August 7, 2014

Tony Hernandez
Administrator
USDA/Rural Housing Service
1400 Independence Avenue, SW
STOP 0701
Washington, DC 20250-0701

Dear Administrator Hernandez:

There are approximately 15,000 Multi-Family properties (Section 515 Rural Rental Housing and Section 514 Farm Labor Housing) remaining in the USDA portfolio. Since 1963, USDA has financed many rental housing projects through these programs. Many of these loans are reaching the end of the mortgage life cycle (final payment). When a project financed through these programs is paid off, some tenant benefits (such as rental assistance and favorable financing) are terminated. USDA has tenant protection rules in the case of a “prepayment.” However, there are no such tenant protections when the loan fully matures.

In FY 2012, USDA published a notice to field offices regarding Multi-Family projects at risk of early pay-off. USDA is offering owners of these projects the option to re-amortize the loan within the remaining term in order to keep interest credit and rental assistance subsidies in place.

HAC applauds this effort to keep the housing units affordable for the tenants. We believe there are more things the Agency could do to protect tenants. In addition to loans with early pay offs, many Multi-Family loans are also nearing final payment. HAC estimates that there are about 14,350 RRH and Off - Farm Labor Housing projects across the nation. Over 8,000 of these projects (more than half the portfolio) are expected to make their last payment by the year 2020. These final payments are taking place now for some of the loans and over the next few years, there will be more and more of them.
A particular consequence of these loan pay-offs is the likelihood that tens of thousands of very low-income tenants will lose rental assistance. Tenants in these units are likely to experience significant increase in housing costs or loss of the use of the unit as a result of the loan pay-off. Because of the significant impact, HAC believes that tenants should receive as much advance notice as possible before a loan is paid off.

For the last several years, the Department of Housing and Urban Development (HUD) has been contacting owners of agency financed rental projects whose loans were expected to pay off in the coming two years. HUD requests that owners provide timely notice (about 270 days to one - year advance notice) to tenants of the impending payoff and the expected change in status.

We urge USDA to provide similar tenant protection and actively request Multi - Family project owners to provide advance notice to tenants. Providing this notification is sound public policy and it provides tenants with important information. As such, we believe this should be included as a standard practice in USDA's MFH 3560 Handbook.

Notifying tenants is a beginning. The loss of these affordable housing units will adversely impact lower income rural residents. We would like to begin a dialogue with USDA and other interested parties to dapproaches to maintain these affordable housing units.

Sincerely,

Moises Loza
Executive Director

cc: Bryan Hooper, Deputy Administrator, Multi-Family Housing