

Self-Helper

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Celebrating Homeownership through Self-Help Housing

NCALL is thrilled with all of the events taking place in our region to recognize 2006 National Homeownership Month. We are attending as many as possible and have really enjoyed the opportunity to join our grantees, homeowners, Rural Development staff, and other partners at these occasions. The variety of events occurring within our region range from Self-Help Builds and Check Presentations to Open Houses. Everyone is being so creative in their approach and delivery of these events.

The Self-Help Build Day, sponsored by Milford Housing Development Corporation, on June 1st kicked off the month's activities in our region. At this writing 7 events have already occurred. We hope you enjoy the included photos that highlight some of them; we wish we could have included them all.

Thanks to everyone who has worked hard to make these events happen!!

Telamaon ED Richard Joanis with Telamaon WV and Rural Development staff at their Self-Help Build Day.



Interfaith Housing President Jim Upchurch accepts a check for their new Pennsylvania grant from PA State Director Gary Groves and Undersecretary Thomas Dorr.



NCALL Self-Help Housing Specialist Lisa Spellman gets to work at Milford Housing's Self-Help Build Day.



Home Energy Advantage Could Help with Qualifications

In support of National Homeownership Month Agriculture Secretary Mike Johanns announced special eligibility considerations for low- and moderate-income home loan applicants who are purchasing newer, energy-efficient homes. Under the special program, called Home Energy Advantage, the qualifying ratios used to determine an applicant's ability to repay a home loan may be exceeded by up to two percentage points if an energy-efficient home is purchased.

Eligible applicants to Rural Development Section 502 home-

ownership loan program will receive increased flexibility in their loan eligibility determinations if they are purchasing a newer home that is energy efficient. In some cases, applicants may be able to afford a larger loan amount due to the qualifying flexibility because lower utility costs associated with newer homes equate to more income that can be applied to mortgage and other debt payment in a given month.

All new homes that that are built to meet the 2000 International Energy Conservation Code (IECC) or a subsequent compa-

table code are considered energy efficient and eligible for the two percentage point increase in the qualifying ratios. Existing homes that meet the same standard, or are being retrofitted to meet it, are also eligible. The program is a nationwide pilot, and will operate for the next 18 months.

Contact your local Rural Development office or their website at www.rurdev.usda.gov for more information on this pilot program. For information regarding 2000 IECC contact Mark at NCALL.

Paperwork Reminders



Nothing is perfect: everything can be improved. When it comes to paperwork, neglect can cause major headaches, so a positive change or two in your files and procedures can pay big benefits. Here are some paperwork tasks that could use some attention in every organization.

Employee Records

A well designed personnel system will include a separate set of files for every employee of the organization. One file should be a permanent file, and should be kept in a locked office because of confidentiality of the information. Usually a staff person in a managerial position, or the Executive Director, will be in charge of the personnel files. Examples of permanent employ-

ment paperwork include the employment application, the Employment Eligibility Verification Form I-9, and any photo copy of required licenses. In addition, additional folders can be created to hold annual performance reviews, pay rate change forms, and other details of the day-to-day employment history. If your organization needs to revamp this record keeping system, now is the time to get started.

W-4

All new employees complete a W-4-Employee Withholding Allowance Certificate. There is a worksheet to this form that allows the employee to calculate the proper level of withholding. If an employee fails to give a completed W-4, they must be treated as filing single with zero dependents.

It is important for employees to

review their W-4 calculations and make changes accordingly. To request updated W-4's from employees in January is a good practice. IRS does not require that employees provide a new W-4 but it's a good idea to let the employees know that they can adjust their certificates to match their current circumstances. Accurate withholding of income taxes is critical to avoid unhappy results. Nothing causes unhappiness like a big, unexpected tax bill, and it is human nature for an unhappy employee to blame the payroll system for their troubles.

Keep on top of the changes

These files and forms should be reviewed and updated annually. Some fine tuning of your filing system and tax forms will help you to keep things straight.

Grant Limitations and Funding Implications

The National Office of Rural Development issued an unnumbered letter on May 9th to help deal with the current 523 funding situation. This is having an impact on a large number of organizations in our region.

The following summarizes the new limits.

- Existing grantees will be limited to no more than a 10% increase over their previous grant;
- New grantees will be limited to an amount not to exceed \$400,000;
- Funding to predevelopment grants will be limited to organizations that serve an area affected by the 2005 hurricane season that is not already served; is located in a state without a self-help housing program; or is in a designated Underserved County.
- Other predevelopment grant applications will be held until the 4th quarter for possible funding.
- Other additional funding will need to be well justified and will be considered only on a case-by-case basis.

Because of this high demand for 523 funding, once 3551 is final, there is a very good probability that the 523 funding process will go to a NOFA (Notice of Funding Availability). If implemented, the NOFA process will be a competitive one with TA cost being a ranking factor.

NCALL wants grantees in our region to be aware of this. Planning a two-year program is not an overnight process and with

TA cost becoming a ranking factor we want you to have the opportunity to start addressing these issues.

For the fiscal year 2005, the national TA cost average based on 523 grant obligations was \$19,735. NCALL's average was \$22,783. This cost represents seven grants with an average of 14 houses per grant. Currently TA costs in our region range from \$15,900 to \$32,000, with an average of \$24,240.

There are many potential reasons for higher TA cost, the main one being the size of the grants. The more production a grantee has, the more efficient the grant tends to be. Adding one or two houses can help to reduce the TA cost without impacting the total overall cost. Other factors are the high cost areas and short building seasons with which this region has to contend.

No matter the reason, grantees should seriously look at their plans for the future to help offset this new potential ranking factor.

NCALL is committed to our grantees, with the common goal of creating successful homeowners. We can be a good sounding board for your ideas and thoughts on how to address these current issues and for future grant planning.

Self-Help families taking a break during Telamon West Virginia's Self-Help Build Day.

National Self-Help Housing Conference Recap

NCALL's Self-Help Housing team of nine traveled to Denver, Colorado in mid-April to attend and present sessions at the National Self-Help Housing Conference.

The theme for the conference was "Self-Help Housing: A Window of Opportunity." NCALL's staff, along with approximately 650 other attendees enjoyed the two and a half days of training and networking that the conference offered.

Being represented from NCALL's region were 16 operating and three predevelopment organizations, along with 4 prospective and 3 inquiries. Of the 21 states in NCALL's region 17 had a representative in attendance.

Forty-nine training sessions were offered covering topics from Fair Housing & Civil Rights to Section 8 Homeownership Program. There were also times to network at a reception and a luncheon that were held during the conference.



Credit Scoring—Just When You Thought You Got It, It's Changing

FICO vs. VantageScore

On March 14, 2006, the nation's three consumer credit reporting companies - Equifax, Experian and TransUnion - jointly announced the introduction of a new credit score model called VantageScore. This method was designed to simplify and enhance the credit process for both consumers and credit grantors.

The advantage of this new scoring model will be greater consistency and predictability. Another plus for VantageScore will be that it can score consumers with insufficient credit histories, whereas the current systems tend not to return a risk score due to insufficient credit history. VantageScore returns more predictive scores on consumers with limited credit histories, thereby reducing the need for creditors to go through a manual review process and impose their own personal methodology to determine credit worthiness. Currently the three major bureaus collect and report credit information differently, even though the same basic FICO model is used at all three to generate comparable scores. The goal is more consistency in scoring, more accuracy in reporting information and an easier to understand score range which will be between 501- 990 and carry a scorecard similar to a school grade. The scorecard will look like this:
901-990 equals "A" credit
801-900 equals "B" credit
701-800 equals "C" credit
601-700 equals "D" credit
501-600 equals "F" credit

Credit Score Confusion

FICO and VantageScore use two different ranges. The classic FICO scale runs from 300 to 850, while the VantageScore starts at 501 and runs to 990. The bureaus say that the new model will, unfortunately, not eliminate *all* the discrepancies that affect credit ratings. There still will be some variances but they will result from data differences between the three consumer credit reporting companies and not to the structure of the scoring model or interpretation of the data.

For example, if a credit report has incorrect information, is missing critical information, or if some data is not even being reported to one of the agencies, this can reduce the score no matter what the scoring formula. In addition, while the credit bureaus haven't disclosed how they will rate credit utilization under VantageScore, it's likely to be similar to the FICO model.

What's Yet to be Proven

Before we start celebrating, keep in mind that the new system has not proven to be superior, nor has it been tested head-to-head with FICO. Currently, the three major credit reporting agencies pay FICO for the use of its credit model. Although they will save money by cutting out the middleman, most lenders like the FICO (Fair Isaac Corporation) formula. It is estimated that FICO scores are used by 80% of the 50 largest banks and used in 75% of the mortgage origination decisions according to Ron Totaro, Fair Isaac's general manager for

global scoring solutions. "We're a force because we've been at this for 50 years."

According to Liz Pullman Weston of MSN Money, it is possible that lenders who adopt VantageScore will decide to tighten their underwriting guidelines while waiting to see how the new score model works out. This would mean harder credit guidelines. FICO has, over the past few years, let consumers "peak" into its "simulator" through the MyFico.com website. The simulator shows how certain actions might affect your score, but you're given a range rather than an exact answer. VantageScore promises to provide clear guidance about what goes into the scores and how consumers can better their numbers. How specific that guidance will be remains to be seen, but Kerry Williams, group president of Experian's Credit Services, said that he wants consumers to know *exactly* how certain actions can affect their scores. FICO allows the consumer the purchase their risk score. At the moment we can't buy our own VantageScores, although, according the recent articles, Experian promises to make them available to consumers in the next few weeks, and the other bureaus say they'll follow suit by the end of the year. Then we'll have some more information to gauge whether VantageScores really are a better mousetrap -- or just more of the same.

Let's stay tuned to see if this new credit model works in the consumers' favor!

SHOP Applications Soon Due

Applications for the SHOP 2006 round are available now and are due in HAC's national office on Friday, July 7, 2006, by 4:00 pm EST. To obtain an application contact HAC or visit their website at www.ruralhome.org.

Since 1996 HAC has received eight SHOP awards for a total of \$68.3 million to support the production of over 6,200 self-help units across the country. Eligible applicants for SHOP funds include public and private non-profit self-help organizations. The following is a list of other SHOP requirements.

- SHOP loans must be for affordable housing projects, in which the eligible homebuyer contributes a significant amount of sweat equity on the construction of their own home, minimum of 100 hours.
- SHOP eligible projects may be located in urban and rural areas.
- SHOP funds are to be used exclusively for land acquisition and infrastructure improvements associated with self-help housing for low-income households, as defined by HUD (below 80% of the area-wide median income).
- SHOP funds may not be used for actual unit construction or rehabilitation of existing units. Reimbursement or refinance of acquisition costs incurred prior to March 8, 2006 is not a SHOP FY 2006 eligible cost.
- The average SHOP loan per unit may not exceed \$15,000.
- This interest free loan is due and payable to HAC when the developed lot is sold to an eligible self-help housing participant or by the due date of the loan, whichever occurs first.
- A 1% HAC loan service fee is included in the loan amount.
- Two-year loan term for borrowers

constructing four or fewer units. Three-year loan term for borrowers constructing five or more units.

- Take-out or permanent financing must be committed.
- SHOP loan must be fully secured. LTV no greater than 100%.
- Eighty percent (80%) of each SHOP loan may be forgiven, at HAC's sole discretion, when funds have been used to produce the required number of affordable self-help housing units by the deadline and other loan agreement conditions have been satisfied. These grant conversion funds may be passed on as grants or loans to self-help families, or may be used by a borrower to capitalize an internal revolving development loan fund.
- Completion of a HUD Environmental Review, per 24 CFR 58, is required prior to disbursement of SHOP funds. Applicants may expend funds for which they expect SHOP reimbursement to acquire sites **prior** to receipt of a HUD environmental review approval. However, the borrower accepts all risk in the event that an environmental problem is uncovered after acquisition.
- Applicants **may not** incur infrastructure improvement costs for which they expect SHOP reimbursement before receipt of HUD environmental review approval. Properties acquired and or developed with FY 2006 SHOP funding must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. Quarterly reporting required.

Applications for SHOP funding are reviewed on a competitive basis. All SHOP 2006 applications must include a HAC issued application code. Once HAC receives a complete application

Welcome New Grantees!!

NCALL is very pleased to welcome two new grantees.

Operating Grantees

Bread of Life Ministries is a brand new self-help housing grantee. They are preparing to build 11 homes near their Augusta, Maine location.

Interfaith Housing of Pennsylvania just received a new grant to build 21 homes in Franklin and Cumberland Counties, Pennsylvania.

Congratulations go out to these grantees. The self-help housing program takes a lot of hard work and dedication, but has magnificent results!

(prior to the deadline), loan fund staff verify the eligibility of the project and underwrite its feasibility, scoring the application's merits against other submissions. Funding decisions will be announced in late Fall 2006. If you are interested in applying for HAC SHOP funds, please contact Jennifer Castro, Loan Fund Program Assistant, at (202) 842-8600, ext. 128, for information regarding application criteria and to request an application packet. All potential SHOP applicants are pre-screened to ensure eligibility.

For further information about SHOP funds and the HAC FY 2006 SHOP Program, please contact Dierdra Pressley, Loan Officer, at (202) 842-8600 ext. 154, or Jennifer Castro.

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Tidbits

- Sign up for USDA's free email service from the Regulation and Paperwork Management Branch. They will send emails anytime a new AN, PN or Un-numbered Letter has been released. Sign up by emailing comments@wdc.usda.gov.
- There have been revisions made to Chapters 4 and 10 of the 3550 Handbook. These chapters deal with Borrower Eligibility—Income and Leveraging. Most of the changes incorporate the provisions included in previously issued unnumbered letters. Check Rural Development's website at www.rurdev.usda.gov for more information.
- On April 26, 2006 the new income guidelines were published. These can be found on the following website, www.rurdev.usda.gov/rhs/sfh/sfh_direct_loan_income_limits.htm.
- Area loan limits can be located at www.rurdev.usda.gov/rhs/sfh/RHS%20Area%20Loan%20Limits.htm.

NCALL Turns 30!!



Where were you in 1976? Gas was fifty-nine cents per gallon, a new house cost about \$43,000, and a new car was under \$5,000. And most importantly in 1976, NCALL Research relocated on the Delmarva Peninsula and set out on a journey of rural housing improvement that continues today.

NCALL Research is celebrating its 30th Anniversary and will mark the occasion at an upcoming banquet in October. Please stay tuned for more information on this exciting event as we finalize the details.

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