



NATIONAL RURAL HOUSING COALITION



Vol. 17, No. 27

August 26, 2014

Spending Down Section 502 Funding

Over the past several months, NRHC has contacted the Administration and key Members of Congress about the slow pace of obligations under the Section 502 Direct Loan program. In addition to raising the issue directly with Secretary Vilsack and making a number of recommendations to Acting Under Secretary for Rural Development Doug O'Brien and Rural Housing Service Administrator Tony Hernandez, NRHC worked with the Democratic and Republican Chairmen and Ranking Members of the Agriculture Appropriations Subcommittee---Rep. Aderholt, Rep. Farr, Sen. Pryor, and Sen. Blunt---to encourage the Department to [take additional measures](#) to ensure that all funds are obligated.

At this time, however, it is unlikely that USDA will be able to spend down all Fiscal Year 2014 (FY14) funds. We understand that USDA has obligated about 60 percent of all FY14 funding for the Section 502 Direct program. **That leaves USDA with just five weeks before the end of the Fiscal Year (September 30, 2014) to obligate some \$360 million.**

USDA has devised a number of [initiatives to improve the processing of Section 502 Direct Loans](#) over the long-term and has shared these initiatives with us. However, while NRHC supports these efforts---including converting to automated underwriting and allowing packagers to electronically submit applications---none will resolve the issue in FY14. All are slated for implementation or testing in FY15.

The Section 502 Direct Loan program is USDA's only source of new housing opportunities for low-income families. In FY13, USDA made the lowest number of Section 502 Direct Loans in more than 40 years. We hope to see an improvement in FY14.

Thank you for your support,

Sarah Mickelson