



**United States Department of Agriculture
Rural Development**

Honorable Barney Frank
Chairman, Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20215-0001

FEB 23 2010

Dear Chairman Frank:

Thank you for your letter of February 4, 2010, discussing your concerns over a recent Rural Housing Service (RHS) unnumbered letter that described how Low Income Housing Tax Credits (LIHTC) exchange funds would be treated in RHS Section 515 development and revitalization transactions. You expressed concern over my decision not to allow exchange funds to be treated as equity, even though the exchange program was established to replace equity no longer generally available through private sources.

Your clarification of Recovery Act legislation has been very helpful to our understanding of the issue. We have searched further in our regulations for flexibility that will allow us to implement that understanding and plan to swiftly rescind and re-issue the unnumbered letter to allow exchange funds to be used in a manner similar to other funding generated by LIHTC sources.

As you know, RHS is faced with tremendous challenges preserving a rapidly aging Section 515 portfolio that serves the affordable rental housing needs of those most vulnerable in rural communities across the country. Your support in these efforts is greatly appreciated and we look forward to being able to use new Agency revitalization tools currently in proposed legislation to strengthen the portfolio.

With the recent collapse of private equity markets, rural areas have suffered disproportionately. We have seen a significant drop in revitalization transactions and we agree with you that exchange funds provide an excellent opportunity to make up for the difference. Even though the use of exchange funds has created challenges to these transactions, we would like to assure you that we will continually seek ways to make them

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work. We hope that, with our new understanding, developers will be encouraged to seek to use those funds within the Section 515 portfolio.

Thank you for your guidance on this issue.

Sincerely,

A handwritten signature in black ink, reading "Tammye Treviño". The signature is written in a cursive style with a large initial "T" and a long, sweeping underline.

Tammye Treviño
Administrator
Housing and Community Facilities Programs