

Self-Helper

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USDA Assists with Hurricane Katrina

NCALL is sharing in the grief, along with the rest of the country, as we have watched the events unfold after hurricane Katrina. The loss of life and community devastation is staggering. Additionally, as a provider of housing, we hold this mainstay of life in the highest esteem and realize the devastating impact of losing such a critical resource and buoy of the human spirit.

USDA is doing everything they can to assist with the hurricane Katrina relief efforts. Agriculture Secretary Mike Johanns said, "Our thoughts and prayers go out to all who have suffered losses caused by hurricane Katrina. More than 2,000 USDA personnel are working to provide food and water, emergency housing, electrical power and other emergency services in the region. We are closely coordinating with other Federal departments to meet the immediate and long term need of those affected by Katrina. We stand ready to begin assessing rural and agricultural infrastructure damage once the human need has been met."

At this time, USDA has deployed 2,760 Forest Service employees who are trained in rescue and response to large-scale incidents to assist the Federal Emergency Management Agency (FEMA). These teams have expertise in setting up logistics staging areas, distribution of food products and debris removal. In addition, the Forest Service has devoted aircrafts to facilitate the air lift of 325 New York City Fire Department personnel to support the city of New Orleans. USDA has delivered more than 300 trucks containing over 12 million pounds of food, with truckloads of additional supplies being prepared for delivery to affected communities.

They have also helped with housing assistance to ensure that displaced residents are able to move into safe housing as quickly as possible. USDA Undersecretary for Rural Development, Thomas Dorr said, "The agency is moving quickly and decisively to assist those affected by hurricane Katrina. Our state offices are

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Hurricane Relief (Continued from Page 1) announced a general identifying vacant housing units for the newly homeless and we're working to get generators to the affected area. As far away as South Dakota our agency is finding shelter for hundreds of people who are without homes. We are offering assistance to our borrowers by encouraging Rural Development homeowners in the affected area to get a six month moratorium on their mortgage payments simply by asking for one."

USDA has established an expedited placement process that waives maximum income limits, security deposits, credit checks, streamlines month to month leasing procedures, and institutes telephone background checks. USDA property managers will also be assisting these families by providing them with information on how to access additional government programs and services to assist them like food stamp benefits. Additionally USDA Rural Development has

announced a general debt service moratorium for a minimum of 90 days for all housing program borrowers and counties that are included in the presidential disaster declaration issued in the aftermath of hurricane Katrina in the states of Louisiana Mississippi and Alabama. This action will help up to 50,000 low income residents as they work to rebuild their lives in the aftermath of the hurricane.

USDA will also provide a 90 day moratorium on debt collection on electric, water, and community facilities programs in the affected areas. These facilities range from rural schools, libraries, child care, hospitals, medical clinics, assisted living facilities, fire and rescue stations, police stations, community centers and public buildings. USDA has established a team to conduct assessments of these facilities, with priority given to the hospitals and nursing home properties, and is also assembling teams to go to the region

to facilitate grant and loan applications for rebuilding.

Rural Development has designated a toll free number to provide assistance to homeowners, renters, and others in need of housing assistance. That number is **1-(800)-414-1226**. Information is also available on USDA's web site, <http://www.usda.gov>.

Dwindling 523 Funds

As of the first week of September, Rural Development had \$169,559 available in unobligated Section 523 grant funds. Requests that they had received up to that time will be funded. Grants will be obligated until funds are exhausted. Larger grant requests or anything received after funds are exhausted will have to wait until sufficient funds become available.

Collaboration May Help with Rising Gas Prices

With the price of gasoline reaching their highest ever amounts, self-help grantees may have to take new measures to assist their clients. Many self-help participants are now facing



the fact that the increased cost of gasoline is significantly affecting their budget. This can and will have direct implications upon the self-help program as the members are having to drive to/from the construction sites.

Since there seems to be no end

in sight for these rising gas costs, grantees need to focus on how they can best deal with the issue. NCALL recommends exploring a variety of options. Discuss with your group the best possible solution to the transportation/gasoline crisis. If your program is working on scattered sites, help the group out by working at only one location per day. This will help cut down on mileage used mid-day. Also, consider having the families meet at a convenient site and carpool to the job site. Create a weekly schedule of who is responsible for the drive so that

burden is shared equally. Car pooling also allows the family members time to discuss the construction progress, solidifies the start/stop times as well as allowing the group members to develop closer friendships. If the self-help agency has access to a van, consider utilizing it to transport the group.

By working together, some of impact of ever increasing gas prices can be relieved. This collaborative effort may even enhance the program in a multitude of ways.

How to Prepare a Budget - Part Two

This article is a continuation of the "How to Prepare a Budget" article that was in the last edition of the Self-Helper.

What are the Steps in the Budget Process?

The first step in the budget process is a review of program and management achievement and fiscal performance for the year just ending. This includes, but is not limited to, reviewing objectives achieved, comparing budget to actual figures, and looking at the number of people served in each program. By dividing the true cost of each program by the number of people served, you can also analyze the cost per unit of service. Based on this review, new goals and objectives should be discussed and agreed upon in a preliminary way. These goals and objectives should fit into your strategic, long-range plan, and help you make progress towards your mission.

Next, estimate the costs required to achieve your objectives, including staff, supplies, and other resources. Include both program and financial staff in discussions of programmatic costs to make sure that all resources required by programs are considered. Management staff should be included in discussions for their own departmental budgets and how these relate to programmatic objectives. You can rely on past experience, as reflected in budget to actual reports, to determine some of this information for continuing programs. Make sure to take into account upcoming changes, especially in areas

such as insurance, which are subject to significant fluctuations.

Since personnel costs typically account for 60-70% of a nonprofit's total expense budget, be sure to plan carefully for this line item. There can be a lot of hidden costs associated with new programs. For example, hiring new staff entails training and support in addition to salaries and benefits; advertising new positions; evaluating your need for additional office space, furniture and equipment; and considering that an expanded staff, whether paid or unpaid, requires additional time for staff meetings, supervision, and coordination.

The budget must include income as well as expenses. Even though unpredictable events may influence fees and contributions, revenues can be estimated with some degree of accuracy based on past experience. As with any budgeting based on the past, it is important to make adjustments for future plans and changes when anticipated. Grants from foundations, corporations, and government agencies can be more difficult to predict. The financial and fundraising staff, in collaboration with the executive director and fundraising committee of the board, has to make the most realistic assessment possible for budgeting purposes. It may also be useful to develop contingency budgets for more conservative or optimistic projections of revenue.

Note: Contributed revenue should be projected using the best informa-

tion available. It is not a number derived from the gap between projected fees and other earned income and projected expenses.

Finally, compare revenue and expense projections. At different times organizations will choose to incur a deficit, realize a surplus, or simply break even. No rule says that budgets must balance in each budget period. If a deficit is anticipated, is it because you are investing monies raised in prior years into new programs? Does a surplus reflect a board policy to establish an operating reserve to guard against loss of future funding or cash flow shortfalls? Certainly, large deficits can lead to bankruptcy, and large surpluses may mean that the organization is not investing enough of its revenues in serving the public interest. However, for any given budget period, revenue and expenses should be in the relationship that the organization chooses, rather than mechanically balanced.

If a preliminary budget has been prepared and revenue and expenses are not in the desired relationship, programs and management activities must be re-evaluated and adjustments made. Typically, nonprofit organizations find that their initial projections for income and expenses anticipate an unacceptable deficit, and either additional revenue must be generated or activities must be cut back. When reviewing the revenue budget, it is important to avoid the temptation of raising the estimate without changing the plans for generating revenue. The budget should be based on rea-

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SEWHC Achieves a Rare Milestone



three generations. In celebration of this achievement and in honor of National Homeownership Month, representatives from USDA Rural Development joined the Board of Directors and Staff of the SEWHC for a ribbon cutting ceremony of the **Third Generation Home**

in Elkhorn, Wisconsin.

During Homeownership Month in June, a special celebration was held in Wisconsin. Since 1970, Southeastern Wisconsin Housing Corporation (SEWHC) has operated a self-help housing program, helping numerous families and individuals achieve the American dream of homeownership. Now the SEWHC legacy has spanned across

In March of 1978, Norbert and Susan Elworth built their home utilizing the SEWHC's self-help program, and in July of 1985 their daughter, Jill, and her husband, John, built their home. Now, 27 years later, the granddaughter of Susan and Norbert Elworth, Angela Meyer, has built

her home by the same method. Meyer's home is the tenth and last home built in the subdivision.

"While many people take owning a home for granted, there remains a number of people throughout Wisconsin for whom homeownership is just a dream," said USDA Rural Development Wisconsin State Director, Frank Frassetto, "the Self-help Housing Program enables individuals and families to take their futures into their own hands and build a better life. That is one of the main goals of USDA Rural Development; to provide affordable homeownership opportunities and assist rural citizens obtain their dream of homeownership."

Good job SEWHC and congratulations Angela!

Major Changes Coming to the 502 Loan

There are quite a few changes that will be coming next year according to the Rural Development National Office. Some of them are major and will be affecting not only all of the self-help clients, but all 502 borrowers.

The current method of Payment Assistance is undergoing a change. Currently borrowers pay either 22%, 24%, or 26% of their income for the P&I amount of their mortgage payment, or an equivalent rate of interest. The method proposed will change to 25% of the borrower's income. This change in procedure is in draft form and is currently under review and clearance. The ex-

pected date of the change is early 2006.

Rural Development will now require first time homebuyers to attend homebuyers' education courses. First time homebuyers will be required to go through a publicly offered homebuyer education course. We do not yet have any details of the hours required or a mandatory course outline. This regulation is also still in clearance. The target date is early 2006 for publication. No news yet on how it will affect self-help participants and the Pre-Construction meetings that are already provided.

NCALL also wants to point out that the National Office has a concern with the Supervised Bank Accounts. Their program review determined that consistency was lacking in the way the accounts were being handled. Guidance has been issued in the form of Administrative Notice No. 4094, dated June 29, 2005.

NCALL will keep you updated as more information is available.

Funding FYI

As of September 12, 2005, 1,496 self-help 502 loans had been made totaling \$137,681,089.



7-CFR-3551 is the new self-help housing program regulation that has been in the process of being rewritten for some time. This new regulation went into clearance during the mid-summer. It is still pending review from additional Rural Development personnel. The goal is to provide more clarity and definition to the program. There will be a 60 day comment period when it is published as a Proposed Rule in early 2006. The following bullets are some of the major changes that are being proposed.

- Minimum of five homes per building group.
- 501(c) 4 organizations (contributions are non-tax deductible) will qualify for the program.
- Carry over of no more than 10% of homes.

Thomas Dorr Confirmed

On July 21, 2005 the U.S. Senate confirmed Thomas Dorr to serve as Undersecretary for USDA's Rural Development. Agriculture Secretary Mike Johanns said, "Tom has demonstrated his insight into the issues facing rural America and commitment to addressing those issues throughout his four years at USDA. He is a tireless advocate for rural America and I'm very pleased that the Senate recognized his hard work and dedication, as reflected in his confirmation."

3551 Update

- Maximum of 10% carryover into next grant will be allowed.
- Method B calculation will be deleted in qualifying maximum TA grant request amount.
- Under Method C, the State can negotiate grant amounts up to 20% higher than Method A. Otherwise, they must forward it to the National Office for approval.
- 50% minimum family labor requirement instead of the current 65% minimum.
- Rural Development's National Office will have the option to use the NOFA process for qualifying agencies for the 523 program.
- There will be a new handbook to accompany the new regulations.

Additionally, SHARES will remain at status quo until the new self-help regulations come out.

NCALL will keep you updated when the regulation comes out for comment.

Welcome New Grantees!!

Congratulations go out to the following agencies!

Pre-Development Grantees

- Central Wisconsin Community Action has plans to build 10 homes.
- Crusaders Community Development Corporation of New Jersey just received their predevelopment grant. They are planning to build 19 homes in Cumberland and Gloucester Counties.
- Kentucky Rural Initiatives plans to build 12 homes in Webster County, Kentucky.
- Washington-Hancock Community Agency also received their predevelopment grant to build 12 homes in their area of Maine.

New Operating Grantees

- West Michigan Independent Self-Help Housing (WISH) is building 21 homes in Muskegon and

Ottawa Counties.

- East Alliance Neighborhood Development Corporation will be building 12 homes in Stark County, Ohio.
- Northwest Michigan Affordable Housing plans to build 16 homes in Grand Traverse County.
- YouthBuild McLean County will be building 12 homes in Illinois.

Refunded Grantees

- Interfaith Housing Alliance will be building 21 homes in Washington and Carroll Counties, Maryland.
- Warrick County will be building 12 more homes in Indiana.

In addition to these 10 new grants, NCALL is working with many additional groups, four of which have applications pending. Congratulations everyone! Keep up the great work!

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How to Prepare a Budget - Part Two *(Continued from Page 3)*

sonable assumptions you have some grounds for making.

If expenses need to be reduced, it is helpful to determine what each program would cost at different service levels. A fixed percent cut across all expense lines is often not the most effective way to reduce expenses. For instance, do not assume that benefits and costs move together, with each additional dollar spent resulting in an additional dollar of results. For example, prepare your budget building eight houses over a two-year period versus twelve houses. Once the budget is prepared you might realize that eight houses will not give enough revenue to cover all the costs for the program, whereas twelve houses can without add-

ing additional staff.

Once the plans have been changed and updated so that revenues and expenses are expected to be in the proper relationship, the full board must approve the budget plan for the year. From that point, staff and volunteers begin to put the plan into action and prepare monthly budget comparison reports; comparing actual income and expenses to the proposed budget.

Preparing a Monthly Budget

It is useful to prepare monthly budgets that reflect the anticipated timing of revenue and expenses instead of dividing the full budget into twelve equal parts. Therefore, your December fundraiser revenues would be

included in your monthly budgets for October through January, to correspond when ticket sales are coming in. Similarly, if the insurance is due once a year, the entire insurance premium would be reflected in that month's budget, rather than divided into twelve equal parts. By preparing monthly budget breakdowns and comparing them with actual dollars spent and received, you can more accurately spot real changes and revise the budget accordingly.

Budgets and the budgeting process can be important vehicles for better programmatic and financial management. They can also help an organization better achieve its mission.



HAC SHOP Applications Available Soon

HUD announced the availability of SHOP funds by publishing a NOFA in the Federal Register on Thursday, September 8, 2005. HAC will make its application packages available to groups within a few weeks. Check HAC's website or the HAC News for notice of availability. If you are interested in applying for HAC SHOP funds, please contact Jennifer Castro, Loan Fund Program Assistant, at 202-842-8600 for information regarding application criteria and to request an application packet.

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