



MEMBERSHIP AGREEMENTS HANDBOOK

*USDA RURAL DEVELOPMENT
SECTION 523 MUTUAL
SELF-HELP HOUSING PROGRAM*

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Introduction to Membership/Participation Agreements

The Membership/Participation Agreement outlines the construction responsibilities, the labor exchange commitment, the general rules of the group/rehab project, and grievance procedures for groups/individuals participating in the Section 523 Mutual Self-Help Housing Program. Whether your agency is operating a new construction, purchase/repair or owner-occupied program, the Membership/Participation Agreement is an important part of the program.

It is during the pre-construction meetings that the group coordinator and the construction supervisor review the details of this agreement with the group/individual. It must be made clear that the participants are being held accountable to fulfill the requirements outlined in the Membership/Participation Agreement.

It can never be stressed enough that, once the participants sign the Membership/Participation Agreement, all parties, including the grantee and staff, must consistently follow and comply with the terms of the agreement. Ultimately, the participants must accept responsibility for what happens during construction. Remember, the participants are providing the labor, and these are their houses. The participants must accept their responsibility of building and/or repairing houses by contributing their labor.

The Membership/Participation Agreements are templates. While they can be tailored to your agency and its needs, the changes should be minimal and maintain the compliance with the regulations surrounding the program. It is also recommended to include the Membership/Participation Agreement in the RD Section 502/504 Loan/Grant Docket for each participant.

NEW CONSTRUCTION MEMBERSHIP AND LABOR AGREEMENT

This agreement is entered into on the _____ day of _____, 20____, between the members of building group _____, commonly known as _____
(group #) (Name of Building Group)

and hereinafter referred to as the “BUILDING GROUP MEMBERS” and _____
(INSERT ORGANIZATION NAME) hereinafter referred to as
“ _____
(INSERT ORGANIZATION NAME) _____.” The principal location of building group
(Insert Group #) is _____ (Address, City/Town/County, State)

The _____
(INSERT ORGANIZATION NAME) is an eligible entity that provides technical assistance and management services for building group members under the United State Department of Agriculture (USDA) Rural Development Mutual Self-Help Housing Program.

The _____
(INSERT ORGANIZATION NAME) is NOT acting as a "general contractor", but an authorized agent on behalf of BUILDING GROUP MEMBERS, as a USDA Rural Development grant manager and technical advisor. BUILDING GROUP MEMBERS, as homeowners and builders, are the owner builders. The BUILDING GROUP MEMBERS agree to hold the _____
(INSERT ORGANIZATION NAME) harmless for any purchases, even though such purchases may have been made by the _____
(INSERT ORGANIZATION NAME) on behalf of the BUILDING GROUP MEMBERS.

The purpose of the Agreement is to foster the smooth accomplishment of the BUILDING GROUP MEMBERS’ goal to construct houses. The BUILDING GROUP MEMBERS understand and agree with each other and with the _____
(INSERT ORGANIZATION NAME) that this Agreement will control the progress of the project. Violation of any portion of this Agreement may result in implementation of Section VII of this Agreement. **USDA Rural Development is not a party to this agreement.**

I. COMMITMENT

The (INSERT ORGANIZATION NAME) agrees to provide technical assistance to the undersigned BUILDING GROUP MEMBERS as follows:

A. Pre-Construction Services

1. Locate and assist families in suitable USDA Rural Development building sites. In the event the families purchase their own lots, assist in approval of lot by USDA/Rural Development.
2. Recruit and determine preliminary eligibility of potential group members.
3. Prepare all loan application documents in accordance with Handbook-1-3550 including Attachment 3-A for submission to USDA Rural Development and work with USDA Rural Development on behalf of the applicants.
4. Assist the officers of the group in the fulfillment of their duties.
5. Arrange and present a series of informational meetings covering homeownership and related subjects. This series is normally referred to as the "Pre-Construction" meetings.

B. Construction Services

1. Provide house plans, which have been developed or acquired by (INSERT ORGANIZATION NAME) and approved by USDA Rural Development.
2. Direct, control, and implement construction on all of the members' houses.
3. Teach tasks to the members as necessary to build the houses according to the plans and specifications, within the allowed budgets.
4. To initiate contracts in the name of the members for materials and services to be purchased in accordance with the plans and specifications.
5. Provide bookkeeping services to maintain individual group member accounts, and to pay bills on behalf of group members from these accounts.
6. Lease power tools and special equipment as required on the job.
7. Present to the building group for approval, bids from outside contractors and suppliers to provide the materials and contracted work necessary to build the homes according to plans and specifications. The selection of a supplier or contractor should be made only on the basis of quality, experience, completeness of bid, price, and past performance.

II. GROUP MEMBER COMMITMENT

The undersigned BUILDING GROUP MEMBERS agree to the following:

- A. To build their own homes in the (INSERT ORGANIZATION NAME) _____ 's construction program, using USDA Rural Development and/or alternative financing.
- B. To use their labor to the extent required and to pay for all materials and contracted labor and services used in the construction of their home, according to the directions of the (INSERT ORGANIZATION NAME) _____, including costs associated with lot development and costs shared with other participants.
- C. To purchase materials and contracted labor on a group basis whereby the building group utilized the same suppliers and contractors.
- D. To use their best efforts to meet construction goals and objectives established by the group and the (INSERT ORGANIZATION NAME) _____ in performance of this agreement.
- E. To work at all times in a safe manner, and to follow the Construction Supervisor's instructions in this regard. To work as directed by the Construction Supervisor.
- F. To work on any house in their group and at any job as required by the Construction Supervisor.
- G. To cooperate with other group members and (INSERT ORGANIZATION NAME) _____ in the performance of the requirements as set forth in this agreement, and to conduct themselves at all times in a manner that will not disrupt or interrupt other group members in their performance of assigned tasks. It is agreed the Construction Supervisor has the authority to require removal from the job site of any individual whom the supervisor deems to be a disruptive influence to work requirements.
- H. To follow the plans, budgets, blueprints, specifications and instructions of (INSERT ORGANIZATION NAME) _____ and USDA Rural Development in construction of their houses. (Change orders will only be allowed in accordance with Handbook 3550-1, Chapter 5, Section 5.24 D.
- I. To allow the (INSERT ORGANIZATION NAME) _____ to solicit bids and not to negotiate with or direct the work, or otherwise interfere with subcontractors

and suppliers, unless authorized to do so by the Construction Supervisor.

- J. To provide the (ININSERT ORGANIZATION NAME) written schedules of the hours they are available to work and to work the hours as assigned by the Construction Supervisor.
- K. To review requests for payment as submitted by the (ININSERT ORGANIZATION NAME) and to sign checks for payment, acknowledging that if legitimate bills are not paid, property is subject to liens in accordance with state law.
- L. Not to move into the house or move personal property into that house until all the homes in the group are finalized by USDA Rural Development and/or other appropriate officials.
- M. To purchase (Builder's Risk) Homeowners Insurance as required by USDA Rural Development, to be in force beginning with the date of loan closing. (See Section XIII following)
- N. To attend all scheduled meetings as directed by the (ININSERT ORGANIZATION NAME) . (See Section V.D.4. following)
- O. To attend all pre-construction training meetings offered by (ININSERT ORGANIZATION NAME) .
- P. To convert their loan account within (30) days of final inspection by USDA Rural Development, unless otherwise extended by USDA Rural Development.
- Q. To meet all other requirements as set forth in this agreement.

III. CONSTRUCTION RESPONSIBILITIES

A. Labor Exchange Commitment

The building group members agree to exchange work labor in a cooperative manner, and to work jointly on all members' houses.

1. Each household will be required to put in a minimum of _____ productive hours per week, or as many as necessary, as directed by the Construction Supervisor, to complete construction of the homes on schedule. Equal time will be allowed for labor performed by members regardless of the approved type of work involved. It is further agreed that only the work hours of persons _____ years and older may count towards the _____ hours. We require that any delinquent hours be made up the week

following their accrual unless prior arrangements have been made with the Construction Supervisor. **Accumulation of hours** – Families who accumulate more than the _____ hours required per week, may accumulate limited hours in a "family reserve." The accumulated hours may not exceed _____ hours per week above and beyond the _____ required hours. Families are only allowed to draw hours from the "family reserve" if they first clear it with the Construction Supervisor. The decision will be made on the basis of the nature of the request and the progress of the project. Additionally, families may donate any excess hours to other participating families with the approval of the Construction Supervisor.

2. Labor hours that count toward the minimum _____ hours per week requirement per household is labor that contributes to the construction of houses in the group. Labor hours do not include lunch breaks, coffee breaks, travel time, childcare for your own family, time away from the job site not on construction business, or time spent involved in non-productive conversation with others. One hour of credit per household will be allowed for each of the following: selection of finish flooring and counter tops, lighting fixtures, and landscaping. Work from non-group members must be scheduled by the Construction Supervisor prior to performance of the work. Any vacation or time off from construction must be pre-approved by the group and the Construction Supervisor. No previously earned labor hours in excess of the _____ hours per week requirement can be used towards the current _____ hours per week requirement, without prior approval of the BUILDING GROUP MEMBERS and (INSERT ORGANIZATION NAME) .
3. Volunteer hours – Volunteers who perform work at the site will work as scheduled by the Construction Supervisor. Volunteers will work on all houses in the group.
4. Labor that must be performed by building group members is listed as "Homeowner Labor" on the following chart, amounting to at least 65% of the total work tasks. Group members must perform a majority of the work for each task listed, in order to receive the percentage credit shown.

CONSTRUCTION LABOR DIVISION – SELF-HELP HOUSING

	Subcontract	Homeowner
	Labor	Labor
1. Excavation		
2. Footings, Foundations, Columns		
3. Floor Slab or Framing		
4. Subflooring		
5. Wall Framing, Sheathing		
6. Roof & Ceiling Framing, Sheathing		
7. Roofing		
8. Siding, Exterior Trim, Porches		
9. Windows and Exterior Doors		
10. Plumbing Rough-In		
11. Sewage Disposal		
12. Heating Rough-In		
13. Electrical Rough-In		
14. Insulation		
15. Dry Wall		
16. Basement or Porch Floor, Steps		
17. Heating Finish		
18. Flooring		
19. Interior Carpentry, Trim, Doors		
20. Cabinets and Countertops		
21. Interior Painting		
22. Exterior Painting		
23. Plumbing Finish		
24. Electrical Finish		
25. Finish Hardware		
26. Gutters and Downspouts		
27. Grading, Paving, Landscaping		
Totals		

5. If a household becomes 15 (suggested # of hours) hours behind during any three-week period or for the total minimum number of hours required at that period of construction, without approval of the Construction Supervisor, no additional materials will be ordered for their house. At this time, the member is required to meet with the Construction Supervisor and the Group Coordinator for approval of a written plan submitted by the member to bring labor hours current. When labor hours are brought current, (INSERT ORGANIZATION NAME) will again be authorized to purchase materials for their house.

If a household becomes 20 (suggested # of hours) hours behind the total minimum

number of labor hours, all work and associated activities on their house will stop. At this time, the member is required to meet with (INSERT ORGANIZATION NAME)'s Housing Program Director and the Group Coordinator, with a written plan to bring labor hours current. Work may again start on their house when the household is no more than _____ hours delinquent, although no additional material is to be ordered for their house. When labor hours are brought current, (INSERT ORGANIZATION NAME) will be authorized again to purchase material.

If a household becomes 30 (suggested # of hours) hours behind the required number of labor hours, expulsion from the group may occur, in accordance with Section VII of this agreement.

6. The Construction Supervisor will decide what work is to be completed by the members each day. The members agree to perform the work assignments made by the Construction Supervisor. Any member who performs work not assigned by the supervisor may not receive credit for labor hours, at the discretion of the Construction Supervisor. The Construction Supervisor may ask a member who refuses to perform an assigned task to leave the job site. Continued refusal may result in implementation of Section VII of this agreement. A member may not work alone unless the task can safely be done alone, and they have the consent of the Construction Supervisor.

Any work by a member devoted exclusively toward that member's own house will not be credited toward the weekly work requirement unless such work has been assigned or approved by the Construction Supervisor. (It is imperative that the Mutual Self-Help method of construction is followed. The program is designed to work for group building, not building one's individual property.)

7. If the household becomes verifiably disabled after construction starts, the group agrees to continue to help the participant construct its house, subject to the following provisions:
 - a. Disability claims must be verified in writing by a licensed M.D., stating specifically those construction tasks the claimant cannot perform. Tasks not prohibited in writing by the M.D. will be expected to be performed by the claimant, as assigned by the Construction Supervisor. Such tasks may not have been required prior to the claimed disability, and time worked on these tasks may or may not be included as contributing in their entirety to the required

minimum hours to be worked each week by each member household subject to the discretion of the Construction Supervisor.

- b. The household claiming to be incapacitated must provide the Construction Supervisor a written plan stating the name and the hours to be worked by those individuals who contribute the required make-up hours, to ensure the household maintains its required work responsibility. All individuals thus named must sign an agreement to work the specified hours. The plan must be approved by a majority vote of the group members. The substitute labor must also be approved by (INSERT ORGANIZATION NAME) and USDA Rural Development.
8. Action to be taken by the group following death of a head-of-household or spouse is to be determined by majority agreement at a meeting of the group and is to include plans for completion of the group member's house. The plan is subject to approval by (INSERT ORGANIZATION NAME) prior to enactment.
9. Each household will complete a "Weekly Work Availability" form in which each household will plan their weekly minimum 30 (suggested # of hours) hour work schedule at the construction site. Completed schedules will be given to the Construction Supervisor one week or more in advance and all schedules will be posted at the construction site. The Construction Supervisor shall specify which of the available hours are required to meet the construction goals for the week. The intent is to have a well-organized flow of work utilizing the best-varied abilities of the group members in order to ensure proper job, contractor and material supplier scheduling. Group members will record their work hours and tasks daily at the job site, under the supervision of the Construction Supervisor and timekeeper, who will maintain records of such hours and jobs. Any conflict over work schedules or hours worked will be resolved by the Construction Supervisor.
10. Each member agrees individually, and all members agree collectively as a group, to abide by the purchase order system for ordering materials. The only persons authorized to order materials shall be designated by (INSERT ORGANIZATION NAME).
11. If a household becomes 14 (suggested # of days) days delinquent in approving construction invoices, all work on the house will stop. No additional materials will be ordered until outstanding invoices are paid and (INSERT ORGANIZATION

NAME) has received a commitment from the participant that delinquencies will not reoccur.

12. Each member agrees individually, and all members agree collectively as a group, to work on each other's houses together as a work team, as assigned by the Construction Supervisor. Group members may perform extra work in addition to that required by the Construction Supervisor, and will receive credit for this work, so long as it is for the benefit of the entire group and is assigned by the Construction Supervisor.
13. If for any reason, families are not able to perform the required number hours of work, because of snow, storm, tornado, flood, or any other "acts of God", no penalties will be enforced. The participants will work with the Construction Supervisor to find a solution that is mutually acceptable.

IV. ELECTION OF OFFICERS

In order to function as a group, the following procedures will be followed:

A. Officers shall be elected by the group for the life of the project and their duties shall include the following:

1. Group Facilitator – Shall chair all group meetings, and act as the main representative of the group.
2. Assistant Group Facilitator – Shall act for the Group Facilitator in their absence.
3. Timekeeper – Shall keep a record of all group members' timesheets and shall be responsible for submitting timesheets to (INSERT ORGANIZATION NAME)'s office on a weekly basis.

(An additional and particularly important responsibility would be that of "material checker," to accept and check all supplies delivered to the group. This may be an elected position, or the duty of each member present.)

B. Officers may be recalled or replaced by a majority vote of the households.

V. GENERAL RULES OF THE GROUP

A. In consideration of safety issues, children under the age of sixteen shall not be allowed on the construction site without prior approval of the Construction Supervisor for each individual occurrence.

B. Each member agrees that no member of the group may hire or pay anyone to do their

work for them.

- C. Hours shall be recorded by the timekeeper after approval of the Construction Supervisor. Any conflict over number of hours worked will be resolved by the Construction Supervisor and/or Group Coordinator.
- D. The building group shall have a group meeting at least once every _____, as called by the Construction Supervisor, the majority of the group members, or the Group Coordinator. At least one of (INSERT ORGANIZATION NAME) 's staff members will attend each meeting, and this may be the Construction Supervisor. Time spent at the group meeting will count toward the required labor hours only if required by (INSERT ORGANIZATION NAME).
Group membership meetings may also be called by the Program Director. Notice of any meetings shall be given to one of each household at least _____ hours in advance.
 - 1. One vote per house in construction is allowed and each household shall cast one vote. The head-of-household or co-applicant may cast the vote.
 - 2. A quorum consists of at least one vote per household at meetings in which half or more of the households are represented. When a quorum is present, the majority vote shall carry all motions, except as stated differently in the Agreement.
 - 3. Each household has the responsibility of having at least one voting member of the household attending each group meeting, and any member household that misses more than two meetings may be subject to disciplinary action by the group, up to and including termination of the households' voting rights.
 - 4. The meeting location shall be assumed to be the job building site and all relevant conditions of this agreement shall apply at these meetings.
- E. No one will be allowed on the building site while under the influence of alcohol or illegal drugs, nor will the drinking of alcoholic beverages or the use of illegal drugs at the job site be tolerated. Any incident involving alcohol or illegal drugs on the job is cause for automatic expulsion of the participant by the Program Director and termination of this agreement.
- F. Each member agrees that they will be responsible for all materials, supplies, and other items purchased for their house regardless of the location of such materials, supplies or other items. Any theft, loss, breakage, or damage is the responsibility of the member

and replacement, or repair will be covered by insurance or an out of pocket expense..

- G. The group members and families shall pay for all materials and contracted work purchased for benefit of their homes, including extra materials or overruns. The Construction Supervisor will allocate all materials, equipment, purchases, and contracted work between the households and this allocation shall be binding on each household.

VI. GRIEVANCE PROCEDURE

- A. Any claim, dispute or question raised by any group member or BUILDING GROUP MEMBERS shall be first brought to the attention of the Group Facilitator, discussed in a group meeting and settled.
- B. If no resolution can be accomplished through the group meeting, the following grievance procedure shall be followed.
1. Before Construction the grievance should be brought to the attention of the Group Coordinator assigned to the group. If no resolution can be made, the Program Director must receive the grievance in writing. If a resolution is again not reached, then the written grievance shall be referred to (INSERT ORGANIZATION NAME) 's Executive Director. If a resolution is again not reached, then the written grievance shall be referred to (INSERT ORGANIZATION NAME) 's Board of Directors for final resolution.
 2. During Construction the grievance should be brought to the attention of the Construction Supervisor. If a resolution does not follow, then the grievance shall be referred to (INSERT ORGANIZATION NAME) 's Program Director. If a resolution is not reached again, then the written grievance shall be referred to (INSERT ORGANIZATION NAME) 's Executive Director. If a resolution is again not reached, then the written grievance shall be referred to (INSERT ORGANIZATION NAME) 's Board of Directors for the final resolution.
- C. If a claim is brought prior to completion of construction and occupancy of the residence by the group member(s), the foregoing shall be conditions precedent to arbitration. In any event, any claim, dispute, or question arising between (INSERT ORGANIZATION NAME) and the parties shall be subject to arbitration at the choice of any party. In the event either party elects arbitration, it shall

serve a notice on the other party or parties, stating their grievance and desire to arbitrate, and the parties shall proceed in accordance with state law. A decision of the arbitrator shall be a condition precedent to the right of any other legal action. The cost of the arbitrator shall be shared equally by all parties to the dispute.

D. (INSERT ORGANIZATION NAME) has agreed to provide technical assistance to the group members in construction of their housing. (INSERT ORGANIZATION NAME) does not charge group members for this service, and in return the group members agree that (INSERT ORGANIZATION NAME) shall have no liability for acts and omissions done in good faith. (INSERT ORGANIZATION NAME) shall have no liability of consequential or delay damages resulting from any act, omission, breach of contract, or negligence.

VII. TERMINATION PROCEDURE

Prior to termination, the following items will be reviewed and verified as part of the process. These steps are to be taken to provide justification as well as fairness.

- Timesheets - Verify hours worked during construction.
- Meetings – Verify attendance/participation in group meetings.
- Workout Plan – If a Workout Plan was developed, review for completion and fulfilment of the obligation.
- Note/Memos – Review and present any notes from staff or other correspondence regarding issues surrounding the termination.

Violations of the terms of this agreement will result in all expenditures for materials/labor being immediately halted until a satisfactory resolution is reached. If a satisfactory resolution cannot be reached or the same problem continues, expulsion from the group will be determined by (INSERT ORGANIZATION NAME). Expulsion results in the loss of any rights under the terms of this agreement and the loss of building privileges under (INSERT ORGANIZATION NAME)'s self-help program. After expulsion, the members must contact USDA Rural Development to determine the next steps regarding their home. In the event a group member, family or group members fail to meet the requirements of this agreement, the remedies afforded the BUILDING GROUP MEMBERS in this agreement are cumulative, and in addition to any other remedies afforded by law or otherwise.

The group member may be responsible for completion of the property, repayment of all subsidies received, all seller's closing costs or another method of satisfying the completion of the property in the event of expulsion or voluntary termination from the group.

VIII. CONTRACTS AND OBLIGATIONS

The group members and spouses are jointly and severally bound by the contracts they enter into and agree to the terms thereof. The group members may not elect to exclude themselves from such contracts but are irrevocably committed to them.

IX. SUPERVISION OF ACCOUNTS AND PAYMENT OBLIGATIONS

The undersigned families and group members agree to place their USDA Rural Development loan proceeds and other funds into a designated bank account which is managed by (INSERT ORGANIZATION NAME) : _____ (Borrower Name) is authorized to approve of all labor, materials, contracts, subcontracts, liens, expenses, taxes, and other costs incurred for building their house. Only (INSERT ORGANIZATION NAME) may request draws on the group member's USDA Rural Development loan account and prepare checks for payment of all costs and charges attributable to construction of the participant's home. All checks shall be included on a Bill Pay Coversheet. The coversheet will provide an at-a-glance summarized list of all checks to be signed. These payments are to be authorized by the designated participants and USDA Rural Development with supporting documentation provided by (INSERT ORGANIZATION NAME). The group members and families agree to execute and deliver to (INSERT ORGANIZATION NAME) any other document necessary to implement this agreement.

X. LEVY OF DUES

The group may agree by a majority vote to levy dues upon its members. Further, the group has sole custody and responsibility for any money which it may earn or collect from its members for purposes of the group. These funds may be disbursed in any manner as determined by a majority vote of the group. (INSERT ORGANIZATION NAME) will not be accountable in any way for these funds.

XI. SUCCESSORS AND ASSIGNEES, JOINT AND SEVERAL LIABILITIES

The parties bind themselves, their spouses, successors, assignees, partners, and representatives to this agreement. The undersigned group members agree that this agreement is jointly and severally binding upon them, and that any liabilities and obligation, rights and duties created hereunder shall be jointly and severally to each signatory.

The undersigned families and group members agree to build according to blueprints and specifications provided by (INSERT ORGANIZATION NAME) and approved by USDA Rural Development. No change will be made in these plans without prior approval of USDA Rural Development.

XII. INSURANCE

Each group member or participant agrees to purchase Builders Risk Insurance as required by USDA Rural Development and other lending institutions to be in force from the date of loan closing. This policy shall include sufficient individual liability coverage in an amount not less than _____. However, (INSERT ORGANIZATION NAME) _____ may require a higher amount if it determines that this is necessary. _____ (INSERT ORGANIZATION NAME) shall be given proof (binder) of insurance.

XII. ACCEPTANCE OF HOUSING/RELEASE

At the time of completion of the participant or group member's home, the head-of-household must inspect the home and at that time make any claim against (INSERT ORGANIZATION NAME) or waive the right to do so by signing the Release and Hold Harmless Agreement attached to this agreement. (Addendum #1) (INSERT ORGANIZATION NAME) will not approve the closing of an account prior to receiving the release. A participant or group member may not occupy their home prior to inspection and accepting the home and delivering the executed Release and Hold Harmless Agreement to (INSERT

ORGANIZATION NAME. It is agreed that any claims against (INSERT ORGANIZATION NAME) will be made at this time or will be forever barred.

XIV. TERMINATION OF AGREEMENT

This agreement shall be terminated with regard to each member and (INSERT ORGANIZATION NAME) by the following conditions:

- A. After all members' houses have been completed, received final inspection and approval by USDA Rural Development, all bills and credits have been settled, and the supervised bank accounts are closed.
- B. By signing below, I agree to all conditions of this Membership and Labor Agreement. I also declare that no statements, representatives, or any express or implied warranties of any nature whatsoever have been made to me by (INSERT ORGANIZATION NAME). I further acknowledge that (INSERT ORGANIZATION NAME) agrees only to provide technical assistance and construction supervision set forth in this agreement, and shall have no liability for any damage, error or construction defect. In the event that damage, or defect must be remedied, the group members agree to repair the same using their own "self-help" and/or subcontractor labor, and to pay for materials and/or labor as required. I also acknowledge receipt of a copy of said Agreement for my personal files.

GROUP MEMBERS

Date: _____ Borrower: _____

Date: _____ Co-Borrower: _____

By signing below, _____ (INSERT ORGANIZATION NAME) agrees to all conditions of this Building Group Membership and Labor Agreement. _____ (INSERT ORGANIZATION NAME) also declares that no statements, representations or any express or implied warranties of any nature whatsoever have been made to this building group.

Date: _____
_____ Construction Supervisor

Date: _____
_____ Program Director

The above information has been explained to us, and I/we understand and accept these conditions.

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

PURCHASE/REPAIR PROGRAM PARTICIPATION AND LABOR AGREEMENT

This agreement is entered into on the _____ day of _____, 20____, between the Purchase/Repair Participant, Participant Name(s), hereinafter referred to as the “P/R Participant” and (INSERT ORGANIZATION NAME) hereinafter referred to as “__.” The location of the P/R participant’s home is _____
(Include Address, City/Town/County, State).

(INSERT ORGANIZATION NAME) is an eligible entity, which provides technical assistance and management services for the P/R Participant under the Self-Help Purchase/Repair Program. ((INSERT ORGANIZATION NAME) is not acting as a "contractor" on behalf of the P/R PARTICIPANT, but as an authorized agent on behalf of P/R Participant, and as a United States Department of Agriculture Rural Development grant manager and technical advisor. The P/R PARTICIPANT, as a homeowner, is acting as their own general contractor. The P/R PARTICIPANT agrees to hold (INSERT ORGANIZATION NAME) harmless for any purchases, even though such purchases may have been made by (INSERT ORGANIZATIONNAME) on behalf of the P/R PARTICIPANT.

The following repairs will be completed to the Participants home:

It is anticipated that the cost savings will be _____ for the above-mentioned repairs.

The purpose of the Agreement is to foster the smooth accomplishment of the P/R PARTICIPANT’s goal of the purchase and repair of their home. The P/R PARTICIPANT understands and agrees with (INSERT ORGANIZATION NAME) that this Agreement will control the progress of the project. Violation of any portion of this Agreement may result in implementation of Section VI of this Agreement. **USDA Rural Development is not a party to this agreement.**

I. COMMITMENT

_____ (INSERT ORGANIZATION NAME) agrees to provide technical assistance to the undersigned P/R PARTICIPANT as follows:

A. Pre-Construction Services

1. Recruit and determine preliminary eligibility of potential participants.
2. Prepare all loan application documents in accordance with Handbook-1-3550 and specifically in Attachment 3-A for submission to USDA Rural Development and work with USDA Rural Development on behalf of the applicants.
3. Arrange and present a series of informational meetings covering homeownership and related subjects. This series is normally referred to as the "Pre-Construction" meetings.

B. Construction Services

1. Provide all necessary repair paperwork to USDA Rural Development.
2. Direct, control, and implement repairs on the participant's house.
3. Teach tasks to the participants as necessary to repair the house according to the plans and specifications, within the allowed budgets.
4. To initiate contracts in the name of the participant for materials and services to be purchased in accordance with the plans and specifications.
5. Provide bookkeeping services to maintain the participant's accounts, and to pay bills on behalf of the participant from this account.
6. Provide or lease power tools and special equipment as required on the job.
7. Present to the P/R PARTICIPANT for approval, bids from outside contractors and suppliers to provide the materials and contracted work necessary to repair the home according to plans and specifications. The selection of a supplier or contractor should be made only on the basis of quality, experience, completeness of bid, price, and past performance.

II. P/R PARTICIPANT COMMITMENT

The undersigned P/R PARTICIPANT agrees to the following:

- A. To work to repair their own home in (INSERT ORGANIZATION NAME) 's Purchase/Repair Program, using USDA Rural Development and/or alternative financing.
- B. To use their labor to the extent required and to pay for all materials and contracted labor and services used in the repair of their home, according to the directions of (INSERT ORGANIZATION NAME) .
- C. To use their best efforts to meet construction goals and objectives established by (INSERT ORGANIZATION NAME) in performance of this agreement.
- D. To work at all times in a safe manner, and to follow the Construction Supervisor's instructions in this regard.
- E. To work at any job as required by the Construction Supervisor.
- F. To cooperate with (INSERT ORGANIZATION NAME) in the performance of the requirements as set forth in this agreement, and to conduct themselves at all times in a manner that will not disrupt or interrupt their performance of assigned tasks.
- G. To follow the plans, budgets, blueprints, specifications and instructions of (INSERT ORGANIZATION NAME) and USDA Rural Development in the repair of their house. (Change orders will only be allowed in accordance with Handbook 3550-1, Chapter 5, Section 5.24 D.
- H. To allow (INSERT ORGANIZATION NAME) to solicit bids and initiate subcontracts.
- I. To provide (INSERT ORGANIZATION NAME) written schedules of the hours they are available to work and to work the hours as assigned by the Construction Supervisor.
- J. To review requests for payment as submitted by (INSERT ORGANIZATION NAME) and to sign checks for payment, acknowledging that if legitimate bills are not paid, property is subject to liens in accordance with state law.
- K. Not to move into or move personal property into the house until approved to do so by (INSERT ORGANIZATION NAME) and USDA Rural Development and/or other appropriate officials.

- L. To purchase Homeowners Insurance as required by USDA Rural Development, to be in force beginning with the date of loan closing.
- M. To attend all scheduled meetings as directed by (INSERT ORGANIZATION NAME).
- N. To work as directed by the Construction Supervisor.
- O. To attend all pre-construction training meetings offered by ((INSERT ORGANIZATION NAME)).
- P. To convert their loan account within (30) days of final inspection by USDA Rural Development, unless otherwise extended by USDA Rural Development.
- Q. To meet all other requirements as set forth in this agreement.

III. CONSTRUCTION RESPONSIBILITIES

A. Labor Exchange Commitment

The P/R Participant agrees to provide work labor in a cooperative manner.

1. I/We agree to contribute labor on my/our home. My total labor will be a minimum of _____ hours per week to complete the required repairs. There is no maximum limit to the number of hours worked per week.
2. Once I fail to keep up with my committed hours, as established by the Construction Supervisor, I will be issued a written warning by (INSERT ORGANIZATION NAME) and must provide a schedule to make up these delinquent hours.
3. If I become delinquent 20 (suggested # of hours) hours without notification to (INSERT ORGANIZATION NAME), a second written warning will be issued, and a meeting will be set up with (INSERT ORGANIZATION NAME) staff.
4. (INSERT ORGANIZATION NAME) may terminate its agreement to work with me if I fail to put in the required hours and tasks.
5. I further understand that failure to meet the above obligations can result in cessation of work on my home.
6. If at any time the Termination Procedure is initiated all invoices for material and labor will be paid up to date. Termination results in the loss of any rights under the

terms of this agreement and the loss of building privileges under __((INSERT ORGANIZATION NAME))__ Self-Help Purchase/Repair Program. After termination, the participant must work with USDA Rural Development to determine the what options are available to them regarding their loan/grant.

7. The participant will complete a "Weekly Work Availability" form in which they will plan their weekly minimum hour work schedule at the home. Completed schedules will be given to the Construction Supervisor one week or more in advance and all schedules will be posted at the home. The Construction Supervisor shall specify which of the available hours are required to meet the construction goals for the week. The intent is to have a well-organized flow of work utilizing the best-varied abilities of the participant(s) in order to ensure proper job, contractor and material supplier scheduling. Participant(s) will record their work hours and tasks daily at the home site, under the supervision of the Construction Supervisor, who will maintain records of such hours and jobs. Any conflict over work schedules or hours worked will be resolved by the Construction Supervisor.
8. Each participant agrees to abide by the purchase order system for ordering materials. The only persons authorized to order materials shall be designated by __((INSERT ORGANIZATION NAME))__.
9. If a household becomes __ 7 (suggested # of days) __ days delinquent in approving construction invoices, all work on the house will stop. No additional materials will be ordered until outstanding invoices are paid and __((INSERT ORGANIZATION NAME))__ has assurance that delinquencies will not reoccur.

IV. GENERAL RULES

- A. In consideration of safety issues, children under the age of sixteen shall not be allowed to participate in the repairs without prior approval of the Construction Supervisor for each individual occurrence.
- B. Each participant agrees that they may not hire or pay anyone to do their work for them.
- C. Hours shall be recorded by the participant with approval of the Construction Supervisor. Any conflict over number of hours worked will be resolved by the Construction Supervisor.

- D. While performing scheduled repairs under this agreement, being under the influence of alcohol or illegal drugs will not be tolerated. Any incident involving alcohol or illegal drugs on the job is cause for automatic expulsion of the participant by the Program Director and termination of this agreement.
- E. The participant agrees that they will be responsible for all materials, supplies, and other items purchased for their house regardless of the location of such materials, supplies or other items. Any theft, loss, breakage, or damage is the responsibility of the participant, and replacement or repair will be paid out of participant construction funds if not covered by insurance.
- F. The participants shall pay for all materials and contracted work purchased for the benefit of their home, including extra materials or overruns.

V. GRIEVANCE PROCEDURE

- A. Any claim, dispute or question raised by any P/R PARTICIPANT shall be first brought to the attention of the Construction Supervisor.
- B. If no resolution can be accomplished through the Construction Supervisor, the following grievance procedure shall be followed.
 - 1. Before and During Construction

The grievance should be brought to the attention of the Program Manager of (INSERT ORGANIZATION NAME) in writing. If a resolution is again not reached, then the written grievance shall be referred to (INSERT ORGANIZATION NAME)'s Board of Directors for final resolution.
- C. If a claim is brought prior to completion of construction and occupancy of the residence by the participant, the foregoing shall be conditions precedent to arbitration. In any event, any claim, dispute, or question arising between (INSERT ORGANIZATION NAME) and the participant(s) shall be subject to arbitration at the choice of any party. In the event either party elects arbitration, it shall serve a notice on the other party or parties, stating their grievance and desire to arbitrate, and the parties shall proceed in accordance with state law. A decision of the arbitrator shall be a condition precedent to the right of any other legal action. The cost of the arbitrator shall be shared equally by all parties to the dispute.

- D. (INSERT ORGANIZATION NAME) has agreed to provide technical assistance to the participant in repair of their home. XX does not charge participants for this service, and in return the participants agree that (INSERT ORGANIZATION NAME) shall have no liability for acts and omissions done in good faith. (INSERT ORGANIZATION NAME) shall have no liability of consequential or delay damages resulting from any act, omission, breach of contract, or negligence.

VI. TERMINATION PROCEDURE

Prior to termination, the following items will be reviewed and verified as part of the process. These steps are to be taken to provide justification as well as fairness.

- Timesheets - Verify hours worked during construction.
- Meetings – Verify attendance/participation in group meetings with other participants, both prior to and during construction.
- Workout Plan – If a Workout Plan was developed, review for completion and fulfilment of the obligation.
- Note/Memos – Review and present any notes from staff or other correspondence regarding the issues surrounding the termination.

Violations of the terms of this agreement will result in all expenditures for materials/labor being immediately halted until a satisfactory resolution is reached. If a satisfactory resolution cannot be reached or the same problem continues, expulsion from the program will be determined by (INSERT ORGANIZATION NAME). Expulsion results in the loss of any rights under the terms of this agreement and the loss of building privileges under (INSERT ORGANIZATION NAME)'s Self-Help Purchase-Repair program. After expulsion, the member's rights concerning their house will be determined by USDA Rural Development. In the event a participant fails to meet the requirements of this agreement, the remedies afforded the P/R PARTICIPANT in this agreement are cumulative, and in addition to any other remedies afforded by law or otherwise.

VII. CONTRACTS AND OBLIGATIONS

The participants are bound by the contracts they enter into and agree to the terms thereof. They may not elect to exclude themselves from such contracts but are irrevocably

committed to them.

VIII. SUPERVISION OF ACCOUNTS AND PAYMENT OBLIGATIONS

The undersigned participant family agrees to place their USDA Rural Development loan proceeds for repairs into a supervised bank account which is managed by (INSERT ORGANIZATION NAME). The participant is authorized to approve of all labor, materials, contracts, subcontracts, liens, expenses, taxes, and other costs incurred for the repair of their home. Only (INSERT ORGANIZATION NAME) may request draws on the participant's supervised bank account and prepare checks for payment of all costs and charges attributable to the repair of the participant's home. All checks shall be included on a Bill Pay Coversheet. The coversheet will provide an at-a-glance summarized list of all checks to be signed. These payments are to be authorized by the participant and USDA Rural Development with supporting documentation provided by (INSERT ORGANIZATION NAME). The participant agrees to execute and deliver to (INSERT ORGANIZATION NAME) any other document necessary to implement this agreement.

IX. SUCCESSORS AND ASSIGNEES, JOINT AND SEVERAL LIABILITIES

The parties bind themselves, their spouses, successors, assignees, partners, and representatives to this agreement. The undersigned members agree that this agreement is jointly and severally binding upon them, and that any liabilities and obligation, rights and duties created hereunder shall be joint and severely to each signatory.

The undersigned person(s) agrees to make repairs according to decisions made by and specifications provided by (INSERT ORGANIZATION NAME) and approved by USDA Rural Development. No change will be made in these plans without prior approval of USDA Rural Development. Change order approval by participant requesting the same hereby holds harmless its agents, employees and officers for any liability resulting there from.

X. INSURANCE

Each participant agrees to purchase Homeowners Insurance as required by USDA Rural Development to be in force from the date of loan closing. This policy shall include

sufficient individual liability coverage in an amount not less than _____. However, (INSERT ORGANIZATION NAME) may require a higher amount if it determines that this is necessary. (INSERT ORGANIZATION NAME) shall be given proof (binder) of insurance.

XI. ACCEPTANCE OF HOUSING/RELEASE

At the time of completion of the participant's home repairs, the head-of-household must inspect the home and at that time make any claim against (INSERT ORGANIZATION NAME) or waive the right to do so by signing the Release and Hold Harmless Agreement attached to this agreement. Addendum #1(INSERT ORGANIZATION NAME) will not approve the closing of an account prior to receiving the release. It is agreed that any claims against (INSERT ORGANIZATION NAME) will be made at this time or will be forever barred.

XII. TERMINATION OF AGREEMENT

This agreement shall be terminated with regard to the participant and (INSERT ORGANIZATION NAME) by the following conditions:

- A. After the repairs have been completed, received final inspection and approval by Rural Development, all bills and credits have been settled, and the supervised bank accounts are closed.
- B. By signing below, I agree to all conditions of this Participant and Labor Agreement. I also declare that no statements, representatives, or any express or implied warranties of any nature whatsoever have been made to me by (INSERT ORGANIZATION NAME). I further acknowledge that (INSERT ORGANIZATION NAME) agrees only to provide technical assistance and construction supervision set forth in this agreement, and shall have no liability for any damage, error or construction defect. In the event that damage or defect must be remedied, the participant agrees to repair the same using their own "self-help" and/or subcontractor labor, and to pay for materials and/or labor as required. I also acknowledge receipt of a copy of said Agreement for my personal files.

Date _____ Borrower _____

Date _____ Co-Borrower _____

By signing below, (INSERT ORGANIZATION NAME) agrees to all conditions of this P/R Participation and Labor Agreement. (INSERT ORGANIZATION NAME) also declares that no statements, representations or any express or implied warranties of any nature whatsoever have been made to this participant.

Date _____
_____ Construction Supervisor

Date _____
_____ Program Director

RELEASE AND HOLD HARMLESS AGREEMENT

I have inspected or had an opportunity to inspect my house and property, legally described as

(Address, City/Town/County, State)

I hereby release (INSERT ORGANIZATION NAME), its agents and employees, of any claim or liability with respect to the repairs of said residence, whether known, or arising in the future. I agree to indemnify and hold (INSERT ORGANIZATION NAME) and its agents and employees harmless for any claim made against them by a third party with respect to the construction repair of said residence.

Dated this _____ day of _____ 20_____.

By: _____

By: _____

OWNER OCCUPIED REHABILITATION PARTICIPATION AND LABOR AGREEMENT

This agreement is entered into on the _____ day of _____, 20____, between the Owner Occupied/Participant, Participant Name(s), hereinafter referred to as the “O/O Participant” and (INSERT ORGANIZATION NAME) hereinafter referred to as “___.” The location of the O/O participant’s home is _____
(Include Address, City/Town/County, State).

Owner: Owner is a qualified low or very low-income homeowner and entitled to assistance in the rehabilitation of their home.

Project: Owner's home is located at (Insert address) and is described as a _____ bedroom, _____ bathroom home of approximately _____square feet herein after referred to as "Project".

Owner's Obligations: Owner agrees and understands that this is a United States Department of Agriculture Rural Development program operated by (INSERT ORGANIZATION NAME) which will supply materials, technical assistance, supervision in the obtaining of permits, adhering to regulations, and supplying voluntary support in the rehabilitation project.

As a qualified participant of this program, Owner agrees to perform that portion of the work as outlined using the Form RD 1924-1, Development Plan or another similar form of the attached list of activities and schedule. If necessary, Owner shall obtain substitute assistance as approved by USDA Rural Development.

(substitute) _____'s Participation: (INSERT ORGANIZATION NAME) will provide technical assistance, advice, supervision, and voluntary or contract services to assist in the completion of the project.

Insurance and Indemnity. Owner will be responsible for obtaining and maintaining homeowner’s liability insurance during the period of construction. Owner will indemnify and hold _____(INSERT ORGANIZATION NAME) harmless against and from all claims arising from Owner's activities and parties related thereto or hired thereby arising out of the Project.

Waiver: Owner agrees to waive all claims against (INSERT ORGANIZATION NAME) for any damage to person, property, or other person or property during the course of

construction arising out of the construction.

Licenses: Owner will be responsible for the payment of all permits and licenses for the Project including licenses of contractors hired by Owner for the purposes of fulfilling Owner's obligations under this Agreement. The grantee will provide guidance in this process.

Work and Material Schedules: Attached as an Addendum #4 and made a part hereof are the following schedules:

- 1) Itemization of the work to be performed and the cost savings on the Project by the Owner; and
- 2) Materials and supplies necessary for the completion of the Project: (INSERT ORGANIZATION NAME) is not a contractor or builder, but acts as an agent of the Participants and a technical assistance provider. (INSERT ORGANIZATION NAME) makes no warranties with regard to the Project, the material used, or labor performed.

Grievance Procedure:

- A. Any claim, dispute or question raised by any PARTICIPANT shall be first brought to the attention of the Construction Supervisor.
- B. If no resolution can be accomplished through the Construction Supervisor, the following grievance procedure shall be followed.
 1. Before and during construction the grievance should be brought to the attention of the Program Manager of (INSERT ORGANIZATION NAME) in writing. If a resolution is again not reached, then the written grievance shall be referred to the Executive Director of (INSERT ORGANIZATION NAME). If a resolution is again not reached, then the written shall be referred to (INSERT ORGANIZATION NAME) Board of Directors for final resolution.
- C. If a claim is brought prior to completion of repairs of the residence by the participant, the foregoing shall be conditions precedent to arbitration. In any event, any claim, dispute, or question arising between (INSERT ORGANIZATION NAME) and the participant shall be subject to arbitration at the choice of any party. In the event either party elects arbitration, it shall serve a notice on the other party or parties, stating their grievance and desire to arbitrate, and the parties shall proceed in

accordance with state law. A decision of the arbitrator shall be a condition precedent to the right of any other legal action. The cost of the arbitrator shall be born equally by all parties to the dispute.

D. (INSERT ORGANIZATION NAME) has agreed to provide technical assistance to the participant in repair of their home. (INSERT ORGANIZATION NAME) does not charge the participant for this service, and in return the participant agrees that (INSERT ORGANIZATION NAME) shall have no liability for acts and omissions done in good faith. (INSERT ORGANIZATION NAME) shall have no liability of consequential or delay or damages resulting from any act, omission, breach of contract, or negligence.

E. Termination:

Prior to termination, the following items will be reviewed and verified as part of the process. These steps are to be taken to provide justification as well as fairness.

- Timesheets - Verify hours worked during construction.
- Meetings – Verify attendance/participation in group meetings with other participants, both prior to and during construction.
- Workout Plan – If a Workout Plan was developed, review for completion and fulfilment of the obligation.
- Note/Memos – Review and present any notes from staff or other correspondence regarding the issues surrounding the termination.

Violations of the terms of this agreement will result in all expenditures for materials/labor being immediately halted until a satisfactory resolution is reached. If a satisfactory resolution cannot be reached or the same problem continues, expulsion from the program will be determined by (INSERT ORGANIZATION NAME). Expulsion results in the loss of any rights under the terms of this agreement and the loss of building privileges under (INSERT ORGANIZATION NAME)'s Self-Help program. After expulsion, the participant's rights concerning their funding will be determined by RD (or other funding source if applicable). In the event a participant fails to meet the requirements of this agreement, the remedies afforded the PARTICIPANT and

RD (or other funding source if applicable) in this agreement are cumulative, and in addition to any other remedies afforded by law or otherwise.

Assignment: Neither party may assign their interest in this Agreement without the consent of the other.

Governing Law: This Agreement shall be governed by the laws of any city, county, and the State of _____, or other governmental authority.

Complete Agreement: This Agreement and all other agreements, exhibits, and schedules referred to in this Agreement constitute the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement and supersede all prior and contemporaneous understandings or agreements of the parties. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty outside those expressly set forth in this Agreement.

Time of Performance: Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a party of the benefits of any grace or use period allowed in this Agreement.

Dated: _____

Dated: _____

"Owner"

“Agency Representative”

LIST OF ADDENDUMS

Addendum #1 Release and Hold Harmless Agreement

Addendum #2 Recommended Tools

Addendum #3 Self-Help Housing Rehabilitation Labor Agreement

Addendum #4 Work and Materials Schedule

ADDENDUM #1

RELEASE AND HOLD HARMLESS AGREEMENT

I have inspected or had an opportunity to inspect my house and property, legally described as Lot _____, _____.
(Address, City/Town/County, State)

I hereby release (INSERT ORGANIZATION NAME) its agents and employees, of any claim or liability with respect to the construction of said residence, whether known, or arising in the future.

I agree to indemnify and hold ((INSERT ORGANIZATION NAME)) and its agents and employees harmless for any claim made against them by a third party with respect to construction of said residence.

Dated this _____ day of _____ 20_____.

By: _____

By: _____

ADDENDUM #2

RECOMMENDED TOOLS

(One Set per Household)

25' to 30' – 1" measuring tape

Speed square

Hammer – 16 or 20 oz., straight or curved claw

Nail set

Chalk line and chalk

Nail apron/Tool bag

Work gloves

Safety glasses & earplugs

Flat pry bar

Utility knife with extra blades

Carpenter's pencils

Screwdrivers – flat and Phillips head

Shovel – round point

Construction shoes (decent quality)

Cat's-paw (nail puller)

ADDENDUM #3

SELF-HELP HOUSING REHABILITATION LABOR AGREEMENT

I understand that my participation in the Self-Help Housing Rehabilitation (SHR) program requires me to provide the labor for my project. I understand that for every \$1,000 in repair costs I will contribute 10 hours of labor towards my project. I understand that I am required to complete timesheets to track my labor contributions. I understand that any work required to be completed by a licensed professional will be contracted out. I understand that the Self-Help Housing Rehabilitation Representatives are available to provide me with supervision and instruction in completing my project to ensure all work is completed to code standards. I understand the Self-Help Housing Rehabilitation Representatives are not required to provide labor for my project. I understand that if I fail to maintain an acceptable level of participation my project may be discontinued. An acceptable level of participation is defined as meeting tasks and completion dates outlined in the Self-Help Housing Rehab Phase Work Plan. If I fail to finish the phases of my project by the expected completion date, a determination to end the project will be made, and I will be billed for the material used.

Homeowner signature: _____ Date: _____

Homeowner signature: _____ Date: _____

Any person designated by the homeowner as someone who will volunteer their labor is required to sign below.

Construction Supervisor: _____ Date: _____

Program Director: _____ Date: _____

