**Preserving USDA Housing from Prepayment**

Preserving USDA Rural Development multifamily housing from prepayment in a nutshell:

USDA Rural Development multifamily housing was built with subsidized very long-term loans, generally for 50-year terms. Owners can, in many cases, choose to prepay on their loans before the end of the loan period. By doing so, the owner can remove the complex from the USDA program, turning its units to market-rate rents.

USDA has a federally mandated prepayment process intended to preserve, when possible, USDA complexes in order to maintain the buildings as affordable housing.

An owner seeking to prepay on their complex and remove it from the USDA program generally will need to first market the property at a USDA-appraised price for an 180-day period. During that 180-day period, if a nonprofit or governmental agency or housing authority makes a bona fide or good faith offer to purchase the property, the owner must accept that offer. An offer is considered bona fide if it is at the full appraised price and the party making the offer has identified a reasonably likely source of funding for the purchase. The funding does not have to be definitively secured at the time the offer is made.

The owner must work with the nonprofit for an additional two-year period to accomplish the purchase. USDA rules require the agency to facilitate purchase and preservation of such properties.

If purchased by a nonprofit, the building stays in the USDA program, receiving ongoing federal operating subsidies and rental assistance to many or all of the units so their rent is affordable to very low and low income income households. In exchange, the nonprofit or housing authority agrees to keep the building in the USDA program long-term.

If during the 180-day period no nonprofit/HA/governmental agency makes a good faith offer on the building, the owner can take the building out of the USDA program and immediately raise the rents to market rate rents. The building is permanently lost as affordable housing, and generally the existing tenants will find the rents unaffordable immediately or as rents increase over time.

To prevent the loss of affordable housing, the Washington state legislature created a $10 million preservation fund for the next fiscal year. The attached materials describe this fund. While not solely designated for preserving USDA housing in the 180-day marekting period, the fund is intended to address loss of housing through this marketing period because historically, nonprofits had repeatedly been unable to find funding to purchase within this short sale window.