



USDA Farm Labor Housing Loans and Grants (Sections 514/516)

Housing Assistance Council

June 2008

The Section 514/516 Farm Labor Housing (FLH) program provides loans and grants for the development of on-farm and off-farm housing. The program is operated by the U.S. Department of Agriculture's Rural Development Housing and Community Facilities Programs office (RD).

Purpose

Section 514 loans and Section 516 grants are provided to buy, build, improve, or repair housing for farm laborers. The range of eligible tenants was expanded in the 2008 Farm Bill to include not only persons whose income is earned in aquaculture (fish and oyster farms) and agriculture, and those engaged in on-farm processing, but also those who process agricultural or aquacultural commodities off-farm. RD is developing regulations to implement the processing worker provision.

Funds can be used to purchase a site or a leasehold interest in a site; to construct or repair housing, day care facilities, or community rooms; to pay fees to purchase durable household furnishings; and to pay construction loan interest.

Eligibility

Owner: Loans (Section 514) are made to farmers, associations of farmers, family farm corporations, Indian tribes, nonprofit organizations, public agencies, associations of farmworkers, and limited partnerships in which the general partner is a nonprofit entity. Typically, loan applicants are unable to obtain credit elsewhere but, in some instances, farmers able to get credit elsewhere may obtain loans at a rate of interest based on the cost of federal borrowing. Grants (Section 516) are made to farmworker associations, nonprofit organizations, Indian tribes, and public agencies. Funds may be used in urban areas for nearby farm labor (an exception to RD's usual service area).

Tenants: Eligible tenants are domestic farm laborers who receive a substantial portion of their income from farm labor and are citizens or legally admitted for permanent residence. Legally admitted temporary laborers, such as H-2A workers, are not eligible. Retired or disabled farm laborers may remain as tenants if initially eligible.

Terms

Loans are for 33 years at 1 percent interest, except as noted under "Eligibility." Grants may cover up to 90 percent of development cost. The balance may be (and usually is) a Section 514 loan. RD Section 521 Rental Assistance (RA) subsidy can be used to limit tenant payments to 30 percent of their income. The law allows RA to be used as an operating subsidy for projects or units with Section 516 funding that serve migrants, but RD has not yet issued regulations implementing this provision. It is RD policy to attempt to use less than a 90 percent grant when RA is utilized.

Standards

The standards for Section 514/516 are essentially the same as those for Section 515 rental housing: RD siting criteria, CABO Model Energy Code, and voluntary national model building codes apply. When moderate rehabilitation is involved, a separate RD standard is used. Davis-Bacon wage rates apply when Section 516 grants are utilized.

The square footages of individual units are limited according to bedroom size. Projects must be designed to have two or more units per building. Exceptions are granted to housing occupied less than year-round. Housing occupied less than year-round, but more than six months per year, need only be in "substantial conformance" to the applicable code, provided it can be converted to Section 515 standards. Housing occupied for six or fewer months per year must conform to RD's seasonal farm labor housing standards instead of the standards noted above.

Approval

RD uses a two-stage application process for the Farm Labor Housing Program. First, applicants submit preapplications, which are used to determine preliminary eligibility and feasibility. RD then invites some applicants to submit final applications.

Section 514/516 funds are divided between off-farm housing and on-farm housing. The off-farm program provides loans and grants to organizations that assist farmworkers at off-farm locations with no requirements that workers be employed on a particular farm. Preapplications for the off-farm program must be submitted in response to a Notice of Funding Availability (NOFA) which is published in the *Federal Register* every year. RD scores the preapplications, using a ranking process stated in the NOFA, to determine which applicants will be invited to submit final applications.

The on-farm program makes loans to eligible farmers (or a group of farmers) to provide housing, usually for their own laborers. Preapplications for on-farm units, or for repair and rehabilitation of existing off-farm units, may be submitted at any time and are processed on a first-come, first-served basis.

Regulations

Regulations for all USDA RD multifamily housing programs, including Section 514/546 and Section 521 Rental Assistance, are compiled in 7 CFR part 3560. Three handbooks provide additional details about different aspects of the program. HB-1-3560 covers loan origination, HB-2-3560 addresses asset management, and HB-3-3560 describes project servicing. The regulation at 7 CFR part 3560 is included in each handbook as Appendix 1.

Additional Information

For additional information on Section 514/516 Farm Labor Housing and RD, contact the National Office, 1400 Independence Avenue, S.W., Washington, D.C. 20250; 202-690-1533, or your Rural Development State Office, which can be identified at http://www.rurdev.usda.gov/recd_map.html or contacted by telephone through 202-720-4323. RD regulations and handbooks are available online at <http://rurdev.usda.gov/regs>.

Housing Assistance Council

Founded in 1971, HAC is a national nonprofit corporation headquartered in Washington, D.C. that helps local organizations build affordable homes in rural America by providing below-market financing, technical assistance, research, training, and information services. HAC's programs focus on local solutions, empowerment of the poor, reduced dependency, and self-help strategies. HAC is an equal opportunity lender.

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