

Self-Helper

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Helping Families Avoid Foreclosure

Many very low and low income homeowners are really struggling! Can you blame them? Gasoline prices are averaging \$3.64/gallon and the price of food is also on the rise. Ten years ago, NCALL reported in the Self-Helper that HUD's 203(b) limit had just increased from \$86,317 to \$109,032 in non high-cost areas. This year HUD's 203(b) limit is \$200,160 for non high-cost areas. In high cost areas it can go as high as \$362,790. We all know that foreclosures are increasing across the country. With facts like these, why are we so surprised?

NCALL knows that self-help housing organizations want to be proactive with Rural Development to help avoid foreclosures in their subdivisions and communities. Foreclosures can result in poor public relations and can lower market values in a neighborhood. Your stake in maintaining subdivision lot values for future sales, as well as appraised values of completed homes, is a concern we hear from many of our organizations.

So, what can self-help housing organizations do to improve the odds against foreclosures? There are several ways that our agencies can help:

- Perhaps your organization has emergency assistance available for hardships to self-help borrowers.
- Make referrals to partner agencies that can provide assistance; many states even have foreclosure prevention programs. (Rural Development may not be aware of the assistance you know of. By sharing knowledge, a self-help borrower may avoid a delinquency, or even a foreclosure.)

- Is your agency recognized by Rural Development as a housing counseling agency? This designation can open up opportunities for you to help.
- Be proactive! Use the time with the participants in Preconstruction meetings to emphasize predatory lending, the importance of credit ratings, debt and the different types of interest rates and loans that exist.

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First in Housing Services, Because We Care

Focus on Funding

In these tough financial times, not only is it important to find new funds, but to keep the ones you have. At monthly financial meetings, NCALL focuses in on a “best practice” revenue chart. This chart helps us see where our current revenue meets, exceeds, or lags behind the prior year.

The spreadsheet lists every bank, foundation, governmental funding source, investment income and any other source of revenue. Monthly, year-to-date, and prior year figures

are presented in the chart. This enables us to see immediately how we are doing financially, compared to last year. If a funding source lowers its contribution from the prior year, or does not contribute at all, it’s not a surprise at the end of the year. This system allows us to monitor our income and expenses and make adjustments as needed.

It is crucial these days to carefully manage an agency’s finances and to stay on top of any changes that may occur. A sample chart follows:

Revenue Source	Current month	YTD	Prior Year
Gov. Funding 1			
State Gov. Funding 1			
Foundation 1			
Foundation 2			
Bank/Corporate 1			
Investment Income			
Other Income			

NCALL Welcomes New Program Analyst

NCALL is pleased to announce that we have a new Program Analyst for the Self-Help Team. Meghan Fitzgerald joined NCALL in July. She has a nice mixture of administrative and computer skills and experience. She has completed her Associates Degree in Computer Information Systems at DTCC and is currently pursuing her Bachelors Degree in Computer and Network Security at Wilmington University.



We welcome Meghan and look forward to her applying her skills for the Self-Help Team and the grantees we serve.

Are Your Participants Working on Site Prior to Loan Closing?

Due to liability issues, families should not be permitted to work on any construction site prior to their loan closings without a signed waiver. In this waiver, the families acknowledge that their participation on the construction site is strictly voluntary and in no way guarantees their participation in the self-help program or a loan from Rural Development. NCALL has developed a form that can be used for this purpose. It can be downloaded from our website, www.ncall.org.

Avoiding Foreclosure (Continued from Page 1)

Once their loan is public record, your clients will be inundated with credit offers.

- Develop or strengthen your agency’s Post-Purchase Counseling Program.
- Do your self-help borrowers talk to you about their past due or delinquent Rural Development loan? Remind them of all of Rural Development’s great servicing tools like Delinquency Workout Agreements, Moratoriums and Re-amortizations.

Rural Development staff and the Centralized Servicing Center do an excellent job servicing loans, but any additional resources you can provide could increase successful homeownership. We encourage you to work closely with your local Rural Development office for the most effective results.

Important Rural Development Updates



There are many important changes and updates with Rural Development that self-help grantees need to know. NCALL has summarized them here.

- The new 3551 regulations is still going through minor changes at the National Office. The Handbook that will be published in conjunction with the new regulation is also being finalized.
- The Rural Development interest rate is 5.75%, this is the 3rd lowest rate in 30 years.
- According to the Federal Register dated August 22, 2008, Rural Development has made a change to the down payment requirements. Elderly families must now use any net family assets in excess of \$20,000 towards a down payment on the property. For non-elderly families, this amount is \$15,000. (It has been many years since these figures were changed. Prior to this new rule the amounts were \$10,000 for elderly and \$7,500 for non-elderly.) This will go into effect on November 5, 2008.
- Also effective on November 5, 2008, the rural area definition will be amended to comply with a change in Section 520 of the Housing Act of 1949. This change extends the grandfathering of areas classified as a rural area prior to October 1, 1990, through receipt of decennial census data for the year 2010 if the area has a population between 10,000 and 25,000, is rural in character, and has a serious lack of credit for lower and moderate income families.
- An unnumbered letter dated June 5, 2008, introduces the new “Monitoring of SFHD Underwriter Review Reports.” This new report is intended to identify loan determination trends for each LAO (Loan Approval Official). These trends may be used to assure that each LAO is fully trained and performing their duties responsibly. Managers are supposed to regularly review this report to determine if LAOs are approving a large percentage of loans that subsequently become first-year delinquencies and/or if they have unusually high or low numbers in any decision area of the application stage. If negative trends are detected the LAO will either have to get additional training or their loan approval authority may be revoked.
- RD AN No. 4387 was issued on August 28, 2008. This AN contains Pre-Applications and Applications checklists for the Mutual Self-Help Housing Program. These are the same as last year. The only change in the AN from last year is that a paragraph has been removed regarding the environmental process. This new AN can be found on our website.
- PN 420 was issued on June 25, 2008. This will result in a change in Handbook 1-3550 Chapter 3, 3.4. Rural Development State Offices are now required to main-

tain a current list of Homeownership Education Providers.

- PN 421, issued on July 16, 2008, may be beneficial to self-help housing agencies. It contains changes and additions to Handbook 1-3550 including those in Chapter 4, 4.3 E. 3, a worksheet and samples on projecting expected income for the next 12 months.

New Leveraging Guide Published

NCALL has just released our newest resource, the “Leveraging Guide for Self-Help Housing Grantees.” The guide has been created as a resource for grantees who may be looking for additional funds to complement their 523 Technical Assistance Grant, land development, or to help increase affordability with 502 mortgages. Multi-funding can be an effective method of “competitive posturing” for your organization.

We hope the Leveraging Guide will benefit self-help housing agencies within our region as they continue to grow with the Mutual Self-Help Housing Program. To obtain a copy, please visit the Self-Help Housing page at www.ncall.org and then click “Secure Training Downloads.”



There are three reasons why proper record keeping is a requirement for employers: 1) it makes good business sense

to have accurate information handy and organized for when you want to use it; 2) most organizations will eventually encounter the need to produce documentation about employee performance and work history; 3) some employee records are required by federal or state governments and must be kept somewhere. Organizing them by employee name is most efficient.

There are some important cautions to be given about the subject of identifiable employee information. Generally, state laws permit employees the right to examine their personal employment records. This simply allows individuals the opportunity to confirm information in the file and identify any specific information which is believed to be incorrect. Employees are not universally guaranteed the right to copies of all file content. However, as the employer, you usually have the right to control the time and location of these examinations as long as you are reasonable in doing so. The objective, of course, is to ensure accuracy of information about each person. In most states, ownership of the personnel file and its contents rests with the employer who maintains it.

Access to information about employees should be strictly limited to those people in your business with a need to use the information in their jobs. Many states are aggressive

What's In a Personnel File?

protectors of employee privacy and random or unauthorized access to personnel files can bring on severe penalties. Be certain personnel files are stored in a secure location and that they are not left unattended during the business day.

When asked by people outside the company to provide verification of certain employment information, make it a practice to confirm only the information your employees have authorized to release. Employment verifications are usually required to support such things as mortgage applications, credit applications and other employment. Employee authorization should be in writing and specify the information they wish to be revealed.

One example of information required of employees stems from the I-9 form. Completion of this document is mandated for every employee hired after November 6, 1986. Employers are required to document the numbers which prove the employee's identity and right to work in this country. A social security card and driver's license meet these requirements. Government agencies are authorized to inspect your I-9 forms. If the I-9 is kept in the personnel files, the government may go through the personnel files. It's advised to keep all the I-9 in a separate file which makes it easy for anybody to review, without looking at the entire personnel file.

The Federal Health Insurance Portability and Accountability Act of 1996 require employers and health care providers to protect medical records as confidential, separate

and apart from other business records. Therefore, medical information should not be retained in a personnel file, but in a separate protected file.

Below are recommended contents of personnel files, keep in mind this information can vary from organization to organization and should be developed to fit the agency's needs.

Employment

- Job application
- Employment interview report form
- Education verification
- Background verification
- Employment offer letter
- Employee Handbook acknowledgment form
- Checklist for new employee orientation showing subjects covered

Payroll

- W-4 Form updated annually
- Time sheets
- Garnishment orders and records
- Authorization for release of private information
- Authorization of payroll deductions

Performance Appraisals

- New employee progress reports/90-day evaluation
- Performance appraisal form
- Performance improvement program records

Other sections could contain training and development, employee separation, benefits, wage/salary administration and employee relations.

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Housing and Economic Recovery Act of 2008

H.R. 3221, the “Housing and Economic Recovery Act of 2008,” was signed into law by the President on July 30, 2008. Listed below are some of the provisions the bill includes:

- **Homebuyer Tax Credit** - A \$7500 tax credit that will be available for any qualified purchase between April 9, 2008 and June 30, 2009. The credit is repayable over 15 years (making it, in effect, an interest free loan). [Click here for frequently asked questions about the first-time homebuyer tax credit.](#)
- **Additional Property Tax Deduction** – HERA provides a one-year benefit that will be available to *all* homeowners. Under current law, property taxes are deductible only if an individual itemizes deductions on Schedule A of their tax return. The new provision will permit a deduction of up to \$500 (\$1000 on a joint return) for all individuals who utilize the standard deduction and do not itemize. Instructions will be provided on the

2008 tax return when it is distributed at year’s end.

- **FHA foreclosure rescue** – Development of a refinance program for homebuyers with problematic subprime loans. Lenders would write down qualified mortgages to 90% of the current appraised value and qualified borrowers would get a new FHA 30-year fixed mortgage at 90% of appraised value. Borrowers would have to share 50% of all future appreciation with FHA. The loan limit for this program is \$550,440 nationwide. Program is effective on October 1, 2008. [Click here for the FHA Foreclosure Rescue Chart.](#)
- **Mortgage Revenue Bond Authority** – Authorizes \$10 billion in mortgage revenue bonds for refinancing subprime mortgages.
- **National Affordable Housing Trust Fund** – Develops a Trust Fund that is funded by a per-

(Continued on Page 6)

Personnel Files (Continued from Page 4)

Separate medical information file

- Health insurance application form
- Life insurance application form
- Request for medical leave
- Personal accident reports
- Workers’ compensation report
- Any other form of document which contains private medical information
- Medical Records

Part of being an outstanding organization is keeping quality, pro-

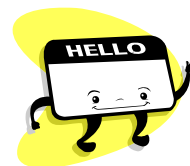
fessional records. Take a look at your organization’s practices and find out if the organization has what is needed. If not, plan to get it. It will save the agency trouble in the long run.

New Tax Service Fee



Rural Development is implementing a new tax service fee beginning at the start of fiscal year 2009. This new fee of \$119 will be charged to every 502 borrower at loan closing.

HAC Plans National Rural Housing Conference



The HAC National Rural Housing Conference 2008 is scheduled to begin on December 3rd at the Hyatt Regency Washington on Capitol Hill in Washington, D.C., with pre-conference activities beginning on December 2, 2008.

This year’s conference theme, *Working for Change, Building our Future*, reminds us that positive change is the result of our work toward a common goal. NCALL encourages self-help housing agencies to participate in this meaningful training event. There will be a track dedicated to the Mutual Self-Help Housing Program.

Conference scholarships are available to nonprofit organizations. Visit www.ruralhome.org for more information.

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Housing Act (continued from Page 5)

centage of profits from the GSEs. In its first years, the Trust Fund would cover costs of any defaulted loans in the FHA foreclosure program. Subsequently, the Trust Fund would be used for the development of affordable housing. [Click here for a list of frequently asked questions regarding the NHTF.](#)

- **CDBG Funding** – Provides \$3.9 billion in CDBG funding to help states and localities address foreclosure problems. On September 26, 2008, HUD announced the allocations to each state and entitlement jurisdiction under their new Neighborhood Stabilization Program. This

program will allow state and local governments, or their designee, to acquire and redevelop foreclosed properties that might otherwise become sources of blight and abandonment. For more information and allocations, visit www.hud.gov/offices/cpd/communitydevelopmentprograms/neighborhoodspg/.

- **LIHTC** – Modernizes the Low Income Housing Tax Credit program to make it more efficient.
- **Loan Originator Requirements** – Strengthens the existing state-run nationwide mortgage originator licensing and registration system (and requires a parallel

HUD system for states that fail to participate). Federal bank regulators will establish a parallel registration system for FDIC-insured banks. The purpose is to prevent fraud and require minimum licensing and education requirements. The bill exempts those who only perform real estate brokerage activities and are licensed or registered by a state, unless they are compensated by a lender, mortgage broker, or other loan originator.

Funding Update



On September 25th the House approved a \$630 billion Continuing Resolution that will fund most federal programs at FY 2008 levels until March 6, 2009, with some exceptions. The bill also included additional disaster relief funding and the FY 2009 appropriations for the Departments of Defense, Homeland Security, and Veterans Affairs.

One of the housing programs that will see an increase with the passage of this CR is the USDA Section

521 Rental Assistance. This program will be funded at \$997 million, the amount needed to renew all expiring contracts, compared to \$482.1 million in FY 2008. Also, Section 502 guaranteed funds will receive as much as needed to cover the same amount of mortgage principal as in FY 2008. Additionally, the CR directs HUD to renew all expiring Section 8 contracts.

The Senate approved the CR on September 27th.

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