPS	STATE	COUNTY	% Substandard Housing	% Poverty Population	Combined Score	Rank
48163	Texas	Frio County	29%	15%	44%	62
48165	Texas	Gaines County	22%	13%	34%	85
48191	Texas	Hall County	26%	11%	37%	79
48229	Texas	Hudspeth County	35%	16%	51%	49
48247	Texas	Jim Hogg County	26%	11%	37%	78
48249	Texas	Jim Wells County	24%	11%	35%	82
48271	Texas	Kinney County	24%	11%	35%	83
48273	Texas	Kleberg County	20%	10%	29%	100
48283	Texas	La Salle County	30%	17%	47%	57
48305	Texas	Lynn County	22%	11%	33%	90
48311	Texas	McMullen County	20%	11%	31%	96
48371	Texas	Pecos County	20%	10%	30%	98
48377	Texas	Presidio County	36%	15%	51%	51
48389	Texas	Reeves County	29%	12%	41%	66
48479	Texas	Webb County	49%	54%	103%	9
48505	Texas	Zapata County	36%	21%	57%	42
53077	Washington	Yakima County	20%	17%	37%	80
60020	American Samoa	Manu'a District	63%	70%	133%	3
60040	American Samoa	Swains Island	50%	133%	183%	1
60050	American Samoa	Western District	62%	72%	134%	2
69100	Northern Marianas	Rota Municipality	29%	46%	76%	37
69120	Northern Marianas	Tinian Municipality	35%	55%	90%	22
72001	Puerto Rico	Adjuntas Municipio	65%	33%	98%	14
72007	Puerto Rico	Aguas Buenas Municipio	58%	38%	95%	17
72009	Puerto Rico	Aibonito Municipio	51%	26%	77%	36
72013	Puerto Rico	Arecibo Municipio	57%	30%	87%	24
72031	Puerto Rico	Carolina Municipio	54%	11%	65%	40
72035	Puerto Rico	Cayey Municipio	61%	20%	82%	28
72043	Puerto Rico	Coamo Municipio	56%	23%	79%	31
72045	Puerto Rico	Comerfo Municipio	55%	36%	91%	20
72049	Puerto Rico	Culebra Municipio	39%	30%	69%	39
72055	Puerto Rico	Gußnica Municipio	62%	36%	98%	12
72059	Puerto Rico	Guayanilla Municipio	68%	29%	96%	16
72073	Puerto Rico	Jayuya Municipio	63%	29%	92%	19
72079	Puerto Rico	Lajas Municipio	55%	23%	77%	35
72081	Puerto Rico	Lares Municipio	73%	32%	105%	7
72083	Puerto Rico	Las Marfas Municipio	68%	31%	99%	11
72091	Puerto Rico	Manatf Municipio	54%	25%	79%	32
72093	Puerto Rico	Maricao Municipio	67%	37%	104%	8
72107	Puerto Rico	Orocovis Municipio	75%	35%	110%	6
72109	Puerto Rico	Patillas Municipio	61%	36%	97%	15
72113	Puerto Rico	Ponce Municipio	62%	28%	90%	21
72115	Puerto Rico	Quebradillas Municipio	85%	34%	119%	4
72123	Puerto Rico	Salinas Municipio	57%	22%	79%	33
72131	Puerto Rico	San Sebastin Municipio	61%	33%	94%	18
72133	Puerto Rico	Santa Isabel Municipio	57%	27%	85%	26
72141	Puerto Rico	Utuaao Municipio	63%	27%	89%	23
72147	Puerto Rico	Vieques Municipio	64%	22%	87%	25
72149	Puerto Rico	Villalba Municipio	73%	40%	113%	5
78030	Virgin Islands	St. Thomas Island	27%	16%	43%	63

RURAL HOUSING SERVICE
RURAL COMMUNITY ADVANCEMENT PROGRAM
COMMUNITY FACILITIES

I. General.

A. This attachment provides funding allocations available for fiscal year (FY) 2004. All Community Facilities (CF) funds are included in the Rural Community Advancement Program (RCAP). Computations for allocations available to individual States have been performed in accordance with §§ 1940.585, 1940.591, and 1940.592 of this Instruction. Both the direct and guaranteed loan programs have negative subsidy rates for FY 2004. Therefore, it will not be possible to transfer budget authority into or out of either of these programs.

B. The appropriations act provides an earmark until June 30, 2004, of \$994,100 in CF grant authority and \$2.5 million in direct loan authority for Empowerment Zones (EZ) and Enterprise Communities (EC) and communities designated by the Secretary of Agriculture as Rural Economic Area Partnership (REAP) Zones. State Offices may submit Guide 26 of RD Instruction 1942-A or RD Form Letter 3570-B-1, as appropriate, at any time. The projects must be obligated by June 30, 2004. For FY 2004, the maximum grant reserve request amount is \$100,000.

C. Congress has appropriated \$5,964,500 for the Rural Community Development Initiative. The funds will be used to develop the capacity and ability of private, nonprofit, community-based housing and community development organizations, low-income rural communities, and Indian tribes to undertake projects to improve housing, community facilities, and community and economic development projects in rural areas. A Notice of Funds Availability regarding this program will be published in the Federal Register.

D. State allocations are made on an annual basis; however, the National Office receives an apportionment of loan funds on a quarterly basis for these programs. If States collectively request obligations greater than the amount apportioned for the quarter, there may not be sufficient funds to honor all obligations requested in that particular quarter.

II. State Allocations. All allocations have been calculated in accordance with the methodology and formulas contained in §§ 1940.585, 1940.591, and 1940.592 of this Instruction.

A. All Community Facilities Programs.

1. Basic formula criteria, data source, and weight. The census information used in the formula is derived from 2000 census data on population and income.
2. Basic formula allocation. State allocations are shown on pages 8, 9, and 10 of this subpart.
3. Transition formula. We have used the transition formula prescribed by this Instruction to assist States in the orderly transition from the FY 2003 allocations.
4. Base allocations. The amounts of the base allocations to each State are \$2.8 million for the direct loan program, \$900,000 for the guaranteed loan program, and \$70,000 for the grant program.
5. Administrative allocation. An administrative allocation was used to establish an allocation for the U.S. Virgin Islands and the Western Pacific Islands.
6. Reserve. Funds will be allocated to the States for those projects which best meet the Agency's priorities, depending on the amount available at the time of the request. Program Managers may request reserve funds by forwarding a general description of the project with the Guide 26 of RD Instruction 1942-A, exhibit C of RD Instruction 3575-A, or RD Form Letter 3570-B-1 and Form RD 3570-1, as appropriate, to the National Office after the docket has been developed to the point where the loan or grant can be approved upon notification that funds are available. Requests for direct and guaranteed loan reserves may be made at any time. Requests for grant reserves will be considered once during the course of the year. The procedure for requesting grant reserves is contained in section D, paragraph 3, "Grant Processing," below.

Reserve funds will only be made available after the State's allocation has been allocated or obligated for particular projects. The Administrator will consider a State Director's utilization of all his or her CF allocations in determining whether to honor requests for funds from the direct loan or grant reserves.

7. Pooling of funds. Due to the late date at which we are making allocations to States, there will be no mid-year pooling this year. Year-end pooling is scheduled for August 13, 2004. All funds for which requests for obligation of funds have not been entered and processed will be pooled. Further details will be provided prior to pooling.

B. Community Facilities Direct Loans.

Amount available for allocation.

Amount available	\$500,000,000
Less National Office reserve	74,936,837
Less EZ/EC reserve	<u>2,500,000</u>
Base, Administrative, and Basic formula amount distributed	\$422,563,163

C. Community Facilities Guaranteed Loans.

Amount available for allocation.

Amount available	\$210,000,000
Less National Office reserve	<u>42,028,000</u>
Base, Administrative, and Basic formula amount distributed	\$167,972,000

D. Community Facilities Grants.

1. Amount available for allocation.

Amount available	\$15,825,078
Less National Office reserve	3,091,978
Less EZ/EC reserve	<u>994,100</u>
Base, Administrative, and Basic formula amount distributed	\$11,739,000

2. Maximum grant amount. For FY 2004, the maximum grant reserve request amount is \$100,000.

3. Grant processing. There will be one window of opportunity to request Community Facilities grant funds. Program Managers must forward a general description of the project, Form RD 3570-1, and RD Form Letter 3570-B-1 to the National Office by close of business on July 1, 2004. Indicate clearly the type or types of grant that this request is being submitted for on the "Type of Request" line on RD Form Letter 3570-B-1. Any request received after this time period will be held in the National Office to compete for any additional funds that remain available after all other eligible requests have been funded. The National Office will transfer the funds and provide verbal notification to the State Office that the funds are available. The National Office does not maintain unfunded requests beyond the end of the fiscal year.

4. For each grant application approved, the State Director must document that the minimum grant amount needed to achieve financial feasibility for the project has been determined. A copy of this analysis must be kept in the project file.

E. Economic Impact Initiative Grants.

1. This program is authorized under section 306(a) of the Consolidated Farm and Rural Development Act. For FY 2004, Congress appropriated \$21,870,200 for a Community Facilities grant program for rural communities with extreme unemployment and severe economic depression, hereinafter referred to as the Economic Impact Initiative. These funds are in addition to the Community Facilities grant program's regular allocation of funds. RHS will administer these funds using the same regulations governing its Community Facilities grant program. Program administration, eligibility, processing, and servicing requirements for this program may be found under 7 CFR part 3570, subpart B.

2. In addition to those requirements contained in 7 CFR part 3570, the essential community facility must be located in a rural community where the "not employed rate" is greater than 19.5 percent as mandated by 7 USC 1926(a)(20)(B). The "not employed rate" is the percentage of individuals over the age of 18 who reside within the community and are ready, willing, and able to be employed but are unable to find employment, as determined by the Department of Labor of the State in which the community is located. This department must typically analyze "not employed rates" or similar data.

3. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002, expanded eligibility for the Economic Impact Initiative to provide local dial-up Internet access or broadband service where it does not currently exist. Under this provision, the Agency may make grants to State agencies for use by regulatory commissions in States with rural communities which do not have those services. The State agencies will establish a competitive, technologically-neutral grant program for telecommunications carriers or cable operators that establish common carrier facilities and services that, in the commission's determination, will result in the long-term availability of affordable broadband services used for high speed Internet access in these communities.

4. All Economic Impact Initiative funds will remain in the National Office reserve. Project selections will be made on a national competitive basis. When a State Office determines that an applicant is eligible, the pre-application is evaluated competitively and points awarded as specified in the project selection priorities contained in 7 CFR part 3570, subpart B. The State Director or designee will forward the request to the National Office to compete for funding consideration by the close of business on July 1, 2004. The request must include a general description of the project, Form RD 3570-1, and RD Form Letter 3570-B-1. Indicate clearly the type or types of grant for which this request is being submitted on the "Type of Request" line on RD Form Letter 3570-B-1. Any request received after this time period will be held in the National Office to compete for any additional funds that remain available after all other eligible requests have been funded.

5. All preapplications selected for funding consideration will be notified by the State or field office by issuance of Form AD-622, "Notice of Preapplication Review Action." At that time, the proposed recipient will be invited to submit a complete application, along with instructions related to the agreed upon award amount, and asked to schedule an application conference to discuss items needed for the formal application and to further clarify any issues related to the project.

6. The National Office will transfer funds and provide verbal notification to the State Office that the funds are available. The National Office does not maintain unfunded requests beyond the end of the fiscal year. Those organizations submitting applications

without sufficient priority to receive funding consideration in FY 2004 must be notified, in writing, by the State or designated field office.

7. Final approval is subject to the availability of funds; the submission of a formal, complete application and related materials meeting the program requirements and the responsibilities of the grantee (contained in 7 CFR part 3570, subpart B); the letter of conditions; and the grant agreement.

8. For each grant application approved, the State Director must document that the minimum grant amount needed to achieve financial feasibility for the project has been determined. A copy of this analysis must be kept in the project file.

9. Documentation that the Economic Impact Initiative grant project is located in an area where the "not employed rate" is greater than 19.5 percent must be maintained in each Economic Impact Initiative grant file. The term "not employed rate" is defined in paragraph 2 above.

F. Tribal College Grants

1. This program is authorized under section 306(a) of the Consolidated Farm and Rural Development Act. Congress appropriated \$3,976,400 for a Community Facilities grant program for the 31 tribal colleges that are 1994 land-grant institutions meeting the criteria of the Equity in Education Land-Grant Status Act of 1994. RHS will administer these funds using the same regulations that govern its Community Facilities grant program. Program administration, eligibility, processing, and servicing requirements for that program may be found at 7 CFR part 3570, subpart B.

2. All Tribal College Initiative funds will remain in the National Office reserve for funding consideration in FY 2004. Project selections will be made on a nation-wide competitive basis. When a State Office determines that an applicant is eligible, the preapplication will be evaluated competitively and points awarded as specified in the project selection priorities contained in the above-cited regulations. For FY 2004, the maximum tribal college grant amount is \$200,000.

3. The State Director or designee will forward the request to the National Office to compete for funding consideration. The request must consist of a general description of the project, Form RD 3570-1, and RD Form Letter 3570-B-1, and be forwarded to the National

Office by the close of business on July 1, 2004. Any request received after this date will be held in the National Office to compete for any additional funds that remain available after all other eligible requests have been funded.

4. All preapplications selected for funding consideration will be notified by the State or field office by issuance of Form AD-622, "Notice of Preapplication Review Action." At that time, the proposed recipient will be invited to submit a complete application, along with instructions related to the agreed upon award amount. An application conference will be scheduled to discuss items needed for the formal application and to further clarify issues related to the project.

5. Final approval is subject to the availability of funds; the submission of a formal, complete application and related materials meeting the program requirements and responsibilities of the grantee (set forth in 7 CFR part 3570, subpart B); the letter of conditions; and the grant agreement.

6. The National Office does not maintain unfunded requests beyond the end of the fiscal year. Those preapplications not having sufficient priority to receive funding consideration for FY 2004 will be notified, in writing, by the State or designated field office.

7. For each grant application approved, the State Director must document that the minimum grant amount needed to achieve financial feasibility for the project has been determined. A copy of this analysis must be kept in the project file.

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 Exhibit A
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 Subpart A, Page 8

RURAL HOUSING SERVICE FY 2004
 DIRECT COMMUNITY FACILITY LOANS
 LOAN ALLOCATION

STATE	Basic Formula Factor	Base Allocation Amount	Transition and Base Formula Allocation Amount	FY 2004 Distribution
Alabama	0.03532034	\$2,800,000	\$9,560,000	\$12,360,000
Alaska	0.00577538	\$2,800,000	\$614,554	\$3,414,554
Arizona	0.01330406	\$2,800,000	\$1,816,477	\$4,616,477
Arkansas	0.02395039	\$2,800,000	\$6,483,000	\$9,283,000
California	0.03217109	\$2,800,000	\$8,708,000	\$11,508,000
Colorado	0.01025140	\$2,800,000	\$1,695,830	\$4,495,830
Delaware	0.00245950	\$2,800,000	\$614,554	\$3,414,554
Maryland	0.00966651	\$2,800,000	\$2,376,464	\$5,176,464
Florida	0.02621382	\$2,800,000	\$7,095,000	\$9,895,000
Virgin Islands	0.00000000	\$3,000,000	\$0	\$3,000,000
Georgia	0.04125714	\$2,800,000	\$11,168,000	\$13,968,000
Hawaii	0.00323486	\$2,800,000	\$614,554	\$3,414,554
W. Pacific Areas	0.00000000	\$3,000,000	\$0	\$3,000,000
Idaho	0.00957510	\$2,800,000	\$1,258,767	\$4,058,767
Illinois	0.02523761	\$2,800,000	\$7,902,599	\$10,702,599
Indiana	0.02577249	\$2,800,000	\$7,116,855	\$9,916,855
Iowa	0.01804856	\$2,800,000	\$4,885,000	\$7,685,000
Kansas	0.01248950	\$2,800,000	\$3,136,772	\$5,936,772
Kentucky	0.03752366	\$2,800,000	\$10,157,000	\$12,957,000
Louisiana	0.02468959	\$2,800,000	\$6,683,000	\$9,483,000
Maine	0.01269103	\$2,800,000	\$2,360,530	\$5,160,530
Massachusetts	0.00647356	\$2,800,000	\$1,709,488	\$4,509,488
Connecticut	0.00461843	\$2,800,000	\$885,442	\$3,685,442
Rhode Island	0.00121499	\$2,800,000	\$328,000	\$3,128,000
Michigan	0.03739168	\$2,800,000	\$11,732,046	\$14,532,046
Minnesota	0.02110571	\$2,800,000	\$5,712,000	\$8,512,000
Mississippi	0.03263424	\$2,800,000	\$8,833,000	\$11,633,000
Missouri	0.02961748	\$2,800,000	\$8,017,000	\$10,817,000
Montana	0.00880508	\$2,800,000	\$912,759	\$3,712,759
Nebraska	0.00827491	\$2,800,000	\$826,257	\$3,626,257
Nevada	0.00326295	\$2,800,000	\$614,554	\$3,414,554
New Jersey	0.00690723	\$2,800,000	\$851,297	\$3,651,297
New Mexico	0.01262473	\$2,800,000	\$1,825,583	\$4,625,583
New York	0.03528632	\$2,800,000	\$9,635,609	\$12,435,609
North Carolina	0.05000000	\$2,800,000	\$13,978,229	\$16,778,229
North Dakota	0.00496235	\$2,800,000	\$614,554	\$3,414,554
Ohio	0.03806382	\$2,800,000	\$11,922,173	\$14,722,173
Oklahoma	0.02214393	\$2,800,000	\$5,993,000	\$8,793,000
Oregon	0.01442093	\$2,800,000	\$3,904,000	\$6,704,000
Pennsylvania	0.04069708	\$2,800,000	\$14,622,640	\$17,422,640
Puerto Rico	0.01449340	\$2,800,000	\$15,231,717	\$18,031,717
South Carolina	0.02808584	\$2,800,000	\$7,602,000	\$10,402,000
South Dakota	0.00678183	\$2,800,000	\$614,554	\$3,414,554
Tennessee	0.03562346	\$2,800,000	\$9,643,000	\$12,443,000
Texas	0.05000000	\$2,800,000	\$15,231,717	\$18,031,717
Utah	0.00548159	\$2,800,000	\$614,554	\$3,414,554
Vermont	0.00593156	\$2,800,000	\$614,554	\$3,414,554
New Hampshire	0.00674986	\$2,800,000	\$732,926	\$3,532,926
Virginia	0.02938643	\$2,800,000	\$7,954,000	\$10,754,000
Washington	0.01969550	\$2,800,000	\$5,331,000	\$8,131,000
West Virginia	0.02114772	\$2,800,000	\$5,724,000	\$8,524,000
Wisconsin	0.02472050	\$2,800,000	\$6,690,000	\$9,490,000
Wyoming	0.00376487	\$2,800,000	\$614,554	\$3,414,554
Totals		\$148,800,000	\$273,763,163	\$422,563,163
EZ/EC/REAP Earmark				\$2,500,000
National Office Reserve				\$74,936,837
Grand Total				\$500,000,000

RURAL HOUSING SERVICE FY 2004
 GUARANTEED COMMUNITY FACILITY LOANS
 LOAN ALLOCATION

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 Exhibit A
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 Subpart A, Page 9

STATE	Basic Formula Factor	Base Allocation Amount	Base Formula Allocation Amount	FY 2004 Distribution
Alabama	0.03532034	\$900,000	\$4,241,000	\$5,141,000
Alaska	0.00577538	\$900,000	\$693,000	\$1,593,000
Arizona	0.01330406	\$900,000	\$1,597,000	\$2,497,000
Arkansas	0.02395039	\$900,000	\$2,876,000	\$3,776,000
California	0.03217109	\$900,000	\$3,863,000	\$4,763,000
Colorado	0.01025140	\$900,000	\$1,231,000	\$2,131,000
Delaware	0.00245950	\$900,000	\$295,000	\$1,195,000
Maryland	0.00966651	\$900,000	\$1,160,000	\$2,060,000
Florida	0.02621382	\$900,000	\$3,148,000	\$4,048,000
Virgin Islands	0.00000000	\$1,000,000	\$0	\$1,000,000
Georgia	0.04125714	\$900,000	\$4,954,000	\$5,854,000
Hawaii	0.00323486	\$900,000	\$388,000	\$1,288,000
W. Pacific Areas	0.00000000	\$1,000,000	\$0	\$1,000,000
Idaho	0.00957510	\$900,000	\$1,149,000	\$2,049,000
Illinois	0.02523761	\$900,000	\$3,031,000	\$3,931,000
Indiana	0.02577249	\$900,000	\$3,095,000	\$3,995,000
Iowa	0.01804856	\$900,000	\$2,167,000	\$3,067,000
Kansas	0.01248950	\$900,000	\$1,499,000	\$2,399,000
Kentucky	0.03752366	\$900,000	\$4,506,000	\$5,406,000
Louisiana	0.02468959	\$900,000	\$2,965,000	\$3,865,000
Maine	0.01269103	\$900,000	\$1,524,000	\$2,424,000
Massachusetts	0.00647356	\$900,000	\$777,000	\$1,677,000
Connecticut	0.00461843	\$900,000	\$554,000	\$1,454,000
Rhode Island	0.00121499	\$900,000	\$145,000	\$1,045,000
Michigan	0.03739168	\$900,000	\$4,490,000	\$5,390,000
Minnesota	0.02110571	\$900,000	\$2,534,000	\$3,434,000
Mississippi	0.03263424	\$900,000	\$3,919,000	\$4,819,000
Missouri	0.02961748	\$900,000	\$3,557,000	\$4,457,000
Montana	0.00880508	\$900,000	\$1,057,000	\$1,957,000
Nebraska	0.00827491	\$900,000	\$993,000	\$1,893,000
Nevada	0.00326295	\$900,000	\$391,000	\$1,291,000
New Jersey	0.00690723	\$900,000	\$829,000	\$1,729,000
New Mexico	0.01262473	\$900,000	\$1,516,000	\$2,416,000
New York	0.03528632	\$900,000	\$4,237,000	\$5,137,000
North Carolina	0.05000000	\$900,000	\$6,005,000	\$6,905,000
North Dakota	0.00496235	\$900,000	\$595,000	\$1,495,000
Ohio	0.03806382	\$900,000	\$4,571,000	\$5,471,000
Oklahoma	0.02214393	\$900,000	\$2,659,000	\$3,559,000
Oregon	0.01442093	\$900,000	\$1,731,000	\$2,631,000
Pennsylvania	0.04069708	\$900,000	\$4,887,000	\$5,787,000
Puerto Rico	0.01449340	\$900,000	\$1,740,000	\$2,640,000
South Carolina	0.02808584	\$900,000	\$3,373,000	\$4,273,000
South Dakota	0.00678183	\$900,000	\$814,000	\$1,714,000
Tennessee	0.03562346	\$900,000	\$4,278,000	\$5,178,000
Texas	0.05000000	\$900,000	\$6,005,000	\$6,905,000
Utah	0.00548159	\$900,000	\$658,000	\$1,558,000
Vermont	0.00593156	\$900,000	\$712,000	\$1,612,000
New Hampshire	0.00674986	\$900,000	\$810,000	\$1,710,000
Virginia	0.02938643	\$900,000	\$3,529,000	\$4,429,000
Washington	0.01969550	\$900,000	\$2,365,000	\$3,265,000
West Virginia	0.02114772	\$900,000	\$2,539,000	\$3,439,000
Wisconsin	0.02472050	\$900,000	\$2,968,000	\$3,868,000
Wyoming	0.00376487	\$900,000	\$452,000	\$1,352,000
Totals		\$47,900,000	\$120,072,000	\$167,972,000
EZ/EC/REAP Earmark				\$0
National Office Reserve				\$42,028,000
Grand Total				\$210,000,000

STATE	Basic Formula Factor	Base Allocation Amount	Base Formula Allocation Amount	FY 2004 Distribution
Alabama	0.04035728	\$70,000	\$324,000	\$394,000
Alaska	0.00391294	\$70,000	\$31,000	\$101,000
Arizona	0.01447471	\$70,000	\$116,000	\$186,000
Arkansas	0.02493217	\$70,000	\$200,000	\$270,000
California	0.03423191	\$70,000	\$275,000	\$345,000
Colorado	0.01004816	\$70,000	\$80,000	\$150,000
Delaware	0.00239078	\$70,000	\$19,000	\$89,000
Maryland	0.00970581	\$70,000	\$78,000	\$148,000
Florida	0.02999611	\$70,000	\$241,000	\$311,000
Virgin Islands	0.00000000	\$75,000	\$0	\$75,000
Georgia	0.04204062	\$70,000	\$338,000	\$408,000
Hawaii	0.00212328	\$70,000	\$17,000	\$87,000
W. Pacific Areas	0.00000000	\$75,000	\$0	\$75,000
Idaho	0.00762080	\$70,000	\$61,000	\$131,000
Illinois	0.02145761	\$70,000	\$172,000	\$242,000
Indiana	0.02390039	\$70,000	\$192,000	\$262,000
Iowa	0.01632883	\$70,000	\$131,000	\$201,000
Kansas	0.01131111	\$70,000	\$90,000	\$160,000
Kentucky	0.04023253	\$70,000	\$323,000	\$393,000
Louisiana	0.02678756	\$70,000	\$215,000	\$285,000
Maine	0.01245627	\$70,000	\$100,000	\$170,000
Massachusetts	0.00646726	\$70,000	\$51,000	\$121,000
Connecticut	0.00463757	\$70,000	\$37,000	\$107,000
Rhode Island	0.00112210	\$70,000	\$9,000	\$79,000
Michigan	0.03622038	\$70,000	\$291,000	\$361,000
Minnesota	0.02046185	\$70,000	\$164,000	\$234,000
Mississippi	0.03301689	\$70,000	\$265,000	\$335,000
Missouri	0.03043828	\$70,000	\$244,000	\$314,000
Montana	0.00807722	\$70,000	\$64,000	\$134,000
Nebraska	0.00830199	\$70,000	\$66,000	\$136,000
Nevada	0.00257479	\$70,000	\$20,000	\$90,000
New Jersey	0.00577794	\$70,000	\$46,000	\$116,000
New Mexico	0.01149336	\$70,000	\$92,000	\$162,000
New York	0.03641241	\$70,000	\$292,000	\$362,000
North Carolina	0.05000000	\$70,000	\$402,000	\$472,000
North Dakota	0.00519184	\$70,000	\$41,000	\$111,000
Ohio	0.03742259	\$70,000	\$300,000	\$370,000
Oklahoma	0.02305593	\$70,000	\$185,000	\$255,000
Oregon	0.01172005	\$70,000	\$94,000	\$164,000
Pennsylvania	0.04242992	\$70,000	\$341,000	\$411,000
Puerto Rico	0.01207828	\$70,000	\$97,000	\$167,000
South Carolina	0.03086614	\$70,000	\$248,000	\$318,000
South Dakota	0.00729665	\$70,000	\$58,000	\$128,000
Tennessee	0.03745654	\$70,000	\$301,000	\$371,000
Texas	0.05000000	\$70,000	\$402,000	\$472,000
Utah	0.00429719	\$70,000	\$34,000	\$104,000
Vermont	0.00559648	\$70,000	\$44,000	\$114,000
New Hampshire	0.00635827	\$70,000	\$51,000	\$121,000
Virginia	0.03123000	\$70,000	\$251,000	\$321,000
Washington	0.01749991	\$70,000	\$140,000	\$210,000
West Virginia	0.02218418	\$70,000	\$178,000	\$248,000
Wisconsin	0.02310935	\$70,000	\$185,000	\$255,000
Wyoming	0.00289578	\$70,000	\$23,000	\$93,000
Totals		\$3,720,000	\$8,019,000	\$11,739,000
EZ/EC/REAP Earmark				\$994,100
Child Day Care set-aside				\$1,482,500
National Office Reserve				\$1,609,478
Grand Total				\$15,825,078

RURAL HOUSING SERVICE
MULTI-FAMILY HOUSING (MFH)

I. General.

A. This Attachment provides guidance on MFH funding for the Rural Rental Housing program (RRH) for FY 2004 (does not include carryover funds). For fiscal year (FY) 2004, State Directors, under the Rural Housing Assistance Grants (RHAG), will have the flexibility to transfer their initial allocations of budget authority between the Single Family Housing (SFH) section 504 Housing Repair Grants and the section 533 Housing Preservation Grant (HPG) programs in accordance with Attachment 2, part I of this Exhibit.

B. MFH loan and grant levels for FY 2004 are as follows:

MFH Loan Programs Credit Sales	\$ 1,491,149
Section 514 Farm Labor Housing (LH) loans	*\$ 42,574,374
Section 515 Rural Rental Housing (RRH)	*\$ 115,857,375
Section 521 Rental Assistance (RA)	*\$ 574,689,210
Section 516 LH grants	*\$ 17,900,759
Section 525 Supervisory and Technical Assistance and section 509 Housing Application Packaging grants	
Total Available for Single and Multi-Family (includes carryover)	\$ 1,024,754
Section 533 Housing Preservation grants (HPG)	*\$ 8,882,000
Section 538 Guaranteed Rural Rental Housing program	*\$99,410,000
Processing Worker Housing Grants	*\$4,970,500

* Does not include carryover

II. Multi-Family Housing Programs (Funds not allocated to the States).

A. Credit Sales Authority. For FY 2004, \$1,491,149 will be available for credit sales to program and nonprogram buyers. Credit sale funding will not be allocated by State. The State Director must submit requests for authority to approve credit sales using page 9 of this subpart via facsimile (202) 720-0302 to the National Office. Credit sale funds will be pooled if not obligated/closed by August 13, 2004.

B. Section 538 Guaranteed Rural Rental Housing program. Guaranteed loan funds will be made available under a Notice of Funding Availability (NOFA) that will be published later this fiscal year. Additional guidance will be provided at that time.

III. Farm Labor Program Account. The Farm Labor Housing Account includes budget authority for the Section 514 Loan and Section 516 Grant Programs. The Administrator has the authority to transfer budget authority between the two programs. Upon closing of the NOFA, the Administrator will evaluate the responses and determine proper distribution of funds between loans and grants.

A. Section 514 and Section 516 Program Level Estimates. These loans and grants are funded in accordance with § 1940.579(a) and 1940.579(b) respectively, of this Instruction. Unobligated prior year balances and cancellations will be added to the amounts shown. LH grants for off-farm will be made available under the NOFA that will be published later this fiscal year. Additional guidance will be provided at that time. On-Farm loans will be made available on a first-come-first-served basis. The total amount available for on-farm loans is \$2 million for FY 2004. States should utilize page 8 of this subpart to request approval to obligate funds.

FY 2004 loan appropriation	\$42,574,374
Available for off-farm loans	\$35,774,000
Available for on-farm loans	\$ 2,000,000
National office reserve	\$ 4,800,374
FY 2004 grant appropriation	\$17,900,759
Available for LH grants for off-farm	\$13,400,759
Estimated for Technical Assistance (TA) Grants	\$ 1,500,000
National office reserve	\$ 3,000,000
Total Program	\$60,475,133

B. National Office reserve. A \$3,000,000 LH grant and a \$4,800,374 LH loan reserve will be available until fully allocated to selected loan and grant applicants. Reserve funds are not considered NOFA funds and will be used as follows:

1. Repair and Rehabilitation. Loans and grants are available for rehabilitation and repair of existing projects. Priority will be given to projects that have health and safety violations. State Directors should identify projects that are in need of those repairs, prioritize and justify the processing of such applications that will bring units back into full compliance.

2. Hardships and Emergencies. Reserve funds may be used for hardships and emergencies. Requests must indicate and justify why it is in the best interest of the Government to approve the request.

C. RA for LH. RA will be held in the National Office for use with LH loan and grant applications selected under the NOFA that will be published later this fiscal year. RA is only available with an RHS loan of at least 5 percent of the total development cost. Projects without a LH loan cannot receive RA.

IV. Section 515 RRH Loan Funds. States should use page 9 of this subpart to request approval to obligate all funds.

FY 2004 section 515 Rural Rental Housing Allocation (Total)	\$115,857,375
New Construction funds and set-asides	\$30,057,375
New construction loans	\$ 7,837,343
Set-aside for nonprofits	\$10,427,163
Set-aside for underserved counties and colonias	\$5,792,869
Earmark for EZ, EC, or REAP Zones	\$ 5,000,000
State RA	\$1,000,000
Rehab and repair funds and equity	\$60,800,000
Rehab and repair loans	\$55,800,000
Designated equity loan reserve	\$5,000,000
General reserve	\$25,000,000

A. New construction loan funds. New construction loan funds will be made available using a national NOFA. Upon closing of the NOFA, States will submit a list, in rank order of the eligible projects. The list must show the name of the applicant; location of the project (City & State); if it is located in an Empowerment Zone (EZ) or Enterprise Community (EC), REAP Zone, Tribal Land, or Colonia; amount of leveraging; RHS loan amount; point score; number of new construction RA units needed; total project units; number of tax credit units; and other information as requested in the NOFA, to the National Office. Requests that are eligible for the nonprofit set-aside must be so indicated. Include requests for the Underserved Counties and Colonias Set-Aside and EZ, EC or REAP Zone earmark. Indicate if they are also eligible for regular section 515 funds by being located in a designated place. The National Office will rank the States' requests by point score using the same tie breaker criteria established in §1944.231 of RD Instruction 1944-E. Funds will be distributed to the States for loan requests in rank order, up to a maximum of \$2.5 million (regardless of Agency funding source) for any one State.

B. National Office New Construction Set-asides. The following funds have been set-aside as described below and made available using a national NOFA.

1. Nonprofit set-aside. An amount of \$10,427,163 has been set aside for nonprofit applicants.
2. Underserved counties and colonias set-aside. An amount of \$5,792,869 has been set aside for loan requests to develop units in the underserved 100 most needy counties or colonias as defined in section 509(f) of the Housing Act of 1949.
3. EZ, EC or REAP Zone earmark. An amount of \$ 5,000,000 has been earmarked for loan requests to develop units in EZ, EC or REAP Zone communities through June 30, 2004. The State must indicate on the list submitted to the National Office if the loan request is eligible for both this set-aside and regular section 515 funds.

C. Rental Assistance (RA). Limited new construction RA will be held in the National Office for use with section 515 Rural Rental Housing loans. New construction RA may not be used in conjunction with a transfer or subsequent loan for repairs or rehabilitation, preservation purposes or for inventory property sales.

D. State RA. An amount of \$1 million of the section 515 loan funds is available for matching with projects in which an active State sponsored RA program is available. The State RA program must be comparable to the RHS RA program. To receive this funding, the State Director should submit a written request with specific information about the State RA program; i.e., memorandum of understanding, documentation from the provider, etc., to the Director, Multi-Family Housing Processing Division (MFHPD). Funds will be distributed to participating States based on a *pro rata* basis.

E. Repair and Rehabilitation Loans. Tenant health and safety continues to be the top priority. Repair and rehabilitation funds must be FIRST targeted to RRH facilities that have physical conditions that affect the health and safety of tenants, and then made available to facilities that have deferred maintenance. Subsequently funds provided to States for repair or rehabilitation loans may not be used for the purpose of new construction. All funds will be held in the National Office and will be distributed based upon indicated repair and rehabilitation needs demonstrated in the MFH survey conducted in November 2003. Pooling of the repair and rehabilitation funds will be held on August 13, 2004.

F. Designated reserve for equity loans. An amount of \$5 million has been designated for the equity loan preservation incentive described in

RD Instruction 1965-E. The \$5 million will be further divided into \$4 million for equity loan requests currently on the pending funding list and \$1 million to facilitate the transfer of properties from for-profit owners to nonprofit corporations and public bodies. Funds for such transfers would be authorized only for for-profit owners who are currently on the pending funding list who agree to transfer to nonprofit corporations or public bodies rather than to remain on the pending list. If insufficient transfer requests are generated to utilize the full \$1 million set aside for nonprofit and public body transfers, the balance will revert to the existing pending equity loan funding list.

G. General Reserve. There is one general reserve fund of \$25,000,000. Some examples of immediate allowable uses include, but are not limited to the following:

1. Hardships and Emergencies. The request must include sufficient documentation to support the hardship or emergency including reasons why it is in the Government's best interest to favorably consider the request.
2. RH Cooperatives or group homes. Requests for cooperative housing or group homes must be in designated places and submitted under the NOFA.
3. RRH preservation. Funds may be used to promote innovative approaches to preserving existing RRH projects by providing equity payments during a transfer. Requests to use these funds will be considered in accordance with specific standards established by the Administrator and with an agreement to extend the project's restrictive use period beyond 20 years. The Office of Rental Housing Preservation (ORHP) will be responsible for reviewing these requests.

H. Requesting Funds for Special Needs. States should utilize page 9 of this subpart to request reserve funds. This format will ensure a prompt turnaround since it can be used for the request and National Office approval.

V. Section 533 Housing Preservation Grants (HPG). Due to limited funds this fiscal year, the funding process will be followed as described in paragraph V A of this subpart. Further guidance was provided in the HPG Notice that was published earlier in the fiscal year.

- A. State allocation options. After receipt of applications, States will have the following options:

1. Use their allocations as reflected on page 10 of this subpart to make two or more grants so that no one grantee receives more than 50 percent of the State allocation, unless there is a single grantee from that state.

2. Return the allocation to the National pool. Once a State returns its allocation to the National pool, the State may request one grant of no more than \$50,000 from that pool. Funds will be limited and States are not guaranteed funding from the National pool. If the pool is not sufficient, selection will be in order of point score.

3. Transfer unused funds to section 504 in accordance with RD Instruction 1940-L, exhibit A, attachment 2, part I, paragraph I C 2.

B. Amount Available for Allocation. See page 10 of this subpart for HPG State allocations. EZ, EC or REAP Zone earmarked funds will be included in the NOFA.

Total available	\$ 8,882,000
Less reserve	\$ 888,200
Less designated earmark(EZ, EC or REAP Zone)	<u>\$ 894,690</u>
Total Available for Distribution	\$ 7,099,110

C. Base Allocation. The base allocation is not used. Distribution of funds is based on the allocation formula in accordance with RD Instruction 1940-L.

D. Administrative Allocations. The administrative allocation is not used.

E. Reserve. The National Office reserve is 10 percent of the total funds available. The eligible uses for reserve funds include natural disasters, proposals to be located on Tribal lands, and targeted areas. State Directors may request reserve funds with sufficient documentation to support the request, including reasons why it is in the Government's best interest to consider the request. The National Office reserve may also be used to augment the individual grants or National pool.

F. National Office Pooling. Pooling for HPG funded under the RHAG is tentatively scheduled for August 13, 2004. RHAG funding will be pooled and unused funds may be transferred to section 504 in accordance with RD Instruction 1940-L, exhibit A, attachment 2, part I, paragraph I C 2. Further details will be provided in conjunction with pooling.

G. Availability of the Allocation. A distribution of funds is made to all States. The Agency does not have the authority to waive the statutory rule that not more than 50 percent of the State's allocation may go to one eligible applicant, unless there is a single grantee from that state.

H. HPG is a competitive grant program. State Directors must implement maximum outreach measures to ensure 100 percent utilization of HPG funds. Opening and closing dates for submission of preapplications have been announced in the FEDERAL REGISTER on February 6, 2004. Exhibit G to RD Instruction 1944-N must be submitted to the National office (the deadline for submission will be announced at a later date).

[On Rural Development Letterhead]

TO: Carl W. Wagner
Director, Multi-Family Housing Processing Division

ATTENTION: Doug MacDowell
MFHPD, STOP 0781

SUBJECT: Request for Allocation of FY 2004 Section 514 Loan or 516 Grant Funds

State Name _____

Authorization is requested for the following application:

Applicant Name:	_____
Indicate either New Construction or Rehab/Repair	_____
Total RHS Loan:	_____ \$
Total RHS Grant:	_____ \$
RA Units:	_____
Total Complex Units:	_____
Type of Loan or Reserve Category:	_____
(on-farm or off-farm)	_____
Amount of Funds from Other Sources:	_____

I certify that the above information is correct and the borrower represents that uses of this loan (or grant) will meet the requirements of Section 504 of the Rehabilitation Act of 1973, the Fair Housing Amendments Act of 1988, the American with Disabilities Act of 1990, and all applicable regulations. I certify that the SAUCE program has been completed for the loan, and has been submitted to the National Office, and is for the minimum amount of assistance necessary. Please feel free to contact _____ at _____ should you have any questions regarding this matter.

State Director Date

#####

[] APPROVED. Use of these funds is authorized solely for the above named applicant and may not be used for other applicants/purposes:

[] DISAPPROVED. We regret that our response could not be more favorable for the following reasons:

Please feel free to contact Doug MacDowell at (202) 720-1604 should you have any questions regarding this matter. Our FAX number is (202) 690-3444.

CARL W. WAGNER
Director, MFH Processing Division

DATE

[On Rural Development Letterhead]

TO: Carl W. Wagner
 Director, Multi-Family Housing Processing Division

ATTENTION: Tammy S. Daniels
 Loan Specialist, Multi-Family Housing Processing Division

SUBJECT: Request for Obligation of FY 2004 Section 515 Funds

State Name: _____

Authorization is requested for the following:

Applicant Name:	
Is the Applicant a Faith-Based Organization? (Yes or No)	
Is the Property Located Within a Colonia Area? (Yes or No)	
Total RHS Loan:	\$
Source and Amount of Leveraged Funds:	\$
Additional RA Units Required & Type (new, rehab, incentive)	
Total Complex Units:	
Number of Units to be repaired:	
Type of Loan: New Construction	
New Construction funded from EZ/EC set aside (Must obligate before June 30, 2004)	
Repair/Rehabilitation	
Equity Loan	
Inventory/Credit Sale	
Emergency or Hardship	
Other (Describe)	

I certify that the above information is correct and the borrower represents that uses of this loan and/or grant will meet the requirements of Section 504 of the Rehabilitation Act of 1973, the Fair Housing Amendments Act of 1988, the Americans with Disabilities Act of 1990, and all applicable regulations. I certify that the SAUCE program has been completed for the loan, and has been submitted to the National Office, and is for the minimum amount of assistance necessary. Please contact _____ at _____ should you have any questions regarding this matter.

 State Director

 Date

-----NATIONAL OFFICE USE-----

[] APPROVED. Type of Assistance Code ___262___021. Use of these funds is authorized solely for the above named applicant and may not be used for other applicants/purposes.

[] DISAPPROVED. Our response could not be more favorable for the following reasons:

 Please feel free to contact Tammy S. Daniels at (202) 720-0021 should you have any questions regarding this matter. Our fax number is (202) 690-3444.

 CARL W. WAGNER
 Director, MFH Processing Division
 (03-17-04) SPECIAL PN

 DATE

<u>STATE</u>	<u>STATE BASIC FORMULA FACTOR</u>	<u>TOTAL FY 2004 ALLOCATION</u>
<i>(with Transition factor applied)</i>		
Alabama	0.03467543	\$241,000
Alaska	0.01339634	\$48,000
Arizona	0.01703029	\$128,947
Arkansas	0.04102074	\$189,000
California	0.02685927	\$293,691
Colorado	0.00712098	\$54,365
Connecticut	0.00374424	\$28,769
Delaware	0.01210345	\$16,000
Florida	0.03245759	\$236,000
Georgia	0.03114455	\$247,715
Hawaii	0.00659829	\$51,118
Idaho	0.01050962	\$61,000
Illinois	0.01732713	\$144,187
Indiana	0.01917349	\$145,174
Iowa	0.01808961	\$109,000
Kansas	0.01683925	\$92,000
Kentucky	0.02873967	\$223,579
Louisiana	0.01934335	\$200,139
Maine	0.00898950	\$68,064
Maryland	0.01471258	\$72,000
Massachusetts	0.01073247	\$65,000
Michigan	0.03431690	\$243,000
Minnesota	0.02096046	\$137,000
Mississippi	0.02405590	\$203,366
Missouri	0.02228754	\$168,753
Montana	0.00681998	\$51,000
Nebraska	0.00662118	\$50,132
Nevada	0.00256751	\$19,440
New Hampshire	0.01237856	\$41,000
New Jersey	0.01062123	\$54,000
New Mexico	0.02266828	\$117,000
New York	0.02487949	\$188,377
North Carolina	0.04421880	\$334,807
North Dakota	0.01008636	\$34,000
Ohio	0.03073947	\$232,747
Oklahoma	0.02290990	\$157,000
Oregon	0.00777309	\$89,673
Pennsylvania	0.03622490	\$274,281
Puerto Rico	0.01020258	\$301,821
Rhode Island	0.00843258	\$8,000
South Carolina	0.05640381	\$220,000
South Dakota	0.00699085	\$49,000
Tennessee	0.02554273	\$193,400
Texas	0.05070894	\$484,959
Utah	0.01133305	\$35,000
Vermont	0.00726972	\$33,000
Virgin Islands	0.00624874	\$22,000
Virginia	0.02152985	\$171,173
Washington	0.01616550	\$122,399
West Pac	0.00524388	\$41,478
West Virginia	0.01697923	\$128,559
Wisconsin	0.02261542	\$153,000
Wyoming	0.00359571	\$25,000
STATE DISTRIBUTION:		\$7,099,112
NATIONAL OFFICE RESERVE:		\$888,198
EZ/EC/RECAP:		\$894,690
TOTAL		\$8,882,000

RURAL HOUSING SERVICE
 SINGLE FAMILY HOUSING (SFH)

I. General.

A. This attachment provides SFH allocations for fiscal year (FY) 2004. Allocation computations have been made in accordance with §§ 1940.563 through 1940.568 of this instruction. State Directors are reminded of their authority to transfer funds between the section 504 Rural Housing Grant program and the section 533 Housing Preservation Grant program in accordance with attachment 2, part I of this exhibit. Program contacts for funds held in the National office are located on a chart on page 16 of this subpart. Information on basic formula criteria, data source and weight, administrative allocation, pooling of funds, and availability of the allocation are located on a chart on page 17 of this subpart.

B. The SFH levels authorized for FY 2004 are as follows:

Section 502 Guaranteed Rural Housing (RH) loans	
Nonsubsidized Guarantees Purchase	**\$2,531,712,184
Nonsubsidized Guarantees Refinance	**\$ 236,646,482
Section 502 Direct RH loans	
Very low-income subsidized loans	*\$ 594,614,642
Low-income subsidized loans	*\$ 756,782,272
Credit sales (Nonprogram)	\$ 10,000,000
Section 504 housing repair loans	*\$ 34,797,119
Section 504 housing repair grants	*/**\$ 30,275,770
Section 509 compensation for	
Construction defects	**\$ 282,177
Section 523 mutual and self-help housing grants	*/**\$ 42,365,092
Section 523 Self-Help Site Loans	\$ 2,420,714
Section 524 RH site loans	\$ 5,045,000
Section 306C Water and waste disposal grants	**\$ 1,297,122
Section 525 Supervisory and technical	
Assistance and section 509 Housing Application	
Packaging Grants	
Total Available for single and multi-family	\$ 2,000,000
Natural disaster funds (Section 502 loans)	**\$ 2,353,166
Natural disaster funds (Section 504 loans)	**\$ 14,966,367
Natural disaster funds (Section 504 grants)	**\$ 3,670,079

* Includes funds for EZ/EC and REAP communities until June 30, 2004.

** Carryover funds are included in the balance.

C. SFH funding not allocated to States are:

1. Credit sale authority. Credit sale funds are available only for nonprogram sales of Real Estate Owned (REO) property. There will be no State distribution of nonprogram credit sale authority; rather funds will be available on a first-come-first-served basis. A separate reserve of Section 502 loan funding is being maintained in the National Office for the sale of program property to program applicants. Requests should be submitted using the National Office Reserve Funds (NORF) system as described on page 13, paragraph II. B. 3. (g) of this subpart. The requested amount and the amount reflected in MortgageServ must match in order for the request to be considered.

2. Section 509 compensation for construction defects. All claims for compensation for construction defects must be submitted to the National office for authorization of funds prior to approval. After receipt of the authorization, claims may be approved and submitted to the finance office for funding.

3. Section 523 mutual and self-help technical assistance grants. The State Director must request funding approval from the National office for all requests. A technical review and analysis must be completed by the Technical and Management Assistance (T&MA) contractor on all predevelopment, new and existing (refunding) grant applications. In addition to the T&MA contractor's review, Agency personnel must also review and evaluate the feasibility of the grantee's request and make the appropriate recommendation. The level of National office review will be based on the amount of the grant:

(a) For grant requests of \$300,000 or less, the State Director should submit: (1) the analysis from the T&MA contractor, (2) statement indicating whether or not the grant recipient will be working in Empowerment Zones (EZ), Enterprise Communities (EC) or Rural Economic Area Partnerships (REAP) and census tract designation of area; (3) the State Director's recommendation, (4) a copy of the conditions to be met, (5) a copy of Form RD 1940-1, "Request for Obligation of Funds," and (6) if the grantee is a marginal performer, specific information showing actions to correct performance.

(b) For grant requests that exceed \$300,000, the complete application docket along with a statement indicating whether the grant recipient will be working in an EZ, EC, REAP or tribal community, must be sent to the National office.

\$42,365,092 is available for section 523 Mutual and Self-Help Technical Assistance grants. This amount includes an unobligated carryover balance of \$8,566,092 and \$994,100 is earmarked for EZ, EC or REAP communities. All section 523 grants will be obligated in the National office. This will enable the National office staff to monitor fund utilization.

4. Section 523 mutual and self-help site loans and section 524 RH site loans. State Directors are responsible for developing an outreach program to increase public awareness of these programs. The State Director must request funding authority from the National office prior to obligating loan funds.

5. Section 306C water and waste disposal (WWD) grants to individuals in colonias. The objective of the section 306C WWD individual grant program is to facilitate the use of community water or waste disposal systems for the residents of the colonias along the U.S.-Mexico border. A colonia is any identifiable community designated in writing by the State or county in which it is located; determined to be a colonia on the basis of objective criteria including lack of potable water supply, lack of adequate sewage systems, lack of decent, safe, and sanitary housing, and inadequate roads and drainage; that existed and was generally recognized as a colonia before October 1, 1989. Colonias are located in the States of Arizona, California, New Mexico and Texas. Eligible areas under section 306C WWD may be different from areas under the 5 percent set-aside for the 100 underserved counties and colonias.

The total amount available to Arizona, California, New Mexico and Texas will be \$1,297,122 for FY 2004. This amount includes the carryover unobligated balance of \$297,122 and the transferred amount of \$1 million from RUS to the Rural Housing Service for processing individual grant applications. The above States will have access to the funds in accordance with the availability of the allocation distributions located on page 15 of this subpart.

6. Section 525 technical and supervisory assistance (TSA) and section 509 housing application packaging grants (HAPG). \$2,000,000 is available for the TSA and HAPG programs. Funds are available on a limited basis for TSA grants. States should submit proposals from potential applicants to the National office for review and concurrence prior to authorizing an application. The 29 eligible States under HAPG

that have active grantees operating will not be able to access a predetermined allocation for section 502 or 504 loan and grant programs this fiscal year. Requests should be submitted to the National Office for HAPG based on projected usage of these funds for the quarter or as needed. HAPG requests should be submitted using the NORF system as described on page 13, paragraph II. B. 3. (g) of this subpart. Reserve funds will be held at the National Office and requests from eligible States will be considered on a first-come-first-served basis.

7. Increasing Minority Homeownership in Rural America. In FY 2003 the President set a goal for increasing minority homeownership. For further information and guidance on accomplishing this goal, refer to the unnumbered letter dated February 4, 2003, with the subject, "Increasing Minority Homeownership in Rural America".

8. Natural disaster funds. Funds are available until exhausted to those States with active Presidential Declarations. Any unused portion will be carried over into the next fiscal year.

9. Deferred mortgage payment demonstration. There is no FY 2004 funding provided for deferred mortgage authority or loans for deferred mortgage assumptions.

10. Section 502 direct funds for families not qualifying for payment assistance. Funds from State's allocation may be used for qualified very-low and low-income applicants when the payment assistance formula shows there is no need for the subsidy. This assistance will be taken from the State's subsidized regular funding.

II. State Allocations. State allocation distributions can be found on pages 18 through 23 of this subpart.

(This area is intentionally left blank.)

A. Section 502 nonsubsidized guaranteed RH loans.

1. Purchase - Amount available for allocation.

Total Available - Purchase	\$2,531,712,184
Less National office general reserve	\$907,520,729
Less special outreach area reserve	\$388,937,455
Basic formula - administrative Allocation	\$1,235,254,000

(a) National office general reserve. Requests for National office reserve funds should be submitted using the format provided on page 24 of this subpart. The National Office Reserve Funds (NORF) system is not used for guaranteed funds. The Administrator may restrict access to this reserve for States not meeting their goals in special outreach areas.

(b) Reservation of funds. States must use the guaranteed rural housing reservation of funds system.

(c) Special outreach areas. The intent of special outreach areas is to assure the GRH program reaches applicants residing in areas, which are the most rural in character. FY 2004 GRH funding is allocated to States in two funding streams. Seventy percent of GRH funds may be used in any eligible area. Thirty percent of GRH funds are to be used in special outreach areas. Special outreach areas for the GRH program are defined as those areas within a State that are not located within a Metropolitan Statistical Area (MSA). State Directors may establish other areas as special outreach areas provided that the areas have substantial underserved communities or minority populations in need of affordable housing. State Directors must document their decisions for establishing special outreach areas that fall inside an MSA. Areas inside MSA's may comprise no more than 25 percent of a State's special outreach areas unless National Office approval is obtained. For tracking purposes, States must record their special outreach areas into the Guaranteed Loan System. Special outreach areas should be identified at the county level.

(d) National office special area outreach reserve. A special outreach area reserve fund has been established at the National office. Funds made available from this reserve may only be used in special outreach areas. Requests should be submitted using the format provided on page 24 of this subpart. The NORF system is not used for guaranteed funds.

(e) Sub-allocation by the State Director. The State Director may retain funds at the State office level or sub-allocate to the area or field office level.

(f) Pooling of Guaranteed Purchase Loan Funds. Pooling is scheduled for August 13, 2004. However, if funds are used at a faster rate than anticipated, the pooling date may be moved forward and more than one pooling may occur. If it appears that ample funds will remain available for the entire year, the National Office may cancel the pooling of GRH funds.

2. Refinance - Amount available for allocation.

Total Available - Refinance	\$236,646,482
Less National office general reserve	\$236,646,482
Basic formula - Administrative Allocation	\$-0-

(a) Refinance Funds. Refinance funds carry a separate subsidy rate and are tracked using a different Type of Assistance code in the Guaranteed Loan System. The funds are tracked on the Appropriation Accounting System as a separate allocation. The distribution amount listed in GLS will be the combined total allocation distributed to each state for purchase loans and refinance loans until GLS is upgraded to track the refinance loans independent of the purchase loans.

(b) National office general reserve. Requests for National office reserve funds should be submitted using the format provided on page 24 of this subpart. The NORF system is not used for guaranteed funds. The Administrator may restrict access to this reserve for States not meeting their goals in special outreach areas.

(c) Reservation of funds. States must use the guaranteed rural housing reservation of funds system.

(d) Allocation of funds. The National Office will not distribute an initial allocation of refinance funds to each state. In order to track refinance reservations, the National Office will distribute refinance funds on a case-by-case basis from the National Office reserve.

(e) Sub-allocation by the State Director. Sub-allocation of refinance funds does not apply as funds will not be sub-allocated to the States.

(f) Pooling of Guaranteed Refinance Loan Funds. Pooling is scheduled for August 13, 2004. However, if funds are used at a faster rate than anticipated, the pooling date may be moved forward. Notice of an advanced pooling date will be disseminated at least 30 days prior to pooling. If it appears that ample funds will remain available for the entire year, the National Office may cancel the pooling of GRH funds.

B. Section 502 Direct RH loans.

1. Amount available for allocation.

Total available	\$1,351,396,914
Less required set aside for Underserved counties and colonias	\$ 67,569,850
Less EZ, EC or REAP earmark	\$ 48,793,635
Less general reserve	\$ 168,999,915
Administrator's reserve	\$9,999,915
Hardships & homelessness	\$ 2,000,000
Rural housing demonstration Program	\$ 2,000,000
Homeownership partnership Program funds for the sale of REO program properties	\$130,000,000 \$25,000,000
Less designated reserve for Self-help	\$ 150,000,000
Basic formula administrative Allocation	\$ 916,033,515

2. Base Allocation. Each State will receive a base allocation in accordance with 1940.552(e). The base allocation is derived by taking an average loan amount of \$80,000 multiplied by 50 loans so that each state receives at least \$4 million.

3. Reserves.

(a) State office reserve.

(i) State Directors must maintain an adequate reserve to fund the following applications:

(A) Hardship and homeless applicants based upon historical data and projected demand.

(B) The State's 25 percent portion of funds for Rural Home Loan Partnerships (RHLP) and Community Development Financial Institutions (CDFI).

(C) States will leverage their funding with that from other sources such as private sector lenders, state or local governments, or nonprofit organizations in accordance with HB-1-3550, Chapter 10, paragraph 10.2. States will increase the amount of funds leveraged each fiscal year.

(D) Areas targeted by the State.

(ii) State Directors must maintain records on how the State office reserves are utilized, including a justification for each hardship and homelessness case authorized.

(b) National office reserves.

(i) General reserve. The National office has a general reserve of \$168,999,915. Of this amount, the Administrator's reserve is \$9,999,915. One of the purposes of the Administrator's reserve will be for loans in Indian Country. Indian Country consists of land inside the boundaries of Indian reservations, communities made up mainly of Native Americans, Indian trust and restricted land, and tribal allotted lands. Another purpose of the reserve will be to provide funding for subsequent loans for essential improvements or repairs and transfers with assumptions.

(ii) Hardship and homelessness reserve. \$2 million has been set aside for hardships & homelessness from fourth quarter funds. States are expected to fund hardship and homeless cases from their own reserves. Priority will be given to applicants facing deficient housing hardships including applicants who have been living in deficient housing for more than 6 months, current homeowners in danger of losing a property through foreclosure, and other circumstances determined by RHS on a case-by-case basis to constitute a hardship.

Priority will be given to homeless cases accompanied by a certification from a third party entity such as an agency for the homeless. In exceptional cases when State funding is not sufficient to serve such applicants, State Directors may submit hardship and homeless cases for National office reserve funds. Requests should be submitted using the NORF system as described on page 13, paragraph II. B. 3. (g) of this subpart. The National office will make a review of a State's set-aside reserve prior to approving the funding request.

(iii) Rural Housing Demonstration Program. \$2 million has been set aside for innovative construction demonstration initiatives. Further instructions will be included in the SFH Loan and Grant Field Office Handbook, HB-1-3550.

(iv) Program Real Estate Owned (REO) sales. \$25 million has been set aside for program sales of program REO property. There will be no State distribution of these funds; rather funds will be available on a first-come, first-served basis. Requests should be submitted using the NORF system as described on page 13, paragraph II B 3 (g) of this attachment. The requested amount and the amount reflected in MortgageServ must match in order for the request to be considered.

(c) Homeownership partnership. \$130 million has been set aside for homeownership partnerships. These funds will be used for SFH loans to eligible individuals in connection with new and existing partnerships that include long-term fixed-rate financing from another lender. Funds will be distributed from this reserve by quarter in the same manner as direct 502 funds.

States will obligate the entire loan amount by utilizing 25 percent funding from the State's RHLF/CDFI reserve and 75 percent funding from the National Office reserve. The National Office contribution will be distributed from the section 502 homeownership partnership reserve by quarter in the same manner as direct 502 funds; however, additional funds will not be distributed until the previous quarter's allocation has been utilized. Requests for advances of quarterly allocations and additional lump sum National Office reserve funds must be made via the NORF system as described on page 13, paragraph II. B. 3. (g) of this attachment. Further instructions will be provided under separate cover.

(i) Department of Treasury, Community Development Financial Institutions (CDFI) - Funds will be available to fund leveraged loans made in partnership with the Department of Treasury CDFI participants.

(ii) Partnership initiatives established to carry out the objectives of the rural home loan partnership (RHLP).

(d) Designated reserve for self-help. \$150 million has been set aside to assist participating self-help applicants. States will consult with their T&MA Contractor to get planned and historical usage. Using the correct proportions will help ensure that the State has adequately funded the appropriate income categories.

States are encouraged to work with self-help grantees and participating applicants in leveraging funds to expand the amount available for financing section 502 RH loans.

States will obligate the entire loan amount by utilizing 100 percent funding from the National office reserve. The National Office contribution will be distributed from the section 502 self-help reserve by quarter in the same manner as direct 502 funds; however, additional funds will not be distributed until the previous quarter's allocation has been utilized. Requests for advances of quarterly allocations and additional lump sum National Office reserve funds must be made via the NORF system as described on page 13, paragraph II. B. 3. (g) of this subpart.

(e) Underserved counties and colonias. \$67,569,850 has been set aside for the 100 underserved counties and colonias. The underserved counties are identified in part I of this attachment. Requests should be submitted using the NORF system as described on page 13, paragraph II. B. 3. (g) of this subpart.

(f) Empowerment Zone (EZ), Enterprise Community (EC) or Rural Economic Area Partnership (REAP) earmark. \$48,793,635 has been earmarked for loans in EZs, ECs or REAPs only. If these funds are not obligated for EZ, EC communities or REAP Zones by

June 30, 2004, they shall remain available for other authorized purposes. Requests should be submitted using the NORF system as described on page 13, paragraph II. B. 3. (g) of this subpart.

(g) Reserve requests. All National office reserve requests other than Homeownership Partnership and 502 Self-Help should be submitted to the National office on a case-by-case basis utilizing the National Office Reserve Funds (NORF) system. NORF is an automated, web-based system used for requesting National Office reserve funds. Requests for reserve funds must include the applicant's name, account number, full loan amount, amount being requested, and income category, as well as a justification if applicable. The information in requests must match exactly what is in MortgageServ. Requests with inconsistencies between NORF and MortgageServ will not be processed.

(h) State office pooling. If pooling is conducted within a State, it must not take place within the first 30 calendar days of the first, second, or third quarter. (There are no restrictions on pooling in the fourth quarter.) Pooled funds may be redistributed by the State Director provided the State Director has determined that the pooled funds could not be used in the field offices receiving the funds allocated in accordance with this instruction. This determination will be in writing, filed in the State office, and will include a statement that all appropriate efforts were made to use the funds as allocated.

(i) Suballocation by the State Director. The State Director may suballocate to each area office using the methodology and formulas required by this instruction. If suballocated to the area level, the Rural Development manager will make funds available on a first-come, first-served basis to offices at the field or area level. No field office will have its access to funds restricted without the prior written approval of the Administrator. State Directors may hold funds in reserve for leveraging and other initiatives.

C. Section 504 housing loans and grants. Section 504 grant funds are included in the Rural Housing Assistance Grant program (RHAG) in the FY 2004 appropriation.

1. Amount available for allocation.

Section 504 loans

Total available	\$34,797,119
less 5% for 100 underserved counties and colonias	\$ 1,739,856
EZ, EC or REAP earmark	\$ 1,400,000
less general reserve	\$ 1,500,113
Basic formula - administrative allocation	\$30,157,150

Section 504 grants

Total available	\$30,275,770
less 5% for 100 underserved counties and colonias	\$ 1,513,789
EZ, EC or REAP earmark	\$ 894,690
less general reserve	\$ 1,599,982
Basic formula administrative Allocation	\$26,267,309

2. Reserves and set-asides.

(a) State office reserve. State Directors must:

(i) Maintain an adequate reserve to handle all anticipated hardship applicants based upon historical data and projected demand for section 504 hardship applications (see paragraph II.B.2.a.(i)(A) of this subpart).

(ii) Develop their own definition of a hardship case for a section 504 loan or grant. This definition must be the same as the State previously used unless good cause to change it is shown and documented.

(iii) Maintain records on how State office section 504 loan and grant funds are utilized.

(iv) States will leverage an amount equal to 5 percent of their initial section 504 Loan allocation. For example if a State receives an initial 504 Loan allocation of \$200,000 the amount to be leveraged from other sources would be \$10,000 ($\$200,000 \times 5$ percent) for a total RHS and other funding source of \$210,000 ($\$200,000 + \$10,000$).

(b) Underserved counties and colonias. \$1,739,856 and \$1,513,789 have been set aside for the 100 underserved counties and colonias for the section 504 loan and grant programs respectively. The underserved counties are identified in part I of this attachment. Further information on distribution of funds will follow.

(c) Empowerment Zone (EZ), Enterprise Community (EC) or Rural Economic Area Partnership (REAP) earmark. \$1,400,000 and \$894,690 have been earmarked for EZ, EC or REAPs for the section 504 loan and grant programs, respectively. These funds are earmarked for EZs, ECs or REAPs only. If these funds are not obligated for EZ, EC communities or REAP Zones by June 30, 2004, they shall remain available for other authorized purposes. Further information will follow.

(d) National office reserve. \$1,500,119 for section 504 loan hardships and \$1,600,001 for section 504 grant extreme hardships have been set-aside in the general reserve.

(i) For section 504 grants, an extreme hardship case is one requiring a significant priority in funding, ahead of other requests, due to severe health or safety hazards. Prior to funding hardship cases, the National office will review the State's reserve account set aside for grants.

(ii) Section 504 grant requests must be reviewed and sufficient documentation must be provided to support the hardship. The following information must be considered and included:

(A) A clear determination that the 504 grant applicant is unable to repay a section 504 loan.
NOTE: A copy of the applicant's Form RD 1944-3, "Budget and/or Financial Statement" and justification must be faxed with the hardship request to Gloria Denson, SFH Direct Loan Division at (202) 720-6895.

(B) The grantee is unable to obtain financial assistance from sources other than the Rural Housing Service loans or grants.

(C) The grantee lacks personal resources that can be utilized to meet the grantee's needs.

(e) Requesting section 504 loan and grant funds. Requests for section 504 loan and grant funds from the National reserve should be submitted on a case-by-case basis utilizing the NORF as described on page 13, paragraph II. B. 3. (g) of this subpart.

National office contact for program initiatives.

Program Initiatives	Contact	Phone #
504 Loan & Grant Requests	Gloria Denson	(202) 720-1487
Compensation for Construction Defects	Kaye Deener	(202) 690-3832
Funds for Sale of Program/Non Program Real Estate Owned (REO) Properties	Yolanda Spinks	(314) 206-2083
Hardship and Homelessness Requests (502)	Lou Paulson	(202) 720-1478
Hardship and Homelessness Requests (504)	Gloria Denson	(202) 720-1487
Homeownership Partnership Fund Usage Report/Requests for additional Funds	Ethen Gillespie	(202) 720-1482
Housing Application Packaging Grants (HAPG)	Gloria Denson	(202) 720-1487
Leveraging Participation	Ethen Gillespie	(202) 720-1482
Matching funds for States with approved Mutual Self-Help housing grants	Lou Paulson	(202) 720-1478
Mutual & Self-Help Technical Assistance Grants	Carolyn Bell	(202) 720-1532
Mutual and Self-Help Site Loans	Kaye Deener	(202) 690-3832
National Office Reserve Funds (NORF) System	Lou Paulson	(202) 720-1478
RH Site Loans	Kaye Deener	(202) 690-3832
Rural Housing Demonstration Program	Gloria Denson	(202) 720-1487
SFHGLD National office Reserves	Dean Daetwyler	(202) 720-1452
Technical & Supervisory Assistance (TSA)	Donn Appleman	(202) 690-0510
502 and 504 Underserved Counties and Colonias	Gloria Denson	(202) 720-1487

Information on basic formula criteria, data source and weight, administrative allocation, pooling of funds, and availability of the allocation

#	DESCRIPTION	SECTION 502 NONSUBSIDIZED GUARANTEED RH LOANS	SECTION 502 DIRECT RH LOANS	SECTION 504 LOANS AND GRANTS
1	Basic formula criteria, data source, and weight	See §1940.563(b) of this instruction.	See §1940.565(b) of this instruction.	See § 1940.566(b) and 1940.567(b) of this instruction.
2	Administrative Allocation.			
	Western Pacific Area	\$1,000,000	\$1,000,000	\$1,000,000 loan \$ 500,000 grant
3	Pooling of funds.			
	a. Year-end pooling	August 13, 2004	August 13, 2004	August 13, 2004
	b. Underserved counties & colonias	N/A	June 30, 2004	June 30, 2004
	c. EZ, EC or REAP	N/A	June 30, 2004	June 30, 2004
4	Availability of the allocation.			
	a. first quarter	40 percent	50 percent	50 percent
	b. second quarter	70 percent	70 percent	70 percent
	c. third quarter	90 percent	90 percent	90 percent
	d. fourth quarter	100 percent	100 percent	100 percent

1. Data derived from the 2000 U.S. Census is available on the web at <http://199.159.140.1/census>.
2. Due to the absence of Census data.
3. All dates are tentative and are for the close of business (COB). Pooled funds will be placed in the National office reserve and made available administratively. The Administrator reserves the right to redistribute funds based upon program performance.
4. Funds will be distributed cumulatively through each quarter listed until the National office year-end pooling date.

RURAL HOUSING SERVICE
 ALLOCATION IN THOUSANDS
 SECTION 502 DIRECT RURAL HOUSING LOANS

STATE	STATE BASIC FACTOR	FORMULA	TOTAL FY 2004 ALLOCATION
1 ALABAMA	0.02893348		\$24,153
2 ARIZONA	0.01551438		\$14,806
3 ARKANSAS	0.02202430		\$19,340
4 CALIFORNIA	0.04281159		\$33,819
5 COLORADO	0.01225178		\$11,320
6 CONNECTICUT	0.00445853		\$8,008
7 DELAWARE	0.00293815		\$5,964
9 FLORIDA	0.02769317		\$23,289
10 GEORGIA	0.03803061		\$30,489
12 IDAHO	0.00847438		\$9,903
13 ILLINOIS	0.02627571		\$22,302
15 INDIANA	0.02616726		\$22,226
16 IOWA	0.01764334		\$16,289
18 KANSAS	0.01336777		\$13,311
20 KENTUCKY	0.02807301		\$23,553
22 LOUISIANA	0.02361424		\$20,448
23 MAINE	0.01109070		\$11,725
24 MARYLAND	0.01010209		\$11,036
25 MASSACHUSETTS	0.00622585		\$10,600
26 MICHIGAN	0.03579346		\$28,931
27 MINNESOTA	0.02361828		\$19,915
28 MISSISSIPPI	0.02636473		\$22,364
29 MISSOURI	0.02809053		\$23,566
31 MONTANA	0.00738806		\$9,093
32 NEBRASKA	0.00953784		\$10,643
33 NEVADA	0.00339314		\$6,285
34 NEW HAMPSHIRE	0.00666198		\$8,640
35 NEW JERSY	0.00551402		\$9,877
36 NEW MEXICO	0.01296637		\$12,821
37 NEW YORK	0.03378933		\$27,535
38 NORTH CAROLINA	0.05148079		\$39,857
40 NORTH DAKOTA	0.00469453		\$7,270
41 OHIO	0.03725173		\$29,947
42 OKLAHOMA	0.02019475		\$17,916
43 OREGON	0.01654303		\$15,523
44 PENNSYLVANIA	0.04269918		\$33,741
45 RHODE ISLAND	0.00090026		\$4,934
46 SOUTH CAROLINA	0.02669849		\$22,596
47 SOUTH DAKOTA	0.00705037		\$8,911
48 TENNESSEE	0.03062418		\$25,330
49 TEXAS	0.07365688		\$55,304
52 UTAH	0.00500465		\$7,245
53 VERMONT	0.00579860		\$8,039
54 VIRGINIA	0.02711459		\$22,886
56 WASHINGTON	0.01939199		\$17,507
57 WEST VIRGINIA	0.01591004		\$15,082
58 WISCONSIN	0.02634031		\$22,347
59 WYOMING	0.00393497		\$6,741
60 ALASKA	0.00623983		\$8,346
61 HAWAII	0.00623301		\$8,341
62 W PAC ISLANDS	0.00239453		\$2,000
63 PUERTO RICO	0.00884495		\$18,405
64 VIRGIN ISLANDS	0.00217552		\$5,515
STATE TOTALS			\$916,034
100 UNDERSERVED COUNTIES/COLONIAS			\$67,569
EMPOWERMENT ZONES AND ENTERPRISE COMMUNITY EARMARK			\$48,794
GENERAL RESERVE			\$169,000
SELF HELP			\$150,000
TOTAL			\$1,351,397

RURAL HOUSING SERVICE
 FISCAL YEAR 2004
 ALLOCATION IN THOUSANDS
 SECTION 502 DIRECT RURAL HOUSING LOANS

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STATE	TOTAL FY 2004 ALLOCATION	VERY LOW INCOME ALLOCATION 44 PERCENT	LOW INCOME ALLOCATION 56 PERCENT
1 ALABAMA	\$24,153	\$10,627	\$13,526
2 ARIZONA	\$14,806	\$6,515	\$8,291
3 ARKANSAS	\$19,340	\$8,510	\$10,830
4 CALIFORNIA	\$33,819	\$14,880	\$18,939
5 COLORADO	\$11,320	\$4,981	\$6,339
6 CONNECTICUT	\$8,008	\$3,524	\$4,484
7 DELAWARE	\$5,964	\$2,624	\$3,340
9 FLORIDA	\$23,289	\$10,247	\$13,042
10 GEORGIA	\$30,489	\$13,415	\$17,074
12 IDAHO	\$9,903	\$4,357	\$5,546
13 ILLINOIS	\$22,302	\$9,813	\$12,489
15 INDIANA	\$22,226	\$9,779	\$12,447
16 IOWA	\$16,289	\$7,167	\$9,122
18 KANSAS	\$13,311	\$5,857	\$7,454
20 KENTUCKY	\$23,553	\$10,363	\$13,190
22 LOUISIANA	\$20,448	\$8,997	\$11,451
23 MAINE	\$11,725	\$5,159	\$6,566
24 MARYLAND	\$11,036	\$4,856	\$6,180
25 MASSACHUSETTS	\$10,600	\$4,664	\$5,936
26 MICHIGAN	\$28,931	\$12,730	\$16,201
27 MINNESOTA	\$19,915	\$8,763	\$11,152
28 MISSISSIPPI	\$22,364	\$9,840	\$12,524
29 MISSOURI	\$23,566	\$10,369	\$13,197
31 MONTANA	\$9,093	\$4,001	\$5,092
32 NEBRASKA	\$10,643	\$4,683	\$5,960
33 NEVADA	\$6,285	\$2,765	\$3,520
34 NEW HAMPSHIRE	\$8,640	\$3,802	\$4,838
35 NEW JERSY	\$9,877	\$4,346	\$5,531
36 NEW MEXICO	\$12,821	\$5,641	\$7,180
37 NEW YORK	\$27,535	\$12,115	\$15,420
38 NORTH CAROLINA	\$39,857	\$17,537	\$22,320
40 NORTH DAKOTA	\$7,270	\$3,199	\$4,071
41 OHIO	\$29,947	\$13,177	\$16,770
42 OKLAHOMA	\$17,916	\$7,883	\$10,033
43 OREGON	\$15,523	\$6,830	\$8,693
44 PENNSYLVANIA	\$33,741	\$14,846	\$18,895
45 RHODE ISLAND	\$4,934	\$2,171	\$2,763
46 SOUTH CAROLINA	\$22,596	\$9,942	\$12,654
47 SOUTH DAKOTA	\$8,911	\$3,921	\$4,990
48 TENNESSEE	\$25,330	\$11,145	\$14,185
49 TEXAS	\$55,304	\$24,334	\$30,970
52 UTAH	\$7,245	\$3,188	\$4,057
53 VERMONT	\$8,039	\$3,537	\$4,502
54 VIRGINIA	\$22,886	\$10,070	\$12,816
56 WASHINGTON	\$17,507	\$7,703	\$9,804
57 WEST VIRGINIA	\$15,082	\$6,636	\$8,446
58 WISCONSIN	\$22,347	\$9,833	\$12,514
59 WYOMING	\$6,741	\$2,966	\$3,775
60 ALASKA	\$8,346	\$3,672	\$4,674
61 HAWAII	\$8,341	\$3,670	\$4,671
62 W PAC ISLANDS	\$2,000	\$880	\$1,120
63 PUERTO RICO	\$18,405	\$8,098	\$10,307
64 VIRGIN ISLANDS	\$5,515	\$2,427	\$3,088
STATE TOTALS	\$916,034	\$403,055	\$512,979
100 UNDERSERVED COUNTIES/COLONIAS	\$67,569	\$29,730	\$37,839
EZ/EC/REAP RESERVE	\$48,794	\$21,469	\$27,325
GENERAL RESERVE	\$169,000	\$74,360	\$94,640
SELF HELP	\$150,000	\$66,000	\$84,000
TOTAL	\$1,351,397	\$594,615	\$756,782

<u>STATE</u>	<u>STATE BASIC FORMULA FACTOR</u>	<u>TOTAL FY 2004 ALLOCATION</u> <small>(with Transition factor applied)</small>
Alabama	0.02664608	\$32,271,473
Alaska	0.00726118	\$8,570,794
Arizona	0.01648835	\$19,969,002
Arkansas	0.02288418	\$27,715,220
California	0.05050036	\$61,162,159
Colorado	0.01361321	\$13,984,894
Connecticut	0.00409614	\$6,877,000
Delaware	0.00276743	\$3,348,277
Florida	0.02658740	\$32,271,000
Georgia	0.03803934	\$46,070,066
Hawaii	0.00799772	\$9,685,963
Idaho	0.00891464	\$10,796,501
Illinois	0.02596263	\$31,444,234
Indiana	0.02366971	\$28,666,403
Iowa	0.01677978	\$20,322,134
Kansas	0.01336611	\$16,187,869
Kentucky	0.02674219	\$32,387,538
Louisiana	0.02314282	\$28,029,012
Maine	0.01156692	\$14,009,096
Maryland	0.00946652	\$11,465,389
Massachusetts	0.00621808	\$12,294,000
Michigan	0.03325609	\$40,277,378
Minnesota	0.02271168	\$25,700,693
Mississippi	0.02659376	\$32,208,526
Missouri	0.02837103	\$34,360,740
Montana	0.00780684	\$9,349,807
Nebraska	0.00965758	\$11,588,542
Nevada	0.00374296	\$4,134,634
New Hampshire	0.00698021	\$8,453,451
New Jersey	0.00490281	\$9,610,000
New Mexico	0.01355782	\$16,322,009
New York	0.03647356	\$44,173,593
North Carolina	0.05089592	\$61,641,194
North Dakota	0.00441062	\$5,342,191
Ohio	0.03525814	\$42,702,066
Oklahoma	0.02014158	\$24,393,443
Oregon	0.01914946	\$23,149,420
Pennsylvania	0.04096781	\$49,617,100
Puerto Rico	0.00925322	\$26,262,000
Rhode Island	0.00075765	\$1,802,000
South Carolina	0.02533573	\$30,684,857
South Dakota	0.00752993	\$9,113,382
Tennessee	0.02908900	\$35,230,284
Texas	0.07303918	\$88,459,333
Utah	0.00512266	\$5,540,854
Vermont	0.00664813	\$8,004,138
Virgin Islands	0.00308037	\$3,730,976
Virginia	0.02560364	\$31,009,463
Washington	0.02212238	\$26,792,559
West Pac	N/A	\$4,000,000
West Virginia	0.01505701	\$18,235,822
Wisconsin	0.02581048	\$31,037,298
Wyoming	0.00396194	\$4,798,225
STATE TOTALS		\$1,235,254,000
GENERAL RESERVE		\$907,520,729
SPECIAL OUTREACH AREAS RESERVE		\$388,937,455
TOTAL		\$2,531,712,184

RURAL HOUSING SERVICE
 FISCAL YEAR 2004
 ALLOCATION IN ACTUAL DOLLARS
 SECTION 502 GUARANTEED REFINANCE LOANS (NONSUBSIDIZED)

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<u>STATE</u>	<u>STATE BASIC FORMULA FACTOR</u>	<u>TOTAL FY 2004 ALLOCATION</u>
Alabama	N/A	\$0
Alaska	N/A	\$0
Arizona	N/A	\$0
Arkansas	N/A	\$0
California	N/A	\$0
Colorado	N/A	\$0
Connecticut	N/A	\$0
Delaware	N/A	\$0
Florida	N/A	\$0
Georgia	N/A	\$0
Hawaii	N/A	\$0
Idaho	N/A	\$0
Illinois	N/A	\$0
Indiana	N/A	\$0
Iowa	N/A	\$0
Kansas	N/A	\$0
Kentucky	N/A	\$0
Louisiana	N/A	\$0
Maine	N/A	\$0
Maryland	N/A	\$0
Massachusetts	N/A	\$0
Michigan	N/A	\$0
Minnesota	N/A	\$0
Mississippi	N/A	\$0
Missouri	N/A	\$0
Montana	N/A	\$0
Nebraska	N/A	\$0
Nevada	N/A	\$0
New Hampshire	N/A	\$0
New Jersey	N/A	\$0
New Mexico	N/A	\$0
New York	N/A	\$0
North Carolina	N/A	\$0
North Dakota	N/A	\$0
Ohio	N/A	\$0
Oklahoma	N/A	\$0
Oregon	N/A	\$0
Pennsylvania	N/A	\$0
Puerto Rico	N/A	\$0
Rhode Island	N/A	\$0
South Carolina	N/A	\$0
South Dakota	N/A	\$0
Tennessee	N/A	\$0
Texas	N/A	\$0
Utah	N/A	\$0
Vermont	N/A	\$0
Virgin Islands	N/A	\$0
Virginia	N/A	\$0
Washington	N/A	\$0
West Pac	N/A	\$0
West Virginia	N/A	\$0
Wisconsin	N/A	\$0
Wyoming	N/A	\$0
STATE TOTALS		\$0
NATIONAL OFFICE RESERVE		\$236,646,482
TOTAL		\$236,646,482

STATE	STATE BASIC FACTOR	FORMULA	TOTAL FY 2004 ALLOCATION
1 ALABAMA	0.02914691		\$840
2 ARIZONA	0.02165916		\$624
3 ARKANSAS	0.02301181		\$663
4 CALIFORNIA	0.05356026		\$1,544
5 COLORADO	0.01244796		\$280
6 CONNECTICUT	0.00301503		\$100
7 DELAWARE	0.00260858		\$100
9 FLORIDA	0.02862195		\$825
10 GEORGIA	0.03870552		\$1,116
12 IDAHO	0.00926157		\$248
13 ILLINOIS	0.02289193		\$660
15 INDIANA	0.02163577		\$624
16 IOWA	0.01497537		\$430
18 KANSAS	0.01252499		\$361
20 KENTUCKY	0.02699175		\$793
22 LOUISIANA	0.02658801		\$766
23 MAINE	0.01004646		\$290
24 MARYLAND	0.00809012		\$236
25 MASSACHUSETTS	0.00467784		\$198
26 MICHIGAN	0.03036170		\$875
27 MINNESOTA	0.02241926		\$577
28 MISSISSIPPI	0.02944306		\$849
29 MISSOURI	0.02649320		\$764
31 MONTANA	0.00748030		\$198
32 NEBRASKA	0.00889870		\$231
33 NEVADA	0.00389431		\$112
34 NEW HAMPSHIRE	0.00533998		\$154
35 NEW JERSY	0.00402807		\$174
36 NEW MEXICO	0.01723147		\$496
37 NEW YORK	0.02829025		\$816
38 NORTH CAROLINA	0.04993409		\$1,439
40 NORTH DAKOTA	0.00445144		\$128
41 OHIO	0.03025666		\$872
42 OKLAHOMA	0.02084848		\$578
43 OREGON	0.01749746		\$496
44 PENNSYLVANIA	0.03508076		\$1,011
45 RHODE ISLAND	0.00061002		\$100
46 SOUTH CAROLINA	0.02721728		\$785
47 SOUTH DAKOTA	0.00727218		\$198
48 TENNESSEE	0.02874616		\$829
49 TEXAS	0.08626859		\$2,487
52 UTAH	0.00539086		\$132
53 VERMONT	0.00496554		\$143
54 VIRGINIA	0.02455868		\$731
56 WASHINGTON	0.02114040		\$609
57 WEST VIRGINIA	0.01464971		\$446
58 WISCONSIN	0.02300364		\$644
59 WYOMING	0.00397110		\$114
60 ALASKA	0.00945161		\$264
61 HAWAII	0.00914234		\$264
62 W PAC ISLANDS	0.00407807		\$1,000
63 PUERTO RICO	0.01361295		\$843
64 VIRGIN ISLANDS	0.00348170		\$100
STATE TOTALS			\$30,157
100 UNDERSERVED COUNTIES/COLONIAS			\$1,740
EMPOWERMENT ZONES AND ENTERPRISE COMMUNITY EARMARK			\$1,400
GENERAL RESERVE			\$1,500
TOTAL			\$34,797

RURAL HOUSING SERVICE
 ALLOCATION IN THOUSANDS
 SECTION 504 DIRECT RURAL HOUSING GRANTS

RD Instruction 1940-L
 Exhibit A
 Attachment 2, Part II
 Subpart C, Page 23

	STATE	STATE BASIC FORMULA FACTOR	TOTAL FY 2004 ALLOCATION
1	ALABAMA	0.02895129	\$723
2	ARIZONA	0.01822198	\$455
3	ARKANSAS	0.02307817	\$576
4	CALIFORNIA	0.04712512	\$1,176
5	COLORADO	0.01159403	\$226
6	CONNECTICUT	0.00371268	\$114
7	DELAWARE	0.00293163	\$100
9	FLORIDA	0.03041312	\$759
10	GEORGIA	0.03661908	\$914
12	IDAHO	0.00852842	\$202
13	ILLINOIS	0.02641754	\$659
15	INDIANA	0.02405959	\$601
16	IOWA	0.01786210	\$446
18	KANSAS	0.01364909	\$341
20	KENTUCKY	0.02688977	\$671
22	LOUISIANA	0.02413924	\$603
23	MAINE	0.01074827	\$268
24	MARYLAND	0.00927164	\$231
25	MASSACHUSETTS	0.00548024	\$208
26	MICHIGAN	0.03302491	\$824
27	MINNESOTA	0.02348925	\$540
28	MISSISSIPPI	0.02699213	\$674
29	MISSOURI	0.02801252	\$699
31	MONTANA	0.00736568	\$165
32	NEBRASKA	0.00983363	\$238
33	NEVADA	0.00359134	\$100
34	NEW HAMPSHIRE	0.00589663	\$147
35	NEW JERSY	0.00461712	\$178
36	NEW MEXICO	0.01420178	\$339
37	NEW YORK	0.03156987	\$788
38	NORTH CAROLINA	0.05019393	\$1,253
40	NORTH DAKOTA	0.00470192	\$117
41	OHIO	0.03422496	\$854
42	OKLAHOMA	0.02108316	\$505
43	OREGON	0.01770850	\$431
44	PENNSYLVANIA	0.04090487	\$1,021
45	RHODE ISLAND	0.00074832	\$100
46	SOUTH CAROLINA	0.02591134	\$647
47	SOUTH DAKOTA	0.00723669	\$174
48	TENNESSEE	0.02972644	\$742
49	TEXAS	0.07876808	\$1,966
52	UTAH	0.00493463	\$110
53	VERMONT	0.00527848	\$128
54	VIRGINIA	0.02623675	\$655
56	WASHINGTON	0.01980392	\$494
57	WEST VIRGINIA	0.01559911	\$389
58	WISCONSIN	0.02514997	\$616
59	WYOMING	0.00385395	\$96
60	ALASKA	0.00683910	\$156
61	HAWAII	0.00731435	\$183
62	W PAC ISLANDS	0.00280568	\$1,000
63	PUERTO RICO	0.01023070	\$564
64	VIRGIN ISLANDS	0.00243791	\$100
STATE TOTALS			\$26,266
100 UNDERSERVED COUNTIES/COLONIAS			\$1,514
EMPOWERMENT ZONES AND ENTERPRISE COMMUNITY EARMARK			\$895
GENERAL RESERVE			\$1,600
TOTAL			\$30,275

RD Instruction 1940-L
Exhibit A
Attachment 2, Part II
Subpart C, Page 24

RURAL HOUSING SERVICE
FISCAL YEAR 2004

TO:David J. Villano
Deputy Administrator
Single Family Housing

ATTN:Roger Glendenning
Director, SFHGLD
Fax: (202) 720-8795

SUBJECT:Request for Reserve Funds
Guaranteed Single Family Housing Loan Program

STATE:

Check the applicable reserve:

___ General reserve Amount
(\$)_____

___ Special outreach reserve Amount
(\$)_____

Signed: _____ Date: _____
State Director

*******For National Office Use Only*******

___ Your request has been approved and the funds have been placed on the
appropriations
accounting system.

___ We were unable to approve your request for funding based on the following
reason:

Signed: _____ Date: _____

PLEASE FAX YOUR REQUESTS TO DEAN DAETWYLER AT: (202)720-8795

SECTION 515 NONPROFIT SET ASIDE (NPSA)

I. Objective: To provide eligible nonprofit entities with a reasonable opportunity to utilize Section 515 funds.

II. Background: The Cranston-Gonzalez National Affordable Housing Act of 1990 established the statutory authority for the Section 515 NPSA funds.

III. Eligible entities. Amounts set aside shall be available only for nonprofit entities in the State, which may not be wholly or partially owned or controlled by a for-profit entity. An eligible entity may include a partnership, including a limited partnership, that has as its general partner a nonprofit entity or the nonprofit entity's for-profit subsidiary which will be receiving low-income housing tax credits authorized under section 42 of the Internal Revenue Code of 1986. For the purposes of this exhibit, a nonprofit entity is an organization that:

- A. Will own an interest in a project to be financed under this section and will materially participate in the development and the operations of the project; and
- B. Is a private organization that has nonprofit, tax exempt status under section 501(c)(3) or section 501(c)(4) of the Internal Revenue Code of 1986; and
- C. Has among its purposes the planning, development, or management of low-income housing or community development projects; and
- D. Is not affiliated with or controlled by a for-profit organization; and
- E. May be a consumer cooperative, Indian tribe, or tribal housing authority.

IV. Nondiscrimination. Rural Development reemphasizes the nondiscrimination in use and occupancy, and location requirements of §1944.215 of Subpart E of Part 1944 of this chapter.

V. Amount of Set Aside. See Attachment 1 of this exhibit (available in any Rural Development State Office):

A. Small State Allocation Set Aside (SSASA). The allocation for small States has been reserved and combined to form the SSASA, as shown in Attachment 1 of this exhibit (available in any Rural Development State Office). The definition of small State is included in Attachment 1 of this exhibit (available in any Rural Development State Office).

B. Large State Allocation Set Aside (LSASA). The allocation for large States has been reserved in the amounts shown in Attachment 1 of this exhibit (available in any Rural Development State Office). The definition of large State is included in Attachment 1 of this exhibit (available in any Rural Development State Office).

C. NPSA Rental Assistance (RA). NPSA RA has been reserved in the National Office as shown in Attachment 1 of this exhibit (available in any Rural Development State Office).

VI. Access to NPSA funds and RA. RA is available and may be requested, as needed, with eligible loan requests. NPSA funds and RA should be requested by the State Director using a format similar to Attachment 2 of this exhibit (available in any Rural Development State Office). Funds are available as follows:

A. SSASA: The SSASA is available to any SSASA State on a first-come-first-served basis until pooling. See Attachment 3 of this exhibit (available in any Rural Development State Office) for information regarding pooling.

B. LSASA: LSASA States may request LSASA funds up to the amount the State contributed to LSASA until pooling. See Attachment 3 of this exhibit (available in any Rural Development State Office) for information regarding pooling.

VII. General information on priority/processing of preapplications.

A. Preapplications/applications for assistance from eligible nonprofit entities under this subpart must continue to meet all loan making requirements of Subpart E of Part 1944 of this chapter.

B. A separate processing list will be maintained for NPSA loan requests.

C. The State Director may issue Form AD-622, "Notice of Preapplication Review Action," requesting a formal application to the highest ranking preapplication(s) from eligible nonprofit entities defined in paragraph III of this exhibit as follows:

1. LSASA. In LSASA States, AD-622s may not exceed 150 percent of the amount the State contributed to the LSASA. No single Form AD-622 may exceed the amount of funds the State contributed to LSASA.

2. SSASA. In SSASA states, AD-622s should not exceed the greater of \$750,000 or 150 percent of the amount the State contributed to the SSASA; except that the State Director in a SSASA State may request authorization to issue a Form AD-622, in an amount in excess of \$750,000 if additional funds are necessary to finance an average-size proposal based upon average construction costs in the state. For example, if the average size proposal currently being funded in the state is 24 units, and the average construction cost in the state is \$35,000 per unit, the state may request authorization to issue a Form AD-622 for \$840,000. The State Director will submit such requests to the National Office including data reflecting average size/cost projects in the State. No single Form AD-622 may exceed the amount of funds the State may receive from the SSASA.

D. All AD-622s issued for proposals to be funded from NPSA will be subject to the availability of NPSA funds. Form AD-622 should contain the following or similar language: "This Form AD-622 is issued subject to the availability of Nonprofit Set Aside (NPSA) funds."

E. If a preapplication requesting NPSA funds has sufficient priority points to compete with non-NPSA loan requests based upon the District or State allocation (as applicable), the preapplication will be maintained on both the NPSA and non-NPSA rating/ranking lists.

F. Provisions for providing preference to loan requests from nonprofit organizations is contained in §1944.231 of Subpart E of Part 1944 of this chapter. Limited partnerships, with a nonprofit general partner, do not qualify for nonprofit preference.

VIII. Exception authority. The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government or adversely affect the intent of the authorizing statute and/or Rural Rental Housing program or result in an undue hardship by applying the requirement. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, or Director of the Multi-Family Housing Processing Division. The request must be supported by information that demonstrates the adverse impact or effect on the program. The Administrator, or his/her designee, also reserves the right to change pooling dates, establish/change minimum and maximum fund usage from NPSA, or restrict participation in the set aside.

Attachments: Attachment 1, 2, and 3.

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SECTION 515 NONPROFIT SET ASIDE (NPSA) ALLOCATIONS

FISCAL YEARS 1993 AND 1994

I. Fiscal Year (FY) 93/94 NPSA allocation: Nine percent of each State's FY 93 and FY 94 allocation has been set aside in the National Office for NPSA, as follows:

A. Small State Allocation Set Aside (SSASA): Small States are those in which 9 percent of their allocation is less than \$750,000. Nine percent of each small State's allocation has been reserved and combined to form the SSASA.

B. Large State Allocation Set Aside (LSASA): Large States are those in which 9 percent of their allocation is more than \$750,000. Nine percent of each large State's allocation has been reserved.

II. NPSA Rental Assistance: See the Multi-Family Housing funding attachment to Exhibit A of this subpart (available in any Rural Development State Office).

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SUBJECT: Request for Nonprofit Set Aside (NPSA)
Funds and Rental Assistance (RA)

TO:
Assistant Administrator
Housing

ATTN: Multi-Family Housing Processing Division

We hereby request NPSA funds and RA as follows:

State Name: _____ County Name: _____

State Code: _____ District Code: _____ County Code: _____

Name of Applicant: _____

Type of Applicant:

- _____ Nonprofit (NP) organization
- _____ Limited partnership with NP general partner
- _____ Indian tribe or tribal housing authority
- _____ Other (please specify) _____

Project Name: _____

Type of Complex: _____ No. of Units: _____

Priority Processing Point Score: _____ points

Total Loan Request: \$_____ RA Units: _____

NPSA Request: \$_____ RA Units: _____

Other comments/information:

The applicant is an entity which meets the requirements of RD Instruction 1940-L, Exhibit B.

State Director

(Instructions: Submit a separate request for each NPSA request.)

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SECTION 515 NONPROFIT SET ASIDE (NPSA) POOLING

FISCAL YEAR (FY) 1994 AND THEREAFTER

Pooling for Small State Set Aside (SSASA) and Large State Set Aside (LSASA):
Beginning with FY 94, unused SSASA and LSASA funds will be pooled as follows:

A. On or after July 1, of each year, unused funds from the SSASA and the LSASA States will be combined and made available, on a first-come-first-served basis, in any State, for eligible nonprofit entities meeting the requirements of paragraph III of Exhibit B of this subpart. The exact pooling date will be established annually and will be included in the Multi-Family Housing (MFH) funding attachment to Exhibit A of this subpart (available in any Rural Development State Office). The MFH funding attachment is also published annually as a Notice in the Federal Register.

B. Unused funds remaining 30 days after the pooling date will be returned to the States for use for any Section 515 proposal ready for obligation, without regard to the type of applicant entity. Funds will be returned to States that did not use the full amount contributed, in an amount proportionate to the amount contributed.

SECTION 515 NPSA POOLING

FY 1993

I. Pooling for SSASA States:

A. June 18, 1993, is the last date for SSASA States to request SSASA funds and RA units. At close of business (COB) June 18, 1993, any unused SSASA funds will be pooled and made available to any SSASA State on a first-come-first-served basis until COB July 19, 1993.

B. Unused funds, as of COB July 19, 1993, will be returned to SSASA States which did not use the full amount of set aside funds they contributed, in an amount proportionate to the amount contributed. The returned funds may be used for Section 515 proposals ready for obligation, without regard to the type of applicant entity.

II. Pooling for LSASA States:

A. LSASA States may request LSASA funds, up to the amount contributed, until COB July 19, 1993.

B. Unused LSASA funds will be returned to the States as of COB July 19, 1993. These funds may be used for Section 515 proposals ready for obligation, without regard to the type of applicant entity.

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HOUSING IN UNDERSERVED AREAS

I. Objective.

A. To improve the quality of affordable housing by targeting funds under Rural Housing Targeting Set Aside (RHTSA) to designated areas that have extremely high concentrations of poverty and substandard housing and have severe, unmet rural housing needs.

B. To provide for the eligibility of certain colonias for rural housing funds.

II. Background. The Cranston-Gonzalez National Affordable Housing Act of 1990 (herein referred to as the "Act") requires that Rural Development set aside Section 502, 504, 514, 515, and 524 funds for assistance in targeted, underserved areas. An appropriate amount of Section 521 new construction rental assistance (RA) is set aside for use with Section 514 and 515 loan programs. Under the Act, certain colonias are now eligible for Rural Development housing assistance.

III. Colonias.

A. Colonia is defined as any identifiable community that:

1. is in the State of Arizona, California, New Mexico or Texas;
2. is in the area of the United States within 150 miles of the border between the United States and Mexico, except that the term does not include any standard metropolitan statistical area that has a population exceeding 1 million;
3. is designated by the State or county in which it is located as a colonia;
4. is determined to be a colonia on the basis of objective criteria, including lack of potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing; and

5. was in existence and generally recognized as a colonia before November 28, 1990.

B. Requests for housing assistance in colonias have priority as follows:

1. When the State did not obligate its allocation in one or more of its housing programs during the previous two fiscal years (FYs), priority will be given to requests for assistance, in the affected program(s), from regularly allocated funds, until an amount equal to 5 percent of the current FY program(s) allocation is obligated in colonias. This priority takes precedence over other processing priority methods.

2. When the State did obligate its allocation in one or more of its housing programs during the previous 2 FYs, priority will be given to requests for assistance, in the affected program(s), from RHTSA funds, until an amount equal to 5 percent of the current FY program(s) allocation is obligated in colonias. This priority takes precedence over other processing priority methods.

C. Colonias may access pooled RHTSA funds as provided in paragraph IV G of this exhibit.

IV. RHTSA.

A. Amount of Set Aside. Set asides for RHTSA from the current FY allocations are established in Attachment 1 of this exhibit (available in any Rural Development State Office).

B. Selection of Targeted Counties.

1. Eligibility. Eligible counties met the following criteria: (1) 20 percent or more of the county population is at or below poverty level; (2) 10 percent or more of the occupied housing units are substandard; and (3) the average funds received on a per capita basis in the county during the previous 5 FYs were more than 40 percent below the State per capita average during the same period. Data from the most recent available Census was used for all three criteria, with criteria (2) and (3) based on the Rural Development rural area definition.

2. Selection. The Act requires that 100 of the most underserved counties be initially targeted for RHTSA funds. In establishing the 100 counties, those with 28 percent or more of their population at or below poverty level and 13 percent or more of their occupied housing units substandard, have preference. If less than 100 counties meet this criteria, the remaining counties meeting the criteria in paragraph IV B 1 of this exhibit will be ranked, based upon a total of their substandard housing and poverty level percentages. The highest-ranking counties are then selected until the list reaches 100. The remaining counties are eligible for pool funds only.

C. State RHTSA Levels. In the Section 502, 504, and 515 programs, each State's RHTSA level will be based on its number of eligible counties, with each county receiving a pro rata share of the total funds available. In order to ensure that a meaningful amount of assistance is available to each State, minimum funding levels may be established. When minimum levels are established, they are set forth on Attachment 1 of this exhibit (available in any Rural Development State Office).

D. Use of Funds. To maximize the assistance to targeted counties, allocated program funds should be used in addition to RHTSA funds, where possible. The State Director has the discretion to determine the most effective delivery of RHTSA funds among the targeted counties within his/her jurisdiction. The 100 counties listed in Attachment 2 of this exhibit (available in any Rural Development State Office) are eligible for RHTSA funding consideration immediately. Colonias are also eligible for RHTSA funds as described in Paragraph III of this exhibit.

E. National Office RHTSA Reserve. A limited National Office reserve is available on an individual case basis when the State is unable to fund a request from its regular or RHTSA allocation. The amount of the reserve, and the date it can be accessed and any conditions thereof, if applicable, are contained in Attachment 1 of this exhibit (available in any Rural Development State Office).

F. Requests for Funds and RA. All RHTSA funds are reserved in the National Office and requests for these funds and/or units must be submitted by the State Director using the applicable format shown on Attachments 4 or 5 of this exhibit (available in any Rural Development State Office). The State Director is responsible for notifying the Director of Single Family Housing Processing Division (SFHPD) or Multi-Family Housing Processing Division (MFHPD) of any RHTSA funds and RA units authorized, but not obligated, by RHTSA pooling date.

G. Pooling. Unused RHTSA funds and RA will be pooled. Pooling dates and any pertinent information thereof are available on Attachment 1 of this exhibit (available in any Rural Development State Office). Pooled funds will be available on a first-come, first-served basis to all eligible colonias and all counties listed on Attachments 2 and 3 of this exhibit (available in any Rural Development State Office). Pooled RHTSA funds will remain available until the year-end pooling date.

H. Outreach. Outreach efforts publicizing the availability of loan and grant funds for the eligible RHTSA counties will be aggressively carried out. Each affected State Director will develop an outreach plan which includes such techniques as news releases, community meetings, coordination with other Federal, State, and local government organizations, to promote full utilization of these targeted funds by all qualified applicants regardless of race, color, and sex. In addition to the above outreach efforts, States with eligible colonias should establish liaison with community groups in order to leverage support and assistance provided to residents of colonias.

I. Monitoring Performance.

1. National Office: The National Office will track the use of targeted funds on a regular basis throughout the FY and take necessary follow-up actions to facilitate the delivery of the program.

2. State Office:

a. The State Director will designate a staff member to coordinate all efforts under RHTSA.

b. Adequate records will be maintained for each of the eligible RHTSA counties, in all programs with RHTSA set asides.

c. The State Directors for Arizona, California, New Mexico, and Texas will submit quarterly reports of funds usage in colonias to SFHPD and MFHPD. Negative reports will be required.

J. Requests for Assistance. Requests for assistance in targeted counties must meet all loan making requirements of the applicable program Instructions, except as modified for colonias in paragraph III of this exhibit. For Section 515, States may:

1. Issue Form AD-622, "Notice of Preapplication Review Action," up to 150 percent of the amount shown in Attachment 1 of this exhibit (available in any Rural Development State Office).

2. All AD-622s issued for applicants in targeted counties will be annotated, in Item 7, under "Other Remarks," with the following: "Issuance of this AD-622 is contingent upon receiving funds from the Rural Housing Targeting Set Aside (RHTSA). Should RHTSA funds be unavailable, or the county in which this project will be located is no longer considered a targeted county, this AD-622 will no longer be valid. In these cases, the request for assistance will need to compete with other preapplications in non-targeted counties, based upon its priority point score."

V. Exception Authority. The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, Director of the SFHPD or Director of the MFHPD. The request must be supported by information that demonstrates the adverse

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Exhibit C
Page 6

impact or effect on the program. The Administrator, or his/her designee, also reserves the right to change the pooling date, establish/change minimum and maximum fund usage from set asides and/or the reserve, or restrict participation in set asides and/or reserves.

Attachments: 1, 2, 3, 4, and 5

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Exhibit C: Attachments 1, 2, and 3 in PDF ONLY.

SUBJECT: Request for Rural Housing Targeting
Set Aside (RHTSA) Funds

TO: Ronnie O. Tharrington
Assistant Administrator
Housing

ATTN: Single Family Housing Processing Division

We hereby request RHTSA funds as follows:

State Name: _____

Program

Amount of RHTSA Requested

Section 502 Very Low-Income Funds	\$	_____
Section 502 Low-Income Funds	\$	_____
Section 504 Loan Funds	\$	_____
Section 504 Grant Funds	\$	_____
Section 524 Loan Funds	\$	_____

State Director

(General Instructions - Individual listing of counties or applicants not required. Requests should be grouped and submitted on a periodic basis.)

RD Instruction 1940-L
Exhibit C, Attachment 5

SUBJECT: Request for Rural Housing Targeting Set Aside (RHTSA)
Funds and Rental Assistance (RA)

TO: Ronnie O. Tharrington
Assistant Administrator
Housing

ATTN: Multi-Family Housing Processing Division

We hereby request funds and RA from the RHTSA as follows:

State Name: _____ County Name: _____ Colonia: _____

State Code: _____ County Code: _____ District Code: _____

Name of Applicant: _____

Project Name: _____

Project Physical Location: _____

Type of Project: _____ No. of rental units: _____

Priority Processing Point Score: _____ points

Total Loan Request: \$_____ RA units _____

RHTSA Request: \$_____ RHTSA RA Request _____

Projected Obligation Date: _____

Other comments/information:

State Director

[General Instructions - Complete a separate Attachment 5 for each RHTSA request.]

RURAL RENTAL HOUSING DIVERSITY DEMONSTRATION PROGRAM (RRHDDP)

I. Objectives.

- A. To encourage applicants of limited gross incomes which have little or no participation in the Section 515 program.
- B. To provide housing in unserved areas.
- C. To provide an economic stimulus to the local economy by encouraging procurement of labor, goods, and services from the local community.

II. Background. In accordance with Section 506 (b) of the Housing Act of 1949, as amended, the Secretary is authorized and directed to conduct research, technical studies, and demonstrations relating to the mission and programs of Rural Development and the national housing goals defined in section 2 of this Act. In connection with such activities, the Secretary shall seek to promote the construction of adequate farm and other rural housing. The Secretary shall conduct such activities for the purposes of stimulating construction and improving the architectural design and utility of dwellings and buildings. In furtherance of this goal, the Rural Rental Housing Diversity Demonstration Program (RRHDDP) is implemented. An appropriate amount of Section 521 new construction rental assistance (RA) is set aside for use with Section 515 loan funds.

III. RRHDDP.

- A. Amount of Set Aside. Set asides for RRHDDP from the current fiscal year (FY) allocations are established in Attachment 1 of this exhibit.
- B. Selection of States. All States were considered using the following criteria:
 - 1. Highest percentage of poverty;
 - 2. Highest percentage of substandard housing;
 - 3. Highest unemployment rates;
 - 4. Lowest rural median income; and
 - 5. Number of places with population of 2,500 or fewer.

Each State selected for RRHDDP had to be in the top 10 of at least 3 of the 5 criteria. Data from the 1990 census was used for all criteria. The States selected are listed in Attachment 1 of this exhibit.

C. State RRHDDP Levels. See Attachment 1 of this exhibit.

D. Use of Funds. To ensure the success of RRHDDP, the State Director may leverage funds from the RRHDDP with allocated funds from the Section 515 and 521 allocations held in the State Office reserve. The State Director has the discretion to determine the most effective delivery of RRHDDP funds; however, the intent and scope of the program should be ever present in the implementation and application processes.

E. National Office RRHDDP Reserve. There is no RRHDDP reserve available when the State is unable to fund a request from its regular or RRHDDP allocation.

F. Pooling. Unused RRHDDP funds and RA will be pooled. Pooling dates and any pertinent information thereof are available on Attachment 1 of this exhibit. Pooled funds will be available on a first-come-first-served basis to all eligible States listed on Attachment 1 of this exhibit. Pooled RRHDDP funds will remain available until the year-end pooling date.

IV. Eligibility. Applicants and proposals will need to meet the following requirements, in addition to those found in RD Instruction 1944-E:

A. The applicant must have had an interest (including family members) in no more than one Section 515 loan over the past 3 years. For entity applicants, this restriction applies to all general partners and their family members. For the purposes of this program, interest means a Section 515 loan which has been approved and funds obligated.

B. The applicant must have had a gross aggregate income from business and personal operations of less than \$500,000 in the previous calendar year. For entity applicants, the aggregate income of all general partners will be considered. American Indian tribes and tribal housing authorities are exempt from these income requirements.

C. At least 51 percent of the labor, goods, and services to develop the proposed housing must come from the market area as described in paragraph V B of this exhibit.

D. The housing must be constructed in a market area without similar subsidized housing. Market area is defined in Exhibit A-8 of RD Instruction 1944-E. Similar subsidized housing is defined in §1944.213 (f) of RD Instruction 1944-E.

E. The proposed complex must contain no more than 50 percent of the average number of units of the average size Section 515 complex in the State based on the previous FY average.

V. Processing Preapplications.

A. Requirements. To be eligible for participation in this demonstration program, applicants must ensure that the preapplication meets all requirements set forth in RD Instruction 1944-E and this exhibit.

1. All complete preapplications must be received in the place designated by the State Director by the date listed in Attachment 1 of this exhibit. Incomplete preapplications will not be considered. A complete preapplication consists of all items specified in Exhibit A-7 of RD Instruction 1944-E.

2. Based upon projected demand for the RRHDDP, the State Director will select the manner in which preapplications will be rated prior to implementation and/or announcement of the program to ensure the public is aware of how requests will be prioritized. The State Director may elect one of the following systems to prioritize and select proposals for further processing:

a. The priority point system contained in §1944.231 (d) of RD Instruction 1944-E; or

b. The following priority point scoring system;

(i) Interest in Section 515 loans over the past 3 FYs as specified in paragraph IV A of this exhibit.

No Interest	- 5 points
Interest in 1 project	- 2 points

(ii) Gross incomes as defined in paragraph IV B of this exhibit.

Income: \$400,001-499,999	- 1 point
\$300,000-400,000	- 2 points
\$299,999 or less	- 3 points

American Indian Tribes/Tribal Housing Authorities	- 3 points
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(iii) Percent of the labor, goods, and services must come from the local market described in paragraph V B of this exhibit.

100% from local market	- 5 points
90-99% from local market	- 4 points
80-89% from local market	- 3 points
70-79% from local market	- 2 points
51-69% from local market	- 1 point

(iv) Size of proposed complex compared to average size complex obligated in previous FY.

40-50% average size	- 3 points
30-39% average size	- 4 points
less than 30%	- 5 points

c. A combination of the points received in paragraphs V A 2 a and b of this exhibit.

3. In the event of a tie, the proposal with the earliest date of complete preapplication will take preference.

B. Procurement of labor, goods, and services. One of the intents of the RRHDDP is to stimulate the local economy by encouraging procurement of labor, goods, and services from the local area. Rural Development recognizes that defining a local trade area in which to procure the labor, goods, and services to build an apartment complex is difficult in rural America. To be responsive to the application procedures, applicants must procure labor, goods, and services from Level One of this paragraph. If labor, goods, and services are not available in Level One of this paragraph, the applicant may use the trade area defined in Level Two of this paragraph. Documentation as to why the labor, goods, and services are not available in Level One of this paragraph must be included in the case file. The applicant may propose to secure labor, goods, and services from Level Three or Four of this paragraph; however, documentation as to why same is not available in all of the previous levels must be included in the case file.

1. Level One: Labor, goods, and services must be procured within 15 miles of the proposed site of the apartments.

2. Level Two: Labor, goods, and services must be procured within the county where the proposed apartments will be located.

3. Level Three: Labor, goods, and services must be procured within the lesser of 50 miles from the site of the proposed complex OR the boundaries of any adjacent county (regardless of State boundary).

4. Level Four: Labor, goods, and services must be procured within 100 miles of the proposed site (regardless of State boundary).

C. Outreach. Outreach efforts publicizing the availability of loan funds for the eligible RRHDDP States will be aggressively carried out. Each affected State Director will develop an outreach plan which includes such techniques as news releases, community meetings, coordination with other Federal, State, and local government organizations, to promote full utilization of these funds by all qualified applicants regardless of race, color, religion, national origin, marital status, age, and sex. In addition to the above outreach efforts, States with eligible colonias and/or tribal lands should establish liaison with community groups in order to leverage support and assistance provided to residents of colonias and tribal lands.

D. Monitoring Performance.

1. National Office: The National Office will track the use of targeted funds on a regular basis throughout the FY and take necessary follow-up actions to facilitate the delivery of the program.

2. State Office: The State Director will designate a staff member to coordinate all efforts under RRHDDP.

E. Issuance of Form AD-622, "Notice of Preapplication Review Action," inviting a formal application.

1. The State Director may issue AD-622s up to 100 percent of the amount shown in Attachment 1 of this exhibit and any funds made available from the State Office reserve.

2. All AD-622s issued for applicants under this demonstration program will be annotated, in Item 7 of the form, under "Other Remarks," with the following:

"Issuance of this AD-622 is contingent upon receiving funds from the Rural Rental Housing Diversity Demonstration Program (RRHDDP). Should RRHDDP funds be unavailable or the program discontinued,

this AD-622 will no longer be valid. In these cases, the request for assistance will need to compete with other preapplications based upon its priority point score established in accordance with §1944.231 of RD Instruction 1944-E."

- VI. Exception Authority. The Administrator, or his/her designee, may, in individual cases, make an exception to any requirements of this exhibit which are not inconsistent with the authorizing statute, if he/she finds that application of such requirement would adversely affect the interest of the Government. The Administrator, or his/her designee, may exercise this authority upon the request of the State Director, Assistant Administrator for Housing, or Director of the Multi-Family Housing Processing Division (MFHPD). The request must be supported by information that demonstrates the adverse impact or affect on the program. The Administrator, or his/her designee, also reserves the right to change the pooling date, establish/change minimum and maximum fund usage from set asides and/or the reserve, or restrict participation in set asides and/or reserves.