

Dear Affected Borrower:

Effective on March 1, 2013, the Budget Control Act of 2011 (P.L. 112-25) mandated budget reductions, known as sequestration, across the Federal Government for the remainder of the Federal fiscal year. The impact of sequestration is a 5 percent reduction to FY 2013 discretionary funding. The Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6), signed into law on March 26, 2013, also included two across-the-board reductions (rescissions) for United States Department of Agriculture (USDA) discretionary funding totaling over 2.77 percent. These spending cuts, which are required by law, reduced the USDA Section 521 Rental Assistance (RA) program appropriation by about \$65 million. As a result of this action, Rural Development will be unable to renew all of the RA contracts expiring during fiscal year (FY) 2013.

Rural Development regularly reviews the status of RA contracts to determine when a contract will need to be renewed. We are writing to advise you that based on the remaining RA appropriation and the RA contract for the above-referenced property, we do not expect to have RA funding available at the time of your RA contract renewal. Although the exact timing of the exhaustion of funds cannot be determined, our analysis has determined that it may occur toward the end of FY 2013, which ends September 30, 2013.

We want to assure you that when funding is again available in FY 2014, and barring any unforeseen restrictions, renewal of this contract will be a priority. Retroactive payments, however, will not be made. In the meantime, Rural Development is committed to working closely with you to help you maintain the financial stability of your property. Rural Development intends to assist you with the following servicing actions:

1. Allow authorized withdrawals from the replacement reserve account;
2. Permit borrower loans to the property under the requirements of 7 C.F.R. §3560.309 to address unusual short-term conditions;
3. Suspend the monthly reserve account deposit, as established under the regulation at 7 C.F.R. §3560.65; and/or,
4. Defer the monthly debt service payment to prevent a compliance violation (delinquency) (defined under 7 C.F.R. §3560.455(a)).

Rural Development Servicing staff in your state will work with you to determine which of these servicing tools could be applied to your property under the regulations during the period when no RA is available.

Affected Borrower
Page 2

The reduction in funding shall not impact tenants. We plan to work with you to manage this challenge in FY 2013 offering flexibility in those areas where we can.

This issue will not affect other program requirements.

We understand the difficult position in which this places our Rural Development-financed multifamily and farm labor properties. Over the last two years, the Department has undertaken a number of steps to address management of RA and reduce the cost of the program. We have asked our borrowers to do the same by reducing operating costs where possible.

The Rural Development Servicing staff will be in contact with you soon to discuss methods of addressing the loss of RA income. Thank you for your cooperation in this effort.

Sincerely,

Tammye Treviño
Administrator
Rural Housing Service