

# Self-Helper

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## Proposed 3551 Regulations Out for Comment

The new, long-awaited regulations for the Mutual Self Help Housing Program were published in the Federal Register on Friday, May 18, 2007. This new proposed rule is now out for comment. The comment period closes on July 17, 2007.

There are many changes in the new regulations. Some of the ones that may have the most impact are:

- The initiation of a NOFA process.
- The cap on approved TA costs to 15% of the EVMH unless a special exception is granted.
- Change in the percentage of labor required by participating families, from 65% to 50%, along with a more specific list of tasks required.
- Increasing Pre-development Grants from \$10,000 to \$15,000.
- New Board eligibility requirements.
- Experienced staff must be in place prior to grant approval.
- A 10% sweat equity requirement.
- Elimination of the Preapplication stage.

It is very important that all grantees read these proposed regulations, interpret them, and make any comments to Rural Development before the July deadline. This will be the only chance to potentially get the changes that you want to see. After the comment period, Rural Development will take comments into consideration and the regulations will be published in final form.

NCALL is hosting a conference call with grantees on June 19th from 9-12 Eastern Time, to discuss the proposed rule. An email will be sent out telling grantees how to participate. The Self-Help Director's Association has published a summary of the new regulations. HAC also has developed a forum for email discussion on their website, [www.ruralhome.org](http://www.ruralhome.org).

We all love this program and want it to succeed and flourish. Let's have our opinions heard!



## F.A.V.O.R.s – The “Other” Audit

Most non-profits must undergo a financial audit. The financial audit concentrates on the financial position and the operating results of the organization in accordance with generally accepted accounting principles (GAAP) and generally accepted auditing standards (GAAS) and for non-profits funded by the federal government, with generally accepted government auditing standards (GAGAS.) Auditing, however, should not focus entirely on financial matters. Successful organizations can use non-financial audits to evaluate and improve other areas of the operation. This is where NCALL’s F.A.V.O.R. fills the void. (F.A.V.O.R stands for : **F**inancially Viable, **A**dherence to Internal Controls, **V**alue Added, **O**rganizational Readiness, **R**egulation Requirements Met.) The F.A.V.O.R. reviews compliance, operations, and functional aspects of your self-help program.

**Compliance audits** look at the requirements established by the funding sources, the law and the organization’s own policies and procedures. If there are written policies and procedures, it’s important

to operate under those guidelines. The compliance audit report will make recommendations to improve the organizations processes to assist with compliance. Areas that most likely will be reviewed are expenses, payroll, personnel management and records retention. During these audits the focus is not on detecting fraud but rather on improving current performance.

**Operational audits** will look at the effectiveness and the efficiency of work. Current policies and procedures will be evaluated to determine if they are still reasonable or if changes are needed. If they are still relevant, are they being followed, or have things changed to the point where policies and procedures need to be changed? Is the Board active and involved? Is there a proper level of supervision? Is more training required? Are tasks properly assigned among staff members?

**Functional audits** are process based; they look at the process from beginning to end. Are the departments cooperating in carrying out the process in an efficient man-

ner? Is there a better way to accomplish this task? Processes to be evaluated for self-help organizations are recruitment, loan packaging and construction. All organizations develop procedures and processes and overtime things change, the size of organization, the resources and even the task itself could change. Therefore, it is good to review processes and procedures. In the long run it will pay off in a more effective and efficient self-help organization.

Non-profits generally do not have the staff time to devote to these internal audits or reviews. This is where NCALL’s review or F.A.V.O.R. comes into play. NCALL’s F.A.V.O.R. looks at compliance with regulations, the effectiveness of the self-help housing program and the processes.

NCALL’s F.A.V.O.R. not only acknowledges Best Practices, but will recommend them as well. We know grantees want successful self-help grants. Implementing “Best Practices” will help you get to that “Cheese.”

## Qualifying Families – How Long Does it Take???????

One of the greatest challenges in implementing and sustaining a successful Self-Help Program is to be able to **efficiently** market, recruit, and qualify families on schedule. Often, once families have been recruited, credit and debt ratios become the next hurdle to meeting your deadlines.

Have you tried tracking the time it takes your families to become mortgage ready? Doing so may show where an agency needs to

concentrate its credit/money management counseling efforts.

NCALL’s successful housing counseling department’s most recent statistics show that:

- 33% were mortgage ready when they came to agency
- 19% were ready in 3 – 6 months
- 36% took 7 – 18 months, and
- 13% took over 19 months.

Had these families been recruited

for the Mutual Self-Help Program, 49% of the families would need long term (over six months) counseling to qualify. Statistics also support that families who fall into the very low income category tend to have more credit challenges caused by medical collections, types of credit established and many experience more frequent late payments.

What timeline is built into your recruitment schedule??????

## How We Get The FACTS Using SHARES!

We all know that the SHARES system can be an effective tool to collect the data needed to track grant progress. The reports that are generated give grantees, USDA Rural Development, and T&MA contractors the information needed to guide and manage the SH program. It also provides insight into funding trends.

NCALL wants to emphasize the importance of entering all loan closing data, so here's a step-by-step guide to assist you.

1. From the menu, select SCREENS – BORROWER
2. On page 1 of the BORROWER SCREEN, enter the DOCKET STATUS DATE, and the STATUS OF DOCKET.
3. SAVE your entries.
4. Select PAGE 4
5. Under FUND TYPE, there are the options "RD Loan", "Other Loan", "Deferred Loan" or "Grant."
6. Under SOURCE, there are the options "502 Single Family Loan", "CDBG", "HOME Funds", "Fannie Mae", "SHOP Funds", "State Financing",

"Other – Public Financing", "Other – Federal Financing" or "Private Financing".

7. Under LENDER, enter name, if applicable.
8. Finally, be sure to enter the DATE and AMOUNT of Financing.

Please note: These are the critical fields that need to be completed in order to pull an accurate report.

NCALL recognizes that some Habitat agencies do not use 502 monies, but it would be most helpful to enter the dollar amount in the OTHER FUNDS field.

The bottom line is that we want to provide the very best technical assistance possible. The information provided via SHARES allows us all to have a snapshot of where a grant and the program is at any point in time. We use these facts as an efficient management tool to serve you better.

If you have any questions or concerns about entering borrower's information, contact your assigned Self-Help Specialist at (302) 678-9400.

## Higher Density May Be More Affordable



In NCALL's region, grantees often struggle with the high cost of suitable building lots. We often hear,

"If there is an affordable lot, you probably don't want it." In the spirit of doing more with less we are forced to look at higher density solutions.

Higher density housing is not always a popular solution in rural areas. In fact, many families you work with hope to have a home outside of town with a large private yard. Unfortunately, too many times, the cost of that dream lot makes the house unaffordable. There is also a misconception that high density means low income. In fact, the highest cost areas in the United States are very densely populated.

To make a self-help project more affordable, self-help agencies should consider higher density solutions like building on smaller lots or zero lot lines, twin and town homes are also a viable option. However, a grantee needs to remember, it is all in how the project is marketed. Be careful not to label it. Focus on the positives. Use smart, attractive building practices and strive to develop a sense of community in your projects. In this era of Smart Growth planning, higher density housing near to infrastructure, may be a good option worth considering in your area.

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## Send in a Nomination!!!

Does your organization have an employee that is exceptional? Someone who regularly goes above and beyond the call? Someone who came up with an idea or a process that is making the self-help program run more smoothly? If so, we want to know about them.

grantee staffer every newsletter in a new section we are calling "Staff Super Stars." Send your employee nominations to Jill Lordan at [jlordan@ncall.org](mailto:jlordan@ncall.org) and we will choose a different staffer to highlight in every *Self-Helper*.

Thanks for your help!!

NCALL would like to highlight a

## Best Practices – Hiring the Right Person for the Job

Many grantees would agree that one of the most important aspects of running a great self-help housing program is finding the best staff to do the job. This task can be challenging for this field where most areas can not find staff that have experience with this exact program. Therefore, decisions need to be made regarding what qualities and experience to look for during the hiring process.

Most organizations have probably experienced on at least one occasion a “bad hire.” This would be when the person that was hired did not seem to be the same person that applied and was interviewed for the job. Most applicants are on their best behavior during the interview, but once in the position, their true attitudes, talents, and skills (or lack thereof) emerge...and they may not quite

be what you bargained for.

Organizations need to have a process in place to ensure that they do their best to find the right candidate. Here are several tips that can assist with this process:

- Accurate job descriptions. Be precise when wording the job descriptions.
- Specific ads. Too many job ads are vague and may attract the wrong people.
- Utilize assessments. Tools are available for you to assess the behavior, skill set, personality and capability for the candidate. Use them!
- Have more than one person interview the applicant. It is always helpful to have more than one opinion on a potential candidate. Meet to discuss them afterward.

- Have provocative and challenging interview questions.
- Develop a ranking chart that clearly spells out what qualities and skills are most important. Use this chart to rank the applicants after all of the interviews have been conducted. This helps you to not be won over by a candidate because of their strengths in one area. It gives you the big picture, taking all important aspects into account. *(NCALL’s suggested format for Project Director and Construction Supervisor are located below.)*
- Conduct a second interview with your top choice to discuss any issues or concerns identified in the first interview.
- Check references and verify information presented to you on their resume and application.

### Sample Ranking Charts

#### Project Director

Applicant	Education 0-5	Management Exp. 0-10	Supervisory/ Administrative Exp. 0-10	Construction Exp. 0-5	Site Development Exp. 0-5	Mortgage Finance Exp. 0-5	Public Speaking Exp. 0-3	Nonprofit Exp. 0-3	Writing Sample 0-3	Test 0-3	Interview 0-5	Total	Issues to Consider
<b>A</b>													
<b>B</b>													
<b>C</b>													
<b>D</b>													

#### Construction Supervisor/Manager

Applicant	Education 0-5	Residential Construction 0-10	Construction Management 0-5	Site Development 0-5	Other Hsg. Exp. 0-5	Teaching Exp. 0-5	Supervisory Exp. 0-5	Computer Exp. 0-3	Other 0-2	Test 0-3	Interview 0-5	Total	Issues to Consider
<b>A</b>													
<b>B</b>													
<b>C</b>													
<b>D</b>													

## New Homeowner Education Requirement - Doing More With Less...

On February 5, 2007 the final ruling was released in the Federal Register which requires homeowner education to be provided to Section 502 Direct Program borrowers. The homeownership education must be provided by a Rural Development approved non-profit agency. According to Rural Development's unnumbered letter dated February 28, 2007, the homeowner education courses should be free of charge or have a nominal fee of less than \$50.00 paid by the families. This ruling became effective on May 7, 2007.

But how is this new ruling to be implemented with the Self-Help Housing Program? Under no circumstances will a grantee be allowed to charge any fee for this service. Under the new rule, grantees must either become a certified provider and provide the homeowner education themselves (at no cost), partner with another non-profit that is certified to provide the counseling, or provide a referral list of approved agencies to the families. Of course, the latter two options would give grantees less control of the progress of the families, but might be the only option based on an agency's funding and/or employee resources.

A grantee who wants to provide homeownership education should consider two issues:

1) A grantee may be approved to provide the homeownership education but is not able to pay for the material and supplies. With many nonprofits experiencing across the board funding reductions and needing to do more with less, offering the course free of charge may not be a viable option. Consider partnering with a local bank or other company to have the supplies (or funding for same) donated. FannieMae, FreddieMae or HUD may be contacts for possible free supplies and may have curriculums available. Grantees may also contact NCALL for assistance with developing a homeowner education curriculum.

2) If your agency is looking for additional funding to become an approved housing counseling agency, take a look at the funding sources available in the state that may assist your agency. HUD has housing counseling funds in their Super NOFA. NeighborWorks America also provides some funds to their affiliates. The unnumbered letter provided a few references to organizations and government

agencies' websites that may assist in accessing homeowner education materials or courses. They are:

- NeighborWorks America: [www.nw.gov](http://www.nw.gov)
- US Department of Housing and Urban Development: [www.hud.gov](http://www.hud.gov)
- HUD approved housing counseling agencies: <http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm>
- National American Indian Housing Council: [www.aihc.net](http://www.aihc.net)
- There are other agencies that you may work with. Check with the local or state RD offices for assistance.

Now is a great time to think about funding options that may not have been tapped in the past. Whether an organization is thinking about becoming an approved housing counseling agency or partnering with community partners for funding and presentation support, contact NCALL for assistance. We can help!

***Think partnerships and possibilities!***

## New Application Forms Required

The next time your organization puts together a new application for governmental funding, please be aware of the new forms that should be used. The SF-424 now has a Version 2 that should be used. It has a different format and is four pages long, but requires roughly the same information. Additionally there is a new version of HUD's Affirmative Housing Marketing Plan, HUD Form 935.2. Now organizations must use the 935.2B, which is specifically for single family housing projects. Again, roughly the same information is required. These forms can be downloaded from the internet.

☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆☆

☆☆ **NCALL Welcomes** ☆☆☆

☆☆ **New Grantee** ☆☆☆

☆☆ Welcome Southeast Iowa ☆☆☆

☆☆ Regional Planning Commission! They are planning to ☆☆☆

☆☆ build 12 homes in Henry ☆☆☆

☆☆ County, Iowa over the next ☆☆☆

☆☆ two years. ☆☆☆

☆☆ Congratulations SERPIC!!!! ☆☆☆

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## Affordability – Regional Conference Call Overview

One of the most important issues facing many grantees is affordability. How can we keep the homes affordable to the participants that the self-help program is meant to serve? This was the topic of discussion for NCALL's latest regional conference call which was held on April 27th. Approximately seven grantees entered the discussion and lots of ideas were discussed during the call. Here is a summary of that discussion.

According to the call's attendees there are many ways to combat high prices and keep the loans affordable to self-help housing participants. The following ideas were suggested:

- Working with State and local governments for reduction in taxes/fees or providing grants.
- Looking at house packages for changes or panelization.
- Going green / weatherization.
- Receiving additional grants such as SHOP, AHP, or CDBG.
- Increasing density with zero lot lines or attached housing. (This idea is discussed more in the article on Page 5.)
- Lessen the cost of land by either moving to subdivision development or finding in-fill lots in town.
- Seeking donations and/or discounts that contribute to affordability.
- Lessen the lot expenses by partnering the town with Rural Development to access their public utility programs and grants.

Is your organization doing all it can to keep the homes affordable to the participants? Maybe some of these ideas can help your program!

### Affordability Calculation

NCALL has developed an affordability calculation. The following formula will tell you the minimum gross income families need to qualify for your program.

Estimated Mortgage Amount x .00297 (the factor at 1% for 33 years) = Principal and Interest + Estimated Monthly Taxes and Insurance = PITI x 12 / .29 = The minimum amount of gross income a family must earn for mortgage affordability.

Example: \$120,000 x .00297 = \$356.40 + \$33 + \$225 = \$614.40 x 12 / .29 = a minimum income of \$25,424 is required.

**Is this your intended income market?**

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