



ORIENTATION HANDBOOK

April 2023 v2.0

***RURAL DEVELOPMENT SECTION 523
MUTUAL SELF-HELP HOUSING and REHABILITATION
& REPAIR PROGRAM***

Disclaimer

A handbook for grantees of the United States Department of Agriculture (USDA) Section 523 Self-Help Housing Program developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

- *Florida Non-Profit Housing, Inc. (FNPH)*
- *LIFT Community Action Agency, Inc. (LIFTCAA)*
- *NeighborGood Partners*
- *Rural Community Assistance Corporation (RCAC)*

Funded by: *United States Department of Agriculture, Rural Development*

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Refer to the Introduction Chapter of this Handbook to identify the appropriate T&MA Contractor to contact for your area. After receipt of a consent and conditions letter you may copy and distribute the manual in accordance with such terms and conditions as set and approved by the T&MA Contractors.

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INTRODUCTION TO SELF-HELP HOUSING

The Self-Help Housing Program & Its History

The Self-Help Housing Program is a program funded by the U. S. Department of Agriculture (USDA), Rural Development (RD) and is designed to serve low-income (LI) and very low income (VLI) households to achieve homeownership. Allocations are not made to the states as this is a national program. The signature aspect of the self-help program is the contribution of labor or sweat equity by participant households. This unique program combines family labor with very affordable mortgage financing to bring homeownership within reach of many rural households.

RD first began financing mortgages for the self-help method through their Section 502 direct loan program in the 1960's. In 1971, RD began providing Section 523 Self-Help Housing Technical Assistance (TA) Grants to nonprofit organizations and other eligible entities to administer programs. Self-help housing, now more than 55 years old, has constructed or rehabilitated more than 55,000 homes across the country. Self-help housing must be planned for rural areas as defined by RD and 1944-I which is the governing regulation for the program. Currently, private nonprofit corporations, public body's, federally recognized Tribes, and rural towns/counties can obtain Section 523 grant from USDA/RD. Grant funds are used to hire skilled staff, rent office facilities, pay for mileage, purchase tools, and other necessary items to operate the program. The program staff works with participant families by providing the assistance and training necessary to facilitate the program and to achieve the goals for which the 523 TA Grant was made.

Types of Self-Help Housing

There are two different approaches to self-help housing: new construction and rehabilitation. In both cases, program participants supply their own labor to help lower the cost of the project, thereby making homeownership more feasible and affordable. No matter which type of self-help housing program is chosen, at least 40% of the participants served should be in the very low-income category. The RD National Office provides the income limits for Low Income and Very Low Income and updates the limits whenever they

are revised, usually annually. The income limits can be found online at:

<https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf>.

New Construction Method of Self-Help Housing

New construction self-help housing is just as it sounds, participants working together providing mutual labor to build their own homes from the ground up in a group format. This cooperative effort is a direct application of the barn raising traditions of pioneering rural Americans. Self-help participants work in groups supplying the necessary labor to build their homes. They must qualify for mortgage financing (usually RD 502 Direct Home Loans) to purchase land, building materials, and some subcontracted work on the more technical building tasks.

With the assistance of a skilled staff, a group of generally 4 to 10 households is organized. The participants select building lots, house plans based on family size and need, and typically apply for individual RD 502 mortgage loans. While participants await loan approval, the group studies the responsibilities of homeownership, construction techniques, tool usage, safety, homeowner's insurance, taxes, home maintenance, and money management in a series of pre-construction meetings. This is known as the pre-construction stage which can last up to three months.

Once the RD 502 loans are approved, the group begins to build under the guidance of a skilled construction supervisor. Participants together are responsible for completing a minimum of 65% of the construction labor tasks. This generally includes tasks such as framing, setting roof trusses, roofing, insulation, sheathing, siding, windows and doors, drywall, painting, interior trim and cabinets, and landscaping. The balance of tasks such as plumbing, HVAC, electrical, and foundation are usually completed by subcontractors because of the technical knowledge and/or license required. The construction stage lasts from eight to twelve months, depending on the size of the group and other factors. Participants work during their spare time (most often evenings, weekends, and days off) so as not to interfere with regular household employment. The household labor contribution often totals 30-40 hours each week.

Rehabilitation Method of Self-Help Housing

There are two different options for self-help housing rehabilitation. The first is acquisition rehabilitation and the second is owner-occupied rehabilitation. With acquisition rehab, the participant finds and purchases a structurally sound home with the assistance of the nonprofit and provides agreed upon labor on the repairs needed in the home. (It is important to look closely at homes that were built prior to January 1, 1978 due to lead based paint concerns.) For owner-occupied rehab, the participant already lives in a home that needs repairs. The owners help with the agreed upon repair work. Both programs work with existing housing stock to make health and safety repairs, improve energy-efficiency, and bring them to a habitable standard and up to local codes. Work on each home is to be completed within an 8 - 12 week period but can vary. In both rehab programs the participant family must complete a minimum of 10 labor hours for every \$1,000 in project costs that are not completed by a sub-contractor. Usually more technical work such as electrical, plumbing, and HVAC is subcontracted out. Labor is not mutual in the self-help rehab option.

Deciding on a Method of Self-Help Housing

The grantee organization may propose to do a mix of new construction and rehabilitation based on the local housing market and the needs of participant families. When considering which type of self-help housing program, you want to operate, consider the following conditions of your housing market. There is a Feasibility Handbook that may help your organization with this decision.

Considerations for Selecting Self-Help Type			
	<u>New Construction</u>	<u>Acquisition Rehab</u>	<u>Owner-Occupied Rehab</u>
Building lots are available	XXX		
Families want new homes	XXX		
Few existing homes for sale	XXX		
Plenty of existing homes for sale		XXX	
Existing homes are priced well		XXX	
Many people own their homes			XXX
Homes people own need repairs			XXX
Homes can be brought to standard		XXX	XXX

Financing

For new construction and acquisition repair, the most common source of financing is RD 502 Direct loans. These loans feature fixed interest rates at the current market rate and offer a subsidized rate of as low as 1%, depending on the household’s adjusted annual income. The repayment period is 33 or 38 years, and no down payment is required. For owner-occupied rehab, the most common resource is the RD Section 504 Loan and/or Grant Program. Section 504 loans may not exceed \$40,000. The 504 loans have an interest rate of 1% and a term of 20 years that is amortized on a monthly basis. The 504 grant is for homeowners age 62 and over who cannot afford to repay a loan. The grant funds are available to remove health or safety hazards or remodel dwellings to make them accessible to a household member with a disability. The grant cannot exceed \$10,000. There is more information about USDA and these loans and grants later in this guide.

<u>Mortgage Financing</u>	<u>502 Direct</u>	<u>504 Loan</u>	<u>504 Grant</u>
New Construction	XXX		
Acquisition Rehabilitation	XXX		
Owner-Occupied Rehabilitation	XXX	XXX	XXX

Responsibilities of the Self-Help Housing Grantee

Once a nonprofit or eligible entity receives a Self-Help Housing Technical Assistance Grant they are referred to as a “grantee”. As the entity responsible for administering the program, the grantee provides several required services:

- Hire staff for different self-help functions.
- Provide program management, oversight, decision making, reporting and problem resolution.
- Recruit participants for the program.
- Locate suitable building sites for New Construction (NC) or homes for Acquisition Rehab (AR) and Owner Occupied (OO).
- Select house plans (NC) or determine repairs to be made (AR or OO).

- Prepare construction cost estimates.
- Assist participants in applying for and packaging the mortgage financing applications.
- Establish a construction schedule.
- Oversee all construction (participant and subcontracted).
- Oversee construction timeframes, progress, and budgets.
- Provide construction training and supervise job sites and construction or repairs.
- Schedule necessary inspections with local jurisdictions and RD.
- Account for the 523 TA Grant and 502 loan funds (or other).

Typical Self-Help Grantee Staffing

The positions and number of staff may vary by grantee depending on the number of homes that are planned to be built or repaired and the existing capacity and positions of the organization. Typical grant functions and positions include the following:



The 523 Mutual Self-Help Housing Technical Assistance Grant

To enable organizations to provide a mutual self-help housing program, RD awards grant funds to operate and oversee the program. Each Technical Assistance (TA) grant is usually for a period of up to two years, and is available to public and private nonprofit organizations, federally recognized Tribes and units of state or local government. The

amount of grant funds an organization can receive is based on the equivalent value of a modest home that is used in the calculations provided in RD Instruction 1944-I.

Activities that are allowable uses of Section 523 technical assistance grant funds include:

- a. Recruit eligible households to participate in the self-help program.
- b. Hold training meetings with participants on the self-help process and homeownership topics such as mortgages, insurances, taxes, and maintenance.
- c. Assist participants to obtain and develop building sites; obtaining or creating RD-approved house plans and helping participants select the appropriate plan for their family.
- d. Help participants bid and select building suppliers and subcontractors; train participants in construction techniques and provide construction supervision.
- e. Supervise participant Section 502 loan accounting, including:
 - o Totaling invoices and itemizing payments to suppliers and subcontractors.
 - o Maintaining records of deposits and withdrawals.
 - o Preparing checks (accompanied with invoices and statements).

Disallowed activities using Section 523 Technical Assistance grant funds:

- a. The use of any TA funds to pay for labor on the houses.
- b. Purchasing any real estate or building materials for participating families.
- c. Paying any debts, expenses or costs which should be the responsibility of the participating families.

Any lobbying activities as prohibited in 2 CFR 200 subpart 400 & 416 if a State or Local government: or Part 400 & 415 if a non-profit.

How the 523 TA Grant Amount is Determined

The primary determinant of grant size is the number of homes to be built or rehabilitated and the cost or budget the grant applicant determines will be necessary to accomplish that goal and administer the program for two years.

For New Construction: The method used is typically, 15% of the Equivalent Value of Modest Housing (EVMH) which is determined by the local RD office. If the

EVMH is \$200,000, then 15% of that is \$30,000 x the number of new homes to be built. In this case the \$30,000 is considered the TA Cost to build one home. For 12 homes, the 2-year grant would be \$360,000 (12 x \$30,000). For 20 homes, the 2-year grant would be \$600,000 (20 x \$30,000).

For Acquisition Rehab and Owner-Occupied Rehab: The TA cost and grant amount are typically a negotiated figure between the grant applicant and RD. RD would like the grantee to ensure the TA Cost is less than the cost savings to the families using contractor cost comparisons, appraised value, or labor contribution using a standard rate.

For new construction or either rehab program the grant applicant should develop a detailed two-year budget. The budget should list all costs necessary to achieve the self-help goals, to make sure the program and grant size is feasible, and the goals are achievable for your organization. There is much more information on this in the Acquisition and Owner-Occupied Rehabilitation Handbook.

Other Elements of the Self-Help TA Grant

- The term for the 523 grant is a two-year period so the number of homes to be built/rehabbed should be able to be completed within that timeframe.
- As a federal program, the 523 grant requires accurate reports, annual audits, cost allocation, sound bookkeeping, and financial management policies.
- Helpful experience for a new 523 grant applicant might include residential construction, 502 loan packaging, project management, housing development, land development, and organizing/coordination.
- Authorized 523 grant uses include staff salaries/benefits, office expenses/supplies, power and specialty tools, audits/accounting system, travel, advertising for participants, and insurance.
- Disallowed 523 grant expenditures include construction for participants, buying real estate or materials for participants, paying debts for participants, costs not directly related to the program, and job training for staff.

Benefits of Self-Help Housing

Significant benefits can accrue from self-help housing. These include benefits to participating families, benefits to the community, and benefits to the grantee organization. Detailed lists are provided later in this handbook.

Benefits to Self-Help Housing Participants

- Provides a means to owning a home
- Affordable, energy-efficient, and attractive homes
- As an alternative to renting, invest in a home of their own
- Earn equity and have a family asset
- Show children/family that owning a home is possible
- Gain construction skills to boost employment and know how to maintain the home
- Gain confidence, self-esteem, and a “can do” attitude

Benefits to the Community, Town, or County

- Provides affordable housing opportunities
- Brings affordable mortgages to the area
- Homeownership tends to increase the local tax base
- Improves the housing stock
- Contributes to local economy (materials, supplies, subcontracts, etc.)
- Self-help builds wealth and equity
- USDA/RD involvement may lead to other USDA funding opportunities such as Rural Utility Service, Rural Business, Community Facilities, etc.

Benefits to the Grantee Organization

- Helps achieve the organization’s housing mission
- Provides a new revenue stream with stable funding
- Introduces a new line of business and service to local families
- Brings new excitement, partners, and stakeholders
- Offers an opportunity to provide staff support & new positions
- Can help to build the organization’s capacity
- Can enhance the organization’s reputation in the community

Organizations Eligible for Self-Help Housing

The types of organizations eligible to apply for and receive Section 523 Technical Assistance grants from USDA Rural Development (RD) for self-help housing are set forth in Instruction 1944-I. 1944-I is the guiding instruction for Self-Help Housing and should be read, understood, and kept available by all involved in the program. Here is how the regulation describes organizations eligible for self-help housing:

1944.403 Definitions.

(j) Organization.

(1) A State, political subdivision, or public corporation (including Indian tribes or Tribal corporations); or

(2) A private nonprofit corporation that is owned and controlled by private persons or interests and is organized and operated for purposes other than making gains or profits for the corporation and is legally precluded from distributing any gains or profits to its members.

1944.404 Eligibility.

To receive a grant, the applicant must:

(a) Be an organization as defined in 1944.403(j).

(b) Have the financial, legal, administrative, and actual capacity to assume and carry out the responsibilities imposed by the Agreement. To meet the requirement of actual capacity it must either:

(1) Have necessary background and experience with proven ability to perform responsibly in the field of mutual self-help or other business management or administrative ventures which indicate an ability to perform responsibly in the field of mutual self-help; or

(2) Be sponsored by an organization with background experience, and ability, which agrees in writing to help the applicant to carry out its responsibilities.

(c) Legally obligate itself to administer TA funds, provide adequate accounting of the expenditure of such funds, and comply with the Agreement and Rural Development regulations.

(d) If the organization is a private nonprofit corporation, be a corporation that:

(1) Is organized under State and local laws.

(2) Is qualified under Section 501(c)(3) of the Internal Revenue Code of 1986.

(3) Has as one of its purposes the production of affordable housing.

(4) Has a Board of Directors which consist of not less than five. For smaller organizations (i.e. less than 5 staff members) a board of 3 is authorized.

Examples of the Variety of Eligible organizations

While the majority of self-help housing grantees are nonprofit corporations qualified under Section 501(c)(3) of the IRS Code, a variety of organizational types and variations currently operate self-help housing. These include:

- Housing Development or Assistance Corporations – which represent the majority of nonprofit 501c3 organizations currently operating self-help housing. These are private, nonprofit organizations with a Board of Directors of their choosing. They are typically incorporated in the state in which they operate.
- Community Action Agencies (CAA) – which are public and private nonprofit corporations overseen by their respective state and the US Dept. of Health and Human Services. Unique to CAA's, their Boards of Directors typically include one-third low-income community members, one-third public officials, and one-third private sector leaders.
- Habitat for Humanity affiliates – which are private nonprofit 501(c)(3) corporations that are affiliated with Habitat for Humanity International and have independent Boards of Directors.
- Units of local government, political subdivisions – which could include, but not be limited to, a unit of local government such as a town, city, county, borough, etc. It could also include an association of local governments. These would be governed by commissions, councils, boards, etc.
- Public Housing Authorities – which are not-for-profit organizations chartered under state law and recognized by the US Dept. of Housing and Urban Development (HUD). They usually serve a town, county, city, or state. They are governed by a Board of Commissioners appointed by the chief executive of the political jurisdiction within which the PHA is established.
- Indian Tribes-- which are federally recognized, served by the US Bureau of Indian Affairs, and usually governed by a tribal council. A tribal corporation, entity or housing authority may be incorporated by an Indian tribe for the purpose of providing certain services to the tribal community.

Principles of Governance are Applicable to All Entities

All nonprofit organizations and the variations mentioned above such as Housing Development Corporations, Community Action Agencies, Public Housing Authorities, Units of Local Government, and Indian Tribes have some form of governance structure such as a Board of Directors, Board of Commissioners, City or County Council, etc. The principles of quality governance presented in the Board of Directors handbook, while designed primarily for nonprofit 501(c)(3) organizations, are applicable to the variety of entities eligible to apply for and receive a TA Grant from RD. Some may have additional requirements instituted by state law. While there may be some modifications or accommodations in use for the eligible entity variations, the general principles and the grant requirements are applicable. If an organization differs from the Rural Development eligibility instructions, it is recommended that an eligibility determination be sought from RD before spending time and resources to apply.

Governance and an engaged Board of Directors are both important parts of organizational success since the Board has the final say and acts as the owners of the organization. Key responsibilities of Boards of Directors include:

- Assuring the organization is in good standing with the IRS and State in which it operates.
- Assuring the organization operates consistent with its charter and bylaws.
- Hiring the Executive Director or CEO.
- Doing annual performance reviews on the Executive Director or CEO.
- Overseeing the financial condition of the organization by receiving regular reports and annual audits.
- Planning the direction of the organization in the form of a Mission and a Strategic Plan.
- Being knowledgeable of the various programs offered by the organization.
- Making sure that policies and procedures are in place for personnel, financial management, disaster recovery, etc.
- Having the necessary risk management policies and insurances in place to protect the organization's assets.

Fair Housing Laws

Fair housing is an extremely important issue that needs to be discussed when

working with a self-help program. It affects every staff position within the program. Training in this area is crucial in treating participants fairly and helping the self-help organization remain in compliance with federal laws.

The Grant Application Process

The first step in beginning the grant application process is to contact the T&MA Contractor in your region for assistance. The T&MA Contractor will provide a Feasibility Handbook to your organization. This handbook will work through a series of questions to determine if the target community has the potential to support a successful Self-Help Housing Program. Upon completion of the feasibility study, if the organization determines it has the potential to successfully operate a Self-Help Housing Program, again the T&MA Contractor in your region should be contacted for the next step. The T&MA Contractor will assist and guide the potential grantee throughout the entire application process to make sure all of the information necessary is provided for RD to decide on the approval of the application.

Rural Development

Rural Development is an agency of USDA with the mission to help rural Americans improve the quality of their lives. RD helps rural communities meet their basic needs by providing financing, information, and technical assistance for the following:

- Water and wastewater systems.
- Decent, safe, sanitary, and affordable housing (rental, ownership, and repair).
- Rural utilities, broadband, and business development, including cooperatives.
- Economic and community development.

RD has been providing 502 financing for homes built with sweat equity since the mid-1960's. The agency began making 523 TA Grants to organizations to administer self-help housing in 1971. When a 523 grant is awarded, RD is agreeing that there is a need for self-help housing in the area; the approved applicant is suited to administer a self-help housing program; the proposed plan, budget and schedule appear feasible; the house plans for new construction or proposed rehabilitation tasks meet local, state and RD building codes; adequate building sites or homes to repair are available; the necessary project elements are in place; and RD is ready to provide the requested financial resources necessary to make the project work. Technical assistance grant funds provided to self-help housing grantees by RD do not have to be repaid. This is an investment grant that RD is willing to make in order to see self-help housing implemented.

RD will continue to monitor and provide oversight in the areas of construction, finances, and administration, through quarterly review meetings, reports, construction inspections, and in some cases managing participant 502 accounts throughout the term of the grant.

In most cases RD provides another important component to the self-help housing program; construction/permanent financing in the form of Single-Family Housing Direct Home Loans (Section 502). This financing is independent of private or conventional lending institutions, as the loan is directly between RD and the borrower. While labor and construction may be group efforts, each applicant must qualify and obtain a 502 loan individually from RD. This loan pays for land, materials, supplies, and subcontracted labor for new construction. The loan pays for acquisition of a house, rehabilitation supplies,

materials, and subcontracted labor for Acquisition Repair. And for Owner-Occupied rehabilitation, the 502 loan or 504 loan/grant pays for materials, supplies, and contracted labor. RD's function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms which can be a barrier to homeownership.

Rural Development Offices

RD usually operates from four levels: national, state, area and local. In certain states, area and local offices may be one in the same and/or there may be no local office at all. The National Rural Housing Service Administrator in the National Office and the State Directors are politically appointed – all others are federal civil service employees.

Rural Development National Office

The RD National Office is responsible for developing policy and interacts with Congress for legislation, program development and program funding. The National Office also obligates and monitors all Section 523 self-help housing grants. The program staff at the national level maintain reports and statistics on operating self-help organizations and projected needs for funding. Adverse Agency decisions against a program participant (applicant or borrower) may be reviewed or appealed to the National Appeals Division (NAD).

Rural Development State Office

The State Office has the approval authority over smaller Section 523 Self-Help grant applications up to \$300,000, however, National Office must still obligate all funding. Section 502 home loan funds are allocated on a state-by-state basis and the State Office allocates the 502-financing based on a state RD formula that is released annually via an unnumbered funding policy letter and self-help typically has an annual set aside. There are additional staff members who are key to the operation of a self-help program located in many State Offices:

- RD State Director – Has the authority to sign grant agreements.
- Rural Housing Program Director – Oversees the self-help and the rehabilitation and repair program.

- RD State Architect – Available for consultation on house plans and building materials.
- RD Appraiser – May review contract appraisers work for the properties that involves RD.
- RD Housing Specialist – Reviews and approves 502 direct loans and 504 grant/loans, also approves building sites, and completes environmental reviews.

Rural Development Area Office

The RD Area Director is typically responsible for the Section 523 grant. In some states however, the grant monitoring has been retained at the State Office level with the Single-Family Housing Program Director or it has been assigned to the Local Office. In any case, the RD grant manager is responsible to ensure that the grant is operated effectively and in accordance with the regulations. RD will evaluate the Section 523 self-help grantee on a quarterly basis and review grant applications for new and on-going programs as presented.

Rural Development Local Office

Within this office, the Area Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. He or she will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's Supervised Bank Accounts and will process the draws. They are the personnel who will convert the loans to permanent once the final inspection (RD or qualified third party) has been completed; or the local jurisdiction issues a Certificate of Occupancy; or the new or repaired dwelling becomes occupied.

USDA Financing

Rural Development Section 502 Single Family Direct Home Loan

Many applicants who participate in the self-help housing program use RD's Section 502 home loan program to finance their homes. Section 502 loans are only available for homes in eligible rural areas as defined by USDA <https://eligibility.sc.egov.usda.gov/>.

In order to qualify for a Section 502 loan, prospective self-help applicants must meet RD income eligibility requirements as low-income or very low-income households. They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. These income standards established in consultation with the U.S. Department of Housing and Urban Development and RD, are subject to local variation and periodic change. Current information on income standards and eligibility requirements for Section 502 loans is available at RD local offices or online at <https://eligibility.sc.egov.usda.gov/>.

The repayment period for the Section 502 loan is either 33 or 38 years, and the interest rate is the current market rate but can be subsidized as low as 1%. The actual rate of interest the borrower pays depends on the borrower's income, as does the loan term. If a borrower is eligible to pay less interest than the market rate, the borrower then receives a subsidy called "payment assistance." The amount of payment assistance a borrower receives is determined by the loan amount, loan period, and the household income. The assistance makes up the difference between the full loan interest rate and the interest rate the participant pays. A portion of this subsidy may be required to be repaid or recaptured at the time of sale or loan payoff based on equity, time, capital improvements etc.

During home construction, Section 502 funds are advanced from the RD Servicing Office in St. Louis and disbursed in the name of the applicant by the local offices to the self-help grantee. Grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction. It is important to note that the participant's loan payments are deferred during construction.

When construction is complete and all the necessary funds have been disbursed from a participant's account, RD's Servicing Office sends a monthly billing coupon to the

participant. The participant's first loan payment is due within 30 days of termination of deferred payments. Payments then go directly to RD's Servicing Office in St. Louis.

Rural Development Section 504 Rehabilitation & Repair Loans/ Grants

The objective of the Section 504 loan/grant program is to help very low-income owner occupants of modest single-family homes in rural areas repair their homes. Loan funds are available for repairs to improve or modernize a home, make it safer or more sanitary, or remove health and safety hazards. For homeowners 62 and over who cannot repay a loan, grant funds are available to remove health or safety hazards or remodel dwellings to make them accessible to a household member with a disability. Section 504 loans may not exceed \$40,000. The 504 loans have an interest rate of 1% and a term of 20 years that is amortized on a monthly basis. The 504 grant assistance to any applicant cannot exceed a cumulative total of \$10,000. Current information on the Section 504 loan/grant is available at RD offices or online at <https://www.rd.usda.gov/programs-services/single-family-housing-repair-loans-grants>.

Other Potential Funding Options

While Sections 502 and 504 provide the great majority of financing for self-help housing construction, this is not a requirement of the program. Other sources of funding can also be used. The following are examples of additional funding sources that may assist grantees and participants:

- Habitat for Humanity affiliates may use their Habitat mortgage model.
- Community Development Block Grant (CDBG) programs and local governments may provide funding to the self-help grantee and their participants.
- Federal Home Loan Banks may fund self-help participation when a grantee successfully applies.
- Community Action Agencies (CAAs) may have access to home repair and energy assistance programs that may assist self-help borrowers.
- SHOP funds available through affiliates.
- This is not an exhaustive list.

The T&MA Contractors

Who Are We / What We Provide

In 1979, appropriations language was changed to authorize the use of Section 523 grant funds to contract for technical assistance to self-help housing grantees. Currently there are four Technical and Management Assistance (T&MA) Contractors.

RD contracts with these organizations to provide technical and management assistance to the operating and potential self-help housing grantees in their specific region. This assistance comes in the form of staff and board training, grant management, development of applications, 502 loan program and processing training, handbook development, newsletters, and conferences, among other services. These services are provided at no cost to the grantee.

The four contractors are:

- Florida Non-Profit Housing - covering Region I, the Southeast, including the states of AL, FL, GA, MS, NC, SC, TN, Puerto Rico and the Virgin Islands.
- LIFT CAA fka Little Dixie CAA – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NCALL Research, Inc. – covering Region III, the Northeast and Midwest, including the states of CT, DE, IA, IL, IN, KY, MA, MD, ME, MI, MN, NH, NJ, NY, OH, PA, RI, VA, VT, WI, WV.
- Rural Community Assistance Corporation (RCAC) – covering Region IV, the Western US, including the states of AK, AZ, CA, CO, HI, ID, MT, NV, OR, UT, WA, and the Western Pacific.

Self-Help Housing Training Handbooks

The T&MA Contractors have produced a variety of training materials for the purpose of assisting grantees and training grantee staff. The following is a list of the available self-help handbooks. Please contact your T&MA Contractor for a copy or for more information.

Orientation Handbook

Welcome to the USDA RD's Self-Help Housing Program! Have you heard of the program but weren't sure if it would be a good fit for your agency? This guide provides an overview of self-help housing. From eligible entities to grantee responsibilities and how to determine your technical assistance grant amount, this handbook will help you have a better understanding of the program and its requirements.

SHARES Handbook

Each self-help grantee is responsible for reporting their 523 Grant progress during each grant cycle at quarterly review meetings. The data entry into the Self-Help Automated Reporting and Evaluation System (SHARES) provides grantees and RD with the ability to manage, track, and evaluate the status of the Self-Help Housing Section 523 Grant Program. The system allows both grantees and RD to run specialized reports that were created based on RD Instruction 1944-I Exhibit B "Evaluation Report of Self-Help Technical Assistance Grants," Exhibit B-1 "Instructions for Preparation of Evaluation Report of Self-Help Technical Assistance Grants," Exhibit B-2 "Breakdown of Construction Development for determining Percentage Construction Completed," and Exhibit B-3 "Pre-Construction and Construction Phase Breakdown," Exhibit K "Evaluation Report for Rehabilitation Self-Help Technical Assistance Grants," Exhibit K-1 "Instructions for Preparation of Evaluation Report of Self-Help Rehabilitation Technical Assistance Grants," which are required to be provided at each Quarterly Review Meeting. This handbook provides detailed instructions on how to enter data and run reports from the SHARES system.

Feasibility Handbook

Deciding whether or not to go forward with a self-help housing program is a big decision with many considerations. Forming a self-help housing program takes time, and a lot of decisions need to be made regarding program development. Does my organization qualify? Do we have the capacity to carry out the program? Is this

program right for our service area? This handbook will help walk an organization through the feasibility process.

Application Guide

In order to receive funding, each grantee is required to submit an application to RD. The Application Guide provides detailed information to assist grantees in completing each item required on the Exhibit G “Application Processing Checklist” Forms and samples for each section of the application are included. This handbook also includes helpful tips for accomplishing each item.

Boards of Directors Handbook

Boards of Directors play a critical role in the success of any non-profit organization through their governance function. With this in mind, the Board of Directors Handbook was designed for use by board members of any housing agency. It is an informational resource that may be used as a training tool and can provide new insights and a clearer understanding of nonprofit organizations, board meetings and operations, agency planning, administration of agency personnel, teamwork, orientation for new board members, federal accounting requirements, and agency activities.

Program Director Handbook

It is the responsibility of the Program Director or Executive Director to administer a successful self-help housing program. This handbook takes a general look at the process of managing a self-help program as well as providing specific information on required reports, program criteria, grant and financial management, personnel, and fair housing.

Construction Supervisor Handbook

The Construction Supervisor Handbook discusses the roles and responsibilities of the construction supervisor as it relates to self-help housing. This handbook covers aspects of the construction supervisor’s job; from construction specifications, house plans, schedules, bill paying procedures, to group motivation. Insight is provided on how the self-help program operates and what is expected from the construction supervisor.

Group Coordinator Handbook

Group Coordinators are central to the self-help program throughout the self-help participant's involvement from recruitment through construction and move-in to the completed homes. This handbook provides guidance for the group worker in maintaining effective communication and relationships within the group of self-help participants throughout the self-help process.

Financial Management Handbook for Federally Funded Organizations

The purpose of the financial management handbook is to aid new and operating self-help grantees with the development of financial management systems and policies that are compatible with the fiscal responsibilities set forth by the funding agency (RD) and the Office of Management and Budget (OMB). While self-help housing programs that have been operating for many years may have sophisticated financial systems and policies, others are lacking written, established financial procedures that assure proper internal controls.

Accounting for Individual Family 502/504 Loan Accounts Handbook

The self-help housing grantee is responsible for keeping an accurate account of the disbursements of funds from the individual self-help family's Section 502/504 loan accounts. RD Instruction 1944-I indicates the technical assistance provided by the grantee to the families should include-providing financial supervision to individual families with Section 502/504 loans, which will minimize the time and effort required by RD in processing borrower expenditures for materials and contract services. This handbook provides guidelines for self-help grantees to use in designing the procedures necessary for a reasonable standard of control and a system of checks and balances to protect the participants and the grantee.

502/504 Loan Processing Handbook

While labor and construction is a group effort, each participant must qualify and obtain a loan individually from RD. In order to qualify, a household must fall within the income guidelines set by RD, must have demonstrated repayment ability,

must have a good credit rating, and should have a low debt load. Because the 502 self-help loan process can be complicated for the individual, the technical assistance staff will pre-screen participants for program eligibility and prepare the application packages for RD. The 502 Loan Processing Handbook will help train the Group Coordinator or appropriate staff person in packaging these loans.

Preconstruction Meetings Handbook

Each self-help grantee is responsible for organizing participants into self-help groups, which remain together from loan processing through construction. The organization of participants into groups reinforces the "mutual" aspect of the self-help program because participants within a group are expected to work on each other's house until all houses in the group are completed. In addition to organizing participants into groups, self-help grantees are responsible for explaining the self-help concept and methodology to participants, and for educating participants about their responsibilities as self-help participants, 502/504 loan borrowers, and homeowners. This is achieved through a series of "pre-construction meetings" which are covered in this handbook.

Acquisition and Owner-Occupied Rehabilitation Handbook

This handbook discusses acquisition and owner-occupied rehabilitation. Acquisition is a method by which a family utilizes their own labor to create a "cost savings" in a home that they are in the process of acquiring. Owner-occupied is the method by which a family utilizes their own labor to create a "cost savings" in a home that they currently own and reside in. Grantees should establish "typical needed repairs" and subsequently consider the organization's cost of providing adequate cost saving to families in order to establish an appropriate Technical Assistance (TA) fee.

SHARES

SHARES is an acronym for Self-Help Automated Reporting and Evaluation System. It is a web-based application designed to manage, track and evaluate the status of the Self-Help Housing Section 523 Grant Program as well share this

information with all parties who provide assistance to the program. This guidebook describes all aspects of the SHARES program such as getting started, the available screens, entering information, and printing reports.

Benefits for Your Community When Establishing a Self-Help Housing Program

Affordable housing opportunity: Most communities need a variety of affordable housing options to serve their population and workforce. Self-help housing is a highly affordable homeownership model which serves households at or below low income.

Includes affordable mortgages with it: USDA-RD couples the self-help housing program with its 502 Direct Loans to keep participant monthly payments very affordable. USDA combines low interest rates with 33 to 38-year terms and payment assistance if needed, making it the most affordable mortgage available.

Homeownership increases the local tax base: Rural towns and communities are often hoping to increase or stabilize their tax base. Self-help as a homeownership program results in new homes and/or rehabilitated existing homes, both which have a positive impact on the community's tax base.

Brings a federal grant and mortgages to the community: A self-help program in your community brings a grant to administer the program and 502 Direct mortgages for families. This funding usually turns over several times in the community resulting in a factor seven times the funding.

Improves housing stock: Self-help provides either new construction homes or rehabilitated existing homes. Adding new housing stock or improving existing housing stock improves the community's housing infrastructure. Self-help purchase repair activities can also benefit community redevelopment efforts.

Contributes to the local economy: The purchase of land and properties, construction materials, subcontracted labor, and the operation of a self-help program, all benefit the local economy, usually with a multiplied impact.

Many participants can own a home for what it costs to rent: Self-help housing represents the most affordable means for a low or very low-income family to purchase and own a home. With sweat equity as the "down payment", and monthly mortgage costs as low as most rentals, self-help becomes a way for more families to achieve the American Dream and prosper.

Participants learn construction and maintenance skills: Providing labor on their new or rehabilitated home, families learn a variety of construction skills which can open new employment opportunities and help assure the homes are well maintained.

Self-help builds household equity and wealth: Participant families start their housing journey with equity provided by their labor. This equity/net worth, along with appreciation of the value of their homes, can help provide for other family needs such as retirement, education, etc.

USDA RD involvement may lead to other opportunities: USDA has a variety of programs to assist rural communities with housing, infrastructure, utilities, community facilities, and business development. Having self-help housing in the community may lead to the local government connecting with these valuable programs.

Benefits for Your Nonprofit Organization When Establishing a Self-Help Housing Program

Help in achieving your mission: Self-help housing provides affordable homeownership to low and very low-income households. Self-help can provide an important tool in your organization's toolbox for addressing the housing needs of your customers.

A new revenue stream and stable funding: Self-help housing has been a federal program since 1968 and Congress has been supportive of providing funding in the federal budget each year. Self-help housing can provide a new revenue source and 2-year funding.

A unique administrative grant coupled with affordable 502 Loans to families: Section 523 Self-Help TA Grants provide the funding for staff and administering the operation of the program, while families receive 502 Direct Loans for property, materials, and subcontracting.

Program flexibility: With Self-Help Housing grantees have the option to do new construction, purchase/repair, owner occupied rehab, or a mixture depending on their market.

New program excitement, partners, and stakeholders: Self-Help provides new excitement for organizations and their staff, boards, partners, and participants. There is nothing like a new site groundbreaking, a home dedication, or a build day to yield excitement and publicity.

Opportunity to provide staff support and new positions: Staff and Personnel related costs may be charged to the 523 grant. Positions typically supported by the grant include project director, construction supervisor, group worker/loan packager, administration, and accounting. A self-help housing grant could solidify your staff, help retain staff, add important new positions, and support the organization's capacity.

Add a complementary line of business to what the organization already does: Perhaps your organization already builds homes, rehabilitates homes, does other forms of construction, packages 502 loans, provides housing counseling, educates on financial fitness, or has families it serves that need affordable homes. Look at how self-help housing might fit in with your other programs and how it could address the needs of your customers.

Build organizational capacity: Undertaking self-help housing with a new revenue source, stable two-year funding, and adding new staff positions, could help grow the organization, its services, its impact, and its overall capacity for the future. Self-help housing is such a highly visible, impactful program – it can really put an organization on the map.

RD Instruction 1944-I Exhibit B-2

RD Instruction 1944-I
Exhibit B-2

BREAKDOWN OF CONSTRUCTION DEVELOPMENT FOR DETERMINING PERCENTAGE CONSTRUCTION COMPLETED

	With Slab on Grade %	With Crawl Space %	With Base- ment %
1. Excavation	3	5	6
The removal of earth to allow the construction of a foundation or basement.			
2. Footing, Foundations, columns	8	8	11
Footing: Construction of the spreading course or courses at the base or bottom of a foundation wall, pier, or column. Foundation: Construction of the supporting portion of a structure below the first floor construction, or below grade, including footing.			
3. Floor slab or framing	6	4	4
The floor slab consist of concrete, usually reinforced, poured over gravel and a vapor barrier with perimeter insulation to prevent heat loss.			
4. Subflooring	0	1	1
The installation of materials used for flooring that is laid directly on the joist and serving the purpose of a floor during construction prior installation of the finish floor.			
5. Wall framing sheathing	7	7	6
The construction process of putting together and erecting the skeleton parts of a building's walls (the rough lumber work) and, for the exterior walls, covering with sheathing (plywood, waferboard, oriented strand board or lumber) and insulating board to close up the side walls prior to the installation of finish materials on the surface.			
6. Roof and ceiling framing, sheathing	6	6	5
The process, or method, of putting the parts of a roof, such as truss, rafters, ridge and plates in position. Ceiling joists support the overhead interior lining of a room. Roof sheathing is any sheet material, such as plywood or particleboard, connected to the roof rafters or truss to act as a base for sheathing felt, shingles or other roof covers.			
7. Roofing	5	5	4
The installation of a material that acts as a roof covering, making it impervious to the weather, such as shingles over sheathing felt, tile, or slate.			

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Exhibit B-2

Page 2

8. Siding, exterior trim, porches 7 7 6

The installation of lumber, panel products or other materials intended for use as the exterior wall covering including all trim.

9. Windows and exterior doors 9 9 8

The installation of all exterior windows and doors. This includes securely fastening windows and doors plumb and level, square and true and adjusting sash, screens and hardware for smooth and proper operation.

10. Plumbing - roughed in 3 2 3

Subject to local codes and regulations the installation of all parts of the plumbing system which must be completed prior to the installation of plumbing fixtures or appliances. This includes drain, waste, and vent piping, water supply, and the necessary built-in fixture supports.

11. Sewage disposal 1 1 1

Subject to local codes and regulations the construction and installation of a wastewater disposal system consisting of a house sewer, a pretreatment unit (e.g., septic tank, individual package treatment plant), an acceptable absorption system (subsurface absorption field, seepage pit, or subsurface absorption bed). The system shall be designed to receive all sanitary sewage (bathroom, kitchen and laundry) from the dwelling, but not footing or roof drainage. It shall be designed so that gases generated anywhere in the system can easily flow back to the building sewer stack.

12. Heating - roughed in 1 1 1

Subject to local codes and regulations the installation of ducts and/or piping and the necessary supports to minimize the cutting of walls and joist. This rough in is done before finish wall and floor installed.

13. Electrical - roughed in 2 2 2

Subject to local codes and regulations the installation of conduit or cable and the location of switch, light, and outlet boxes with wires ready to connect. This roughing-in work is done before the dry wall finish is applied, and before the insulation is placed in the walls and ceiling.

14. Insulation 2 2 2

The installation of any material used in walls, floors, and ceilings to prevent heat transmission as required by RD Instruction 1924-A, Exhibit D of 7 CFR of Part 1924, Subpart A.

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Exhibit B-2

Page 3

15. Dry wall	8	8	7
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Dry walling is covering the interior walls using sheets of gypsum board and taped joints.

16. Basement or porch floor, steps	1	1	6
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The construction of basement or porch floors and steps whether wood or concrete.

17. Heating - finished	3	3	3
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Subject to local codes and regulations the installation of registers, grilles and thermostats.

18. Flooring covering	6	6	5
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The installation of the "finish flooring" (the material used as the final wearing surface that is applied to a floor). Floor covering include numerous flooring materials such as wood materials, vinyl, linoleum, cork, plastic, carpet and other materials in tile or sheet form.

19. Interior carpentry, trim, doors	6	6	5
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Installing visible interior finish work (molding and/or trim), including covering joints around window and door openings. The installation of an interior door including frames and trim.

20. Cabinets and counter tops	1	1	1
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Securing cabinets and counter tops (usually requiring only fastening to the wall or floor) that are plumb and level, square and true.

21. Interior painting	4	4	3
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Cleaning and preparation of all interior surfaces and applying paint in strict accordance with the paint manufacturer's instructions.

22. Exterior painting	1	1	1
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Cleaning and preparation of all exterior surfaces and applying paint in strict accordance with the paint manufacturer's instructions.

23. Plumbing - complete fixtures	4	4	3
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Subject to local codes and regulations the installation of a receptor or device which requires both a water supply connection and a discharge to the drainage system, such as water closets, lavatories, bathtubs or sinks. Also, the installation of an energized household appliance with plumbing connections, such as a clothes washer, water heater, dishwasher or garbage grinder.

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Exhibit B-2

Page 4

24. Electrical - complete fixtures	1	1	1
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Subject to local codes and regulations the installation of the fixtures, the switches, and switch plates. This is usually done after the dry wall finish is applied.

25. Finish hardware	1	1	1
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The installation of all the visible, functional hardware in a house that has a finish appearance, including such features as hinges, locks, catches, pulls, knobs, and clothes hooks.

26. Gutters and downspouts	1	1	1
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The installation of a shallow channel of wood, metal, or PVC (gutters) positioned just below and following along the eaves of the house for the purpose of collecting and diverting water from a roof to a vertical pipe (downspouts) used to carry rainwater from the roof to the ground by way of a splash block or into a drainage system.

27. Grading, paving, landscaping	3	3	3
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Landscaping includes final grading, planting of shrubs and trees, and seeding or sodding of lawn areas. Final grading includes the best available routing of runoff water to assure that house and adjacent homes will not be endangered by the path of water runoff. The minimum slope should be 6" in 10' or 5% from the foundation of the home. Paving includes both driveways and walks.

100%	100%	100
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RD Instruction 1944-I Exhibit E

RD Instruction 1944-I
 Exhibit E
 Page 1
 (Revision 1)

GUIDANCE
 FOR RECIPIENTS OF
 SELF-HELP TECHNICAL ASSISTANCE GRANTS
 (SECTION 523 OF HOUSING ACT OF 1949)

7 CFR Part 1944, Subpart I provides the specific details of this grant program. The following is a list of some functions of the grant recipients taken from this subpart. With the list are questions we request to be answered by the recipients to reduce the potential for fraud, waste, unauthorized use or mismanagement of these grant funds. We suggest the Board of Directors answer these questions every six months by conducting their own review. Paid staff should not be permitted to complete this evaluation.

A. Family Labor Contribution

- | | |
|---|--------|
| 1. Does your organization maintain a list of each family and a running total of hours worked (when and on what activity)? | Yes No |
| 2. Are there records of discussions with participating families counseling them when the family contribution is falling behind? | Yes No |
| 3. Are there obstacles which prevent the family from performing the required tasks? | Yes No |

B. Use of Grant Funds

- | | |
|--|--------|
| 1. Were grant funds used to pay salaries or other expenses of personnel not directly associated with this grant? | Yes No |
| 2. Were grant funds used to pay for construction work for participating families? | Yes No |
| 3. Were all purchases or rentals (item and cost) of office equipment authorized? | Yes No |
| 4. Are all office expenses authorized by 7 CFR Part 1944, Subpart I? | Yes No |
| 5. Was a record of long-distance telephone calls maintained and was that log and telephone checked? | Yes No |
| 6. Was all travel and mileage incurred for official business and properly authorized in advance? | Yes No |
| 7. Were mileage and per diem rates within authorized levels? | Yes No |
| 8. Were participating families charged for use of tools? | Yes No |

- 9. Were grant funds expended to train grant personnel? Yes No
- 10. Was training appropriate for the individual trainee? Yes No
- 11. Were any technical or consultant services obtained for participating families? Yes No
- 12. Were the provided technical or consultant services appropriate in type and cost? Yes No

C. Financial Responsibilities

- 1. Does each invoice paid by the grant recipient match the purchase order? Yes No
- 2. Does each invoice paid by the borrower and Rural Development match the purchase order? Yes No
- 3. Were purchases made from the appropriate vendors? Yes No
- 4. Are the invoices and itemized statements totaled for materials purchased for individual families? Yes No
- 5. Is there a record of deposits and withdrawals to account for all loan funds? Yes No
- 6. Are checks from grant funds signed by the Board Treasurer and Executive Director? Yes No
- 7. Are grant funds deposited in an interest bearing account? Yes No
- 8. Are checks from loan funds prepared by the grant recipient for the borrower's and lender's signature? Yes No
- 9. Are checks from loan funds accompanied by accurate invoices? Yes No
- 10. Are any borrower loan funds including interest, deposited in grantee accounts? Yes No
- 11. Are checks from loan funds submitted to Rural Development more often than once every 30 days? Yes No
- 12. Is the reconciliation of bank statements for both grant and loan funds completed on a monthly basis? Yes No
- 13. If the person who issues the checks also reconciles them, does the Executive Director review this activity? Yes No
- 14. Are materials purchased in bulk approved by the Executive Director? Yes No
- 15. Was the amount of materials determined by both the Executive Director and construction staff? Yes No

- 16. Were any participating families consulted about the purchase of materials? Yes No
- 17. Were savings accomplished by the bulk purchase method? Yes No
- 18. Did the Executive Director review the purchase order and the ultimate use of the materials? Yes No
- 19. Are materials covered by insurance when stored by grantee? Yes No

D. Reporting

- 1. Are "Requests for Advance or Reimbursement" made once monthly to the Rural Development District Office? Yes No
- 2. Has the grant recipient engaged a certified public Accountant (CPA) or CPA firm to review their operations on a regular basis: (Annually is preferable but every two years and at the end of the grant period are requirements)? Yes No
- 3. Are the quarterly evaluation reports submitted on time to the County Supervisor? Yes No

What, if any, problems exist that need to be corrected for effective management of the grant project?

Date

President, Board of Directors

(Period covered by report _____)

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ANSWER KEY

The following answers should help your organization in assessing its vulnerability to fraud, waste, and abuse. You should take actions to correct practices that now generate an answer different from the key.

<u>Question</u>	<u>Answer</u>
A. 1	yes
A. 2	yes
A. 3	yes
B. 1	no
B. 2	no
B. 3	yes
B. 4	yes
B. 5	yes
B. 6	yes
B. 7	yes
B. 8	no
B. 9	yes
B. 10	yes
B. 11	yes
B. 12	yes
C. 1	yes
C. 2	yes
C. 3	yes
C. 4	yes
C. 5	yes
C. 6	yes
C. 7	no
C. 8	yes
C. 9	yes
C. 10	no
C. 11	no
C. 12	yes
C. 13	yes
C. 14	yes
C. 15	yes
C. 16	yes
C. 17	yes
C. 18	yes
C. 19	yes
D. 1	yes
D. 2	yes
D. 3	yes