

maximum grant level, if any. For FY 2001, \$8,000,000 is available for the Housing Preservation Grant Program. A set aside of \$600,000 has been established for grants located in Empowerment Zones, Enterprise Communities, and REAP Zones and \$6,600,000 has been distributed under a formula allocation to States pursuant to 7 CFR part 1940, subpart L, "Methodology and Formulas for Allocation of Loan and Grant Program Funds". Decisions on funding will be based on preapplications.

Dated: December 15, 2000.

James C. Kearney,

Administrator, Rural Housing Service.

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DEPARTMENT OF AGRICULTURE

Rural Housing Service

Notice of Availability of Funding and Requests for Proposals for Guaranteed Loans Under the Section 538 Guaranteed Rural Rental Housing Program

AGENCY: Rural Housing Service, USDA.

ACTION: Notice.

SUMMARY: This Notice of Fund Availability (NOFA or Notice) announces the timeframe and submission requirements and deadlines to submit proposals in the form of "NOFA responses" for the section 538 Guaranteed Rural Rental Housing Program (GRRHP). Eligible lenders, as defined in paragraph IX.(D) of this NOFA, are invited to submit NOFA responses for the development of affordable rental housing to serve rural America. Only responses submitted by eligible lenders, on the lender's letterhead, and signed by both the applicant and the lender will be reviewed. This Notice describes the overall NOFA response and application process, including the selection and identification of any priorities for selection of NOFA responses, and the process by which the Rural Housing Service (RHS or Agency) will score and rank the NOFA responses. Information will also be included concerning the submission requirements. Lenders may submit a complete application concurrently with the NOFA response.

DATES: The Fiscal Year (FY) 2001 program dollars will be allocated through a continuous selection process. On a monthly basis starting with the third Thursday of January (January 18, 2001) and each third Thursday of the month through August 16, 2001, or until

all funds are expended, the agency will review all NOFA responses that have been received monthly.

Lenders will submit responses that are ready to be processed to a complete application once the NOFA selection is made. NOFA responses will be reviewed for completeness and eligibility, and if so deemed, lenders will be requested to submit a full application and the required application fee of \$2,500.00 within 90 days of selection, if not already submitted.

Applications will be sent to the Rural Development State office in which the project is located. If an application is not submitted within 90 days from the date of the letter notifying the lender of the NOFA selection, the selection is subject to cancellation, thereby allowing another NOFA response that is ready to proceed with processing to be selected. A completed application may be submitted with the NOFA response. However, a completed application and application fee must be submitted by the August 16, 2001 NOFA response date. The deadline for receipt of NOFA responses is 4:00 PM, Eastern Standard or Daylight Time, whichever is then applicable, each third Thursday of the month. Lenders intending to mail a NOFA response must provide sufficient time to permit delivery on or before the closing deadline date and time. Acceptance by a U. S. Post Office or private mailer does not constitute delivery. Postage due NOFA responses or applications will not be accepted. NOFA responses received after the deadlines previously mentioned and before August 16, 2001, will be held for the next month's review if funds remain. The NOFA submission deadline dates are as follows:

- Thursday, January 18, 2001, 4:00 P.M. EDT/EST
- Thursday, February 15, 2001, 4:00 P.M. EDT/EST
- Thursday, March 15, 2001, 4:00 P.M. EDT/EST
- Thursday, April 19, 2001, 4:00 P.M. EDT/EST
- Thursday, May 17, 2001, 4:00 P.M. EDT/EST
- Thursday, June 21, 2001, 4:00 P.M. EDT/EST
- Thursday, July 19, 2001, 4:00 P.M. EDT/EST
- Thursday, August 16, 2001, 4:00 P.M. EDT/EST

When all funds have been exhausted, a notice will be placed in the **Federal Register** to notify the public.

ADDRESSES: Responses for participation in the program must be identified as "Section 538 Guaranteed Rural Rental Housing Program" on the envelope and

be submitted to: Director, Multi-Family Housing Processing Division, Rural Housing Service, U.S. Department of Agriculture, Room 1263 (STOP 0781), 1400 Independence Ave. SW, Washington, DC 20250-0781.

FOR FURTHER INFORMATION CONTACT:

Joyce Allen, Deputy Director, Guaranteed Loans, Multi-Family Housing Processing Division, U.S. Department of Agriculture, South Agriculture Building, Room 1271, STOP 0781, 1400 Independence Ave. SW, Washington, DC 20250-0781. E-mail: jallen@rdmail.rural.usda.gov. Telephone: (202) 690-4499. This number is not toll-free. Hearing or speech impaired persons may access that number by calling the Federal Information Relay Service toll-free at (800) 877-8339.

SUPPLEMENTARY INFORMATION: The GRRHP is operated under 7 CFR part 3565. The Guaranteed Rural Rental Housing Program Origination and Servicing Handbook (HB-1-3565) is available to provide lenders and the general public with the "how to" administrative guidance needed to administer the program. HB-1-3565, which contains a copy of 7 CFR part 3565 in Appendix 1, may be found on the Rural Development Regulation web site internet address of "http://rdinit.usda.gov/regs" or copies may be obtained from the Rural Housing Service Multi-Family Housing Processing Division at 202-720-1604. This is not a toll-free number. Hearing- or speech-impaired persons may access that number by calling the Federal Information Relay Service toll-free at (800) 877-8339.

Discussion of Notice

I. Purpose and Program Summary

On March 28, 1996, President Clinton signed the Housing Opportunity Program Extension Act of 1996, Public Law 104-120, authorizing the section 538 Guaranteed Rural Rental Housing Program (GRRHP). The program is designed to increase the supply of affordable multi-family housing through partnerships between Rural Housing Service (RHS) and major lending sources, as well as state and local housing finance agencies and bond issuers. Tax exempt financing can be used as a source of capital for the guaranteed loan. Qualified lenders will be authorized to originate, underwrite, and close loans for multi-family housing projects requiring new construction or acquisition with rehabilitation of at least \$15,000 per unit when the acquisition results in the creation of new affordable housing units. RHS may guarantee such

loans upon presentation and review of appropriate certifications, project information and satisfactory completion of the appropriate level of environmental review by RHS. Lenders will be responsible for the full range of loan management, servicing, and property disposition activities associated with these projects. The lender will be expected to provide servicing or contract for servicing of each loan it underwrites. The maximum guarantee for a permanent loan will be 90 percent of the unpaid principal and interest of the loan, and in the case of a construction loan, the maximum guarantee will be 90 percent of the work in place, or up to 90 percent of the amounts actually advanced by the lender, whichever is less. Any losses would be split on a pro-rata basis between the lender and the Agency from the first dollar lost.

II. Allocation

Fiscal year (FY) 2001 budget authority provides approximately \$100 million in program dollars. All FY 2001 funds will be held in the National office. There are no set-asides for the GRRHP for FY 2001.

III. The NOFA Response Process

Lenders should respond to the section 538 NOFA only when they have completed a preliminary underwriting analysis and are willing to make the proposed loan, subject to, among other conditions, to the issuance of a guarantee by the Agency. Unfortunately, the Agency has found that in some instances, this has not been the case. In an effort to reduce the number of unacceptable NOFA responses and judiciously commit program dollars to projects that demonstrate a readiness to proceed, the Agency will strictly adhere to the submission requirements found in chapter 4 of HB-1-3565.

In the interest of time, lenders have the option of submitting a combined NOFA response and application. However, the Agency will not give preference to a submission containing both a NOFA response and an application. Lenders who submit complete applications are encouraged, but not required, to include a checklist of the items listed in paragraph 4.9, of HB-1-3565 and to have their

applications indexed and tabbed to facilitate the review process.

NOFA responses will be reviewed for completeness and eligibility, and if so deemed, the lender will be asked to submit a full application and the required application fee of \$2,500.00. The application and fee must be submitted within 90 days of the date the lender receives the selection letter, unless the Agency has agreed to an extension because the applicant is waiting for a determination of their application for tax credits, or other sources of project funds, from an allocating governmental or quasi-governmental Agency and the applicant is scheduled to be notified after the initial 90 day time frame has expired. Applications and fees will be sent to the Rural Development State office in which the project is located. If an application is not submitted within 90 days from the date of the letter notifying the lender of the NOFA selection, the selection is subject to cancellation, thereby allowing another NOFA response that is ready to proceed with processing to be selected.

To submit a complete application, the lender will work with the Agency to complete the appropriate level of environmental review in accordance with 7 CFR part 1940, subpart G, prior to the issuance of the Conditional Commitment, loan approval, or obligation of funds, whichever occurs first. In addition, the Agency will determine that the Civil Rights Impact Analysis Certification and all other Federal requirements, including intergovernmental review (RD Instruction 1940-J) and flood insurance requirements (7 CFR part 1806 subpart B), both available in any Rural Development office, have been met prior to taking any official action on an application for a loan guarantee.

IV. Interest Credit

Assistance can include both loan guarantees and interest credits. For at least 20 percent of the loans made under the program, RHS will provide the borrower with interest credits to reduce the interest rate of the loan by a maximum of 250 basis points. However, in no instance will the lender's interest rate be reduced to lower than the Applicable Federal Rate as such term is

used in section 42(I)(2)(D) of the Internal Revenue Code of 1986.

RHS will provide interest credit on loans up to \$1.5 million. Lenders with proposals that could be viable with or without interest credits are encouraged to submit a NOFA response reflecting financial and market feasibility under both funding options. A request in the NOFA response to be considered under both options will not affect the rating of the response for interest credit selection. However, once the interest credit funds are exhausted, only those NOFA responses requesting consideration under both funding options or the Non-Interest Credit option will be further considered.

Due to limited interest credit funds and the Agency's responsibility to target and give priority to rural areas most in need, NOFA responses requesting to receive interest credit must score a minimum threshold of 70 points. The NOFA responses will be scored on the basis of the criteria as described in 7 CFR 3565.5(b) and as published in paragraph VIII of this NOFA. In the event that requests exceed available funds, the interest credit NOFA responses will be ranked and scored separately using the same selection criteria as described above. In the event of ties, selection between proposals will be by lot.

V. NOFA Response Requirements

NOFA response requirements are subject to change. It is important to note that all responses must be submitted in accordance with the terms of this NOFA, which are different from the NOFA issued in FY 2000.

Selections will be based on the lender's review of project feasibility and merit.

At a minimum, the information contained in the following sample NOFA Response must be submitted by the lender, on lender's letterhead, and be signed by both the lender and the applicant. Incomplete responses will not be considered, and the lender will be notified of the reason that the response was incomplete. The required NOFA Response information is listed as follows:

Sample NOFA Response:
BILLING CODE 3410-XY-J

Lender Name	Lender organization name.
Lender Tax Id Number	Insert number.
Lender Contact Name	Name of the lender contact for loan.
Mailing Address	Complete mailing address for lender.
Phone Number	Phone number for lender contact.

Fax Number	Insert number.
E-mail Address	Insert E-mail address.
Borrower Name And Organization Type	State whether borrower is a Limited Partnership, Corporation, Indian Tribe, etc.
Tax Classification Type	State whether borrower is full profit, not for profit, etc.
Borrower Tax Id Number	Insert number.
Borrower Address, including County	Insert Address and County.
Borrower Phone Number	Insert Number.
Principal Or Key Member	Insert name and title.
Borrower Information And Statement Of Housing Development Experience	Attach relevant information.
New Construction Or Repair/Rehab. Of At Least \$15,000/Unit.	State whether the project is new construction or repair/rehab.
Project Location Town	Town in which the project is located.
Project County	County in which the project is located.
Project State	State in which the project is located.
Project Zip Code	Insert Number.
Project Congressional District	Congressional District for project location.
Project Name	Insert project name.
Project Type	Family, Senior or Mixed.
Property Description And Proposed	See Attached.

Development Schedule	
Total Project Development Cost	Enter amount for total project.
Number Of Units	The total number of units in the project.
Cost Per Unit	Total development cost divided by number of units.
Bedroom Mix	Number of units by number of bedrooms.
Rent	Proposed rent structure.
Median Income For Community	Provide median income for the project community.
Evidence Of Site Control	Attach relevant information.
Description Of Any Environmental Issues	Attach relevant information.
Loan Amount	Insert the loan amount.
Interest Credit (IC)	Is interest credit requested for this loan (Yes or No).
If Above Is Yes, Should Proposal Be Considered Under Non-IC Selection, If IC Funds Are Exhausted?	If Yes, proposal must show financial feasibility for NON-IC consideration.
Borrower's Proposed Equity	Insert Amount.
TAX CREDITS	Are tax credit to be provided to project?
Other Sources Of Funds	List all funding sources.
Loan To Value	Guaranteed loan divided by value.
Debt Coverage Ratio	Net Operating Income divided by debt payments.
Percentage Of Guarantee	Percentage guarantee requested.
Collateral	Attach relevant information.

EZ/EC	Yes or No. Is the project in EZ/EC community?
Colonia Or Tribal Lands	Yes or No. Is the project in a Colonia or on an Indian Reservation?
Presidential Declared Disaster Area	Yes or No
Population	Must be within the 20,000 population limit set for the program.
Is A Guarantee For Construction Advances Being Requested?	Yes or No. (The Agency will guarantee construction advances, only as part of a combination construction and permanent loan).
Loan Term	Fixed rate, up to a 40 year term, must be fully amortizing. Note: Balloon mortgages are not eligible.
Basis Points Over 10 Year Treasury	Insert relevant number.

VI. Lender Submission Requirements

(A) Lender Eligibility and Approval Status: Evidence that the lender is either an approved lender for the purposes of the GRRHP or that the lender is eligible to apply for approved lender status as defined in paragraph IX.(D) of this NOFA will be submitted.

(B) Lender Certification: A commitment letter or certification by the lender that the lender will make a loan to the borrower for the proposed project, under specified terms and conditions subject to the issuance of a guarantee by the Agency. The lender certification must be on the lender's letterhead, and be signed by both the lender and the applicant, and will be submitted by the lender to the Agency.

VII. Competitive Criteria

To expedite the review of the NOFA responses, RHS suggests using the sample NOFA response checklist found in paragraph V. of this NOFA to ensure that all the submission requirements

and competitive criteria of this NOFA have been addressed.

VIII. Selection Criteria

NOFA responses will be reviewed as received on a first come first serve basis on the third Thursday of each month. In the event that demand exceeds available funds, priorities will be assigned to eligible proposals on the basis of the following criteria as described in 7 CFR 3565.5(b) and as published in this NOFA. In the event of ties, selection between proposals will be by lot. Points will be assigned as follows:

(A) Projects located in rural communities with the smallest population will receive priority. All proposals will be ranked in order of their population. The proposals will be given a point score starting with the project located in the area with the lowest population receiving 20 points, the next 19 points and so forth, until up to 20 projects have received points.

(B) The most needy communities as determined by the median income from

the most recently available census data. The proposals will be given a point score starting with the community having the lowest median income receiving 20 points, the next 19 points and so forth until up to 20 proposals have received points.

(C) Partnering and leveraging in order to develop the maximum number of housing units and promote partnerships with state and local communities, including other partners with similar housing goals. Leveraging points will be awarded as follows:

Loan to value ratio (percentage %)	Points
More than 75	10
70-75	15
Less than 70	20

(D) Loans with interest rates less than the maximum allowable 250 basis points over the 10 Year Treasury Bond Yield will be awarded points as follows (fractional basis points will be rounded to the nearest whole basis point):

Interest rate	Points
More than 200 basis points	0
200 to 151 basis points, inclusive	5
150 to 100 basis points, inclusive	10
99 to 50 basis points, inclusive	15
Less than 50 basis points	20

(E) Preference will be given to proposals having a higher percentage of 3–5 bedroom units to total units. The proposals will be ranked in order of this percentage with the proposal with the highest percent receiving 20 points, the next 19 points and so forth until up to 20 projects have received points.

(F) Proposals to be developed in a colonia, on tribal land, in an Empowerment Zone or Enterprise Community, or in a place identified in the State consolidated plan or State needs assessment as a high need community for multifamily housing (20 points).

(G) Projects will be ranked by the length of the amortization period, with the longest receiving priority as follows:

Amortization (Yrs.)	Points
40	20
At least 35	15
At least 30	10
At least 20	5
Less than 20	0

IX. Additional Information

(A). Maximum Interest Rate

The maximum allowable interest rate on a loan submitted for a guarantee is 250 basis points over the 10-year Treasury Bond Yield as published in the Wall Street Journal as of the business day prior to the business day the yield is set.

(B). Surcharges for Guarantee of Construction Advances

There is no surcharge for guarantee of construction advances for FY 2001.

(C). Program Fees for FY 2001

(1) There is an initial guarantee fee of 1% of the total guarantee amount which will be due when the loan guarantee is issued. For purposes of calculating this fee, the guarantee amount is the product of the percentage of the guarantee times the initial principal amount of the guaranteed loan.

(2) There is an annual renewal fee of 0.5% of the guaranteed outstanding principal balance charged each year or portion of the year that the guarantee is in effect. This fee will be collected prospectively on January 1, of the calendar year.

(3) There is no fee for site assessment and market analysis or preliminary feasibility in FY 2001.

(4) There is a non-refundable application fee of \$2,500 when the application is submitted following proposal selection under the NOFA.

(5) There is a flat fee of \$500 when a lender requests RHS to extend the term of a guarantee commitment.

(6) There is a flat fee of \$500 when a lender requests RHS to reopen a guarantee commitment after the period of the commitment lapses.

(7) There is a flat fee of \$1,250 when a lender requests RHS to approve the transfer of property and assumption of the loan to an eligible applicant.

(8) There is no lender application fee for lender approval in FY 2001.

(D). Eligible Lenders for section 538 Approval

The application for lender approval must be made at the same time as the first loan application. The first loan application means: (1) The first application for a loan guarantee for a new loan; or (2) The first application before ownership of any GRRHP loan is transferred to that lender. A lender must be approved before a loan guarantee is issued or a guaranteed loan is acquired.

An eligible lender must be a licensed business entity or Housing Finance Authority (HFA) in good standing in the

state or states where it conducts business; be approved by the Agency; and meet at least one of the criteria contained below. Lenders who are not eligible may participate in the program if they maintain a correspondent relationship with a lender who is eligible. An eligible lender must:

(1) Meet the qualifications of, and be approved by, the Secretary of Housing and Urban Development to make multi-family housing loans that are to be insured under the National Housing Act;

(2) Meet the qualifications and be approved by Fannie Mae or Freddie Mac to make multi-family housing loans that are to be sold to such corporations;

(3) Be a state or local Housing Finance Authority, or a member of the Federal Home Loan Bank system, with a demonstrated ability to underwrite, originate, process, close, service, manage, and dispose of multifamily housing loans in a prudent manner;

(4) Be a lender who meets the requirements for Agency approval contained in 7 CFR part 3565 subpart C and has a demonstrated ability to underwrite, originate, process, close, service, manage, and dispose of multifamily housing loans in a prudent manner; or

(5) Be a lender who meets the following requirements in addition to the other requirements of 7 CFR part 3565 subparts C and I:

(a) Have qualified staff to perform multi-family housing servicing and asset management;

(b) Have facilities and systems that support servicing and asset management functions; and

(c) Have documented procedures for carrying out servicing and asset management responsibilities.

Dated: December 15, 2000.

James C. Kearney,

Administrator, Rural Housing Service

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