



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

AUG 29 2014

The Honorable Robert Aderholt
Chairman
Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
2362-A Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter of July 31, 2014, cosigned by your colleagues, requesting that the Rural Housing Service (RHS) report to the Appropriations Committees within 2 weeks on the measures it intends to take, along with timeframes for implementation, to increase obligations in the Section 502 Single Family Housing Direct Loan Program (Section 502 Direct) before the end of fiscal year (FY) 2014. I apologize for the delayed response.

You requested that the Department of Agriculture (USDA) take additional measures to ensure the \$900 million appropriated for the program is obligated by the end of FY 2014, and also referenced the additional funds Congress appropriated for the Rural Development mission area salaries and expenses.

In FY 2014, USDA has had to overcome the challenge posed by a Government shutdown. In October 2013, the month of the shutdown, USDA obligated just \$4 million, an amount dwarfed by the \$120 million obligated in the same month of the previous year. Despite the disparity in first month obligation rates, recent data indicates that USDA is quickly closing the year-over-year obligation gap. In fact, FY 2014 monthly obligation rates have eclipsed those of the prior fiscal year by a relatively wide margin in every month since January 2014. USDA's current projections indicate that obligations will total approximately 91 percent of the program allocation in FY 2014. USDA will continue to work throughout the remaining part of the fiscal year to obligate as much of 502 direct funding as possible.

Building a pipeline for Section 502 Direct loans takes time and effort. USDA attributes some of the uptick in obligation rates as FY 2014 progresses to increased funds for mission area salaries and expenses, which have renewed our ability to enable staff to travel and effectively conduct outreach for this program. I appreciate your continued support for the resources necessary to effectively promote this program among those who need it most.

Honorable Robert Aderholt

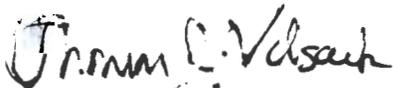
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Many of the strategies for increasing obligations mentioned in your letter are enabling USDA to maintain this higher level of performance through fiscal year-end. As you suggested, USDA has refocused current full-time staff to the Section 502 Direct Loan Program. In 2014, USDA has also temporarily lifted certain program requirements, such as receiving an appraisal prior to loan obligation. The requirement has not been eliminated, and loan closure will still require an appraisal, but this procedural adjustment enables us to maximize funding utilization. Additionally, RHS Administrator Tony Hernandez has personally engaged with State Directors and Single Family Housing staff in low-producing States to identify ways of increasing Section 502 Direct loan obligations. Lastly, in the coming weeks, USDA will provide compensation flexibility for staff willing to work extra hours to get the job done.

Significant program improvements are also underway that will pay dividends well into the future. USDA has made hiring staff and automating the loan underwriting process a high priority, though we expect that it will take through FY 2015 to get new staff on board and new automated systems in place. By making these investments today, USDA seeks to ensure that the Section 502 Direct loan program, which you have rightly noted is critically important to rural America, can continue to meet the needs of current and future borrowers.

Again, thank you for writing and for sharing your concerns. I understand the importance of the Section 502 Single Family Housing Direct Loan Program for our customers and will continue to work toward improving program delivery. A similar letter is being sent to your colleagues.

Sincerely,



Thomas J. Vilsack
Secretary