

# Self-Helper

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## Self-Help News from D.C.

The National Rural Housing Coalition's Annual Meeting is always interesting and informative; this year was no exception. NCALL has two employees that serve on NRHC's Executive Committee; we view this as an opportunity to have a positive impact on public policy surrounding rural housing. Sub-groups on self-help housing, single-family housing, multi-family housing, and farmworker housing met on November 2<sup>nd</sup> and later that day the Annual Meeting was held. It is helpful to get a national perspective on how the programs are working. Legislative briefings and Nuts and Bolts with RHS took place on the next day, where we heard from Administrator, Russell Davis. While Mr. Davis characterized self-help as a high cost program when compared to contractor 502s, he noted how popular it is, the wonderful outcomes from the program, and his willingness to seek additional funding for it in the future.

Information about self-help housing indicated a substantial increase in new self-help 502 loans in the system for FY'05. Also, for the first time in many years, the 523 appropriation was fully obligated. In fact, about \$37.1 million was obligated, which included the \$34 million appropriation along with some previous carryover funds. This has raised concerns about the sufficiency of the \$34 million for the FY'06 budget for 523 TA Grants. Initial estimates from the T&MA Contractors indicated more, and perhaps substantially more, funding might be necessary. RHS is doing a survey of state offices to get a handle on projected demand.

The increase in program spending can be looked at in two ways. With the program being oversubscribed, it will be easier for the administration and Congress to see its value and the demand for it, which hopefully leads to an increase in the annual appropriation. However, in the short term, the funding may become more competitive and RHS will need to find ways to manage the demand. This could lead to implementation of a NOFA system down the road. *(Continued on Page 6)*



## Rising Credit Card Payments – The OCC Attempts to Save Us from Ourselves



More than 115 million Americans carry monthly credit card debt. Unfortunately, many of these Americans include you, me and our Self-Help families. As of August of this year, the Office of the Comptroller of the Currency (OCC), a bureau of the U.S. Treasury Department and a watchdog to protect consumers from abusive and deceptive credit card practices, is cracking down with tougher guidelines on interest rates, marketing tactics and account management practices. According to an article in *Business Week*, in 2004 credit card companies brought in a record additional profit of \$30 billion, mostly through late fees, over limit fees, and high balances.

At first glance, the OCC's response to pressure the credit card companies to **double** the typical monthly minimum payment from about 2% to 4% seems to cause additional hardship to the average consumer. However, at closer glance, un-

der the change, minimum credit card payments will cover not only fees and interest charges, but more importantly, a portion of the original debt. This means that customers paying off their credit card bills should be able to make a dent in their debt and actually pay it off more quickly. The average APR is 16% and this rate can soar as high as 30% - 40% should the monthly payment be made late. On top of this, consumers can get hit with late fees ranging from \$25 to \$50 and over-the-limit fees ranging from \$25 to \$39.

Bank of America has already enacted an increase, and Citigroup, Discover Card and MBNA plan to follow suit. Together, these credit card issuers account for about 40% of the 658 million general purpose credit cards out there.

If you have accumulated \$9,205 on your credit card — the average debt for cardholders according to Cardweb.com — it would take more than 27 years to pay off the debt if you just paid the minimum. Additionally, you

would pay more than \$10,230 in interest. But, if you paid roughly double the minimum (around \$400) every month, it would take you a little over two years and cost you only \$1,863 in interest — a savings of 25 years and more than \$8,300!

That is a significant additional expense each month many people were not counting on. For consumers just scraping by, this further belt-tightening will be difficult. And unfortunately, it comes at a time when outrageous gas prices and rising inflation are already taking a toll.

Hopefully, the pricey lesson to reduce America's overall dependency on credit card debt will cause us to reevaluate how we use credit and reduce our dependency on it.

The self-help participants need to be warned that this change is coming and educated as to why higher monthly expenses can be a good thing in the long term.

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## New Federal Travel Regulations



The new FY 2006 travel rates are out. These rates went into effect on October 1, 2005. Please note that the per diem for non-high cost areas has increased from \$31/day to \$39/day. The lodging rate has stayed the same at \$60. All high cost area

rates are as noted. These regulations can be found at [www.gsa.gov](http://www.gsa.gov), then follow the link to "Per Diem Rates."

The allowable federal mileage rates have also increased as of September 1, 2005 to .485 cents per mile. These rates can also be found at [www.gsa.gov](http://www.gsa.gov), then

follow the "POV Mileage Reimbursement Rates."

Keep in mind, these are the maximum allowable rates per the federal government. Non-profits organizations may choose to reimburse their employees at a lesser rate to comply with their budget.

## AN Defines Requirements for Custodial Bank Accounts

On June 29, 2005, Rural Development issued AN No. 4094 to all State Directors regarding Supervised Bank Accounts (SBAs) and Custodial Accounts used in conjunction with Mutual Self-Help Technical Assistance Grants. The reason for the AN was to provide consistent guidance concerning the use of SBAs in connection with Self-Help construction, and the use of Custodial Accounts to eligible Self-Help Technical Assistance Grantees.

In a management control review of the Self-Help program, it was noted that there was a lack of consistency in how the SBAs were being handled. Borrowers' Section 502 loan funds are typically being placed in Supervised Bank Accounts; however Rural Development has certain form requirements that were not always being met and the files were not being handled in a consistent manner. Rural Development wants to ensure that field offices are trained in the correct use of SBAs as outlined in RD Instruction 1902-A.

Additionally, in an effort to alleviate the field office work load, the National Office will allow the use of Custodial Accounts to eligible Self-Help Grantees. Some grantees may use this alternative method of accounting for their participating families' 502 loan funds.

As in the traditional method of bill-paying, SBA's are established for each participating family and checks drawn on these accounts require signatures from both Rural

Development and the families. The primary differences are in the number of checks required to be written from these accounts and the number of checks received by the vendor. In the custodial bill-paying system, the grantee maintains a separate custodial bank account. Throughout the construction process, some of each family's individual 502 loan funds are deposited into this bank account and held in trust for the families until the funds are disbursed to various vendors. The custodial bill-paying process works in the following way: On a regular basis (weekly, bi-weekly or monthly), invoices for construction expenses are tabulated for each family. One check from each family is made payable to the 523 grantee in the appropriate amount to cover payment of these invoices. These checks are deposited into the custodial bank account. One check is then made out to each vendor from the custodial bank account in payment of the appropriate families' costs. As indicated above, the advantage of the custodial method of bill-paying is a major reduction in the number of checks that must be written and co-signed for each family. For a grantee with more than one group building at a time, this can represent a major savings in time for both the grantee and the Rural Development.

This AN lists the guidelines for approval of grantees who wish to maintain SBA accounts. Approval for each grantee is optional and at the discretion of the Rural Development State

Office. However, the states are encouraged to adopt the following practices. At a minimum, the following requirements must be met for grantees seeking approval:

1. The grantee should have successfully completed at least one grant cycle.
2. The grantee has an adequate bookkeeping system approved by RD to assure funds deposited in each grantee's account on behalf of the 502 borrower is properly distributed and maintained.
3. The grantee has a record-keeping system, which shows that the cost of the materials and services were allocated to each borrowers' account in relation to the actual material and service used by each borrower.
4. SBAs maintained by the grantee on behalf of a Mutual Self-Help group with funds exceeding \$100,000 at any time must have acceptable collateral pledged with the Federal Reserve Bank in an amount not less than the excess as outlined in RD Instruction 1902-A §1902.7. To avoid this situation the field office should monitor the custodial account as draws are requested. It is advantageous to make smaller draws on the borrower's accounts, more frequently, as funds are needed.
5. A letter from the self-help grantees accounting auditor indicating that the proposed method for bill-paying provides a means for an adequate audit trail.

If your organization is interested in starting a custodial bank account system, contact NCALL for assistance.

## Verifying Employment Information

Many resumes contain so little information that the onus is on the potential employer to verify as much as possible about education and employment. It seems more and more that resumes share only the applicant's skills and fewer list specific employment information. There is no doubt that resumes are open to exaggeration and untruth.

Some organizations choose to supplement resumes with Employment Applications. These can be helpful in gaining additional pertinent information; however, applications should only ask legal questions. Employers want as complete a picture about the applicant as possible and they have a choice whether to seek verification of the information provided to them. Verifications take time and someone within the organization must be assigned that task. On the other hand, not verifying applicant information places the organization at risk.

Verification should become part of an approved process that the organization undertakes as it selects and hires employees. This process should be reviewed by an attorney with personnel law experience and then approved by the Board of Directors.

Some verification can take place through the interviewing process. However, optimal verification comes from a "third party". Such verifications should be undertaken in a consistent and documented manner. For instance, a certified transcript from an educational institution verifies

a number of important things, such as the institution, major, GPA, courses, degree, and dates attended. This information is sought to verify what was provided on the resume. It also gives the decision maker additional, helpful, and irrefutable facts. With the number of diploma mills that exist, this can be an important verification to receive.

One might ask why employment references should be verified during the selection process. Organizations may figure references provided by job applicants will only provide positive information, so why bother. Or they may think that Personnel and Human Resources Departments will not provide any helpful information. Both may be true to some extent. The question is, does the organization want to take the chance by not doing its due diligence, and potentially hire an unqualified person?

There is definite value in at least verifying dates of employment, position title, current employment status, and if possible, current or last rate of pay, with most recent employers. An employer is probably considering an applicant because of the type of work experience he/she has, so even this matter of fact information helps the process. It also lets the employer know whether they are considering an honest person or not. Finally, the reference may raise some additional questions to be asked of the applicant.

If there is no specific Human Resources or Personnel Depart-

ment to ask, it is important to determine whether the reference listed by the applicant was a supervisor or a co-worker. A supervisor reference has much more value than a co-worker reference, because the supervisor can speak about performance, accomplishments, and skill levels.

It is suggested that the organization develop a reference form to help assure consistency, while maintaining documentation. Questions to ask could include: position title held, dates of employment, current employment status, rate of pay, whether employee left in good standing, position of reference provider, and more. Should you be able to talk with a supervisor, additional questions can be asked that perhaps relate to an applicant's performance, attendance, attitude, accomplishments, and more. Some employers will share this kind of information and some will not. The trend has been a lessening of information being shared through references. This is no doubt a result of the potential legal ramifications of employers providing information which may impact a hiring decision. At the same time, any verification received is important.

NCALL suggests that as your organization develops its verification policy, that it consult with an attorney specializing in human resources or personnel. How should your organization treat requests for references? Once again, rely on specialized legal council as you develop the policies that guide your organization.

## Don Pierce Joins NCALL's Self-Help Team

On December 12, 2005 Don will begin working on a contractual basis with NCALL Research as a Self-Help Housing Specialist. Don will travel with the team and work out of his home in Ankeny, Iowa.

Prior to this, he was the Director of Rural Housing, USDA/Rural Development in Colorado, Rural Housing Specialist in the Iowa State Office, and a County Supervisor in Spencer, Iowa. After 32 years, Don, a graduate of Iowa State University, retired from federal service and along with his wife, Marilyn, moved back to Iowa.

Don is a results-oriented developer of programs, employees and partners, with proven success in leading a \$76 million/year housing program in Colo-

rado's rural communities. Some of his career accomplishments are:

- Lead the expansion of Colorado's mutual self-help homeownership program from one non-profit to eight.
- Lead an increase in homeownership from \$10 million to \$76 million/year, resulting in nearly 700 new homeowners yearly.
- Developed a "Partnering" process as each mutual self-help group starts construction, highlighting the cornerstones of: teamwork, communication, issue/dispute resolution, and personal commitment.
- First recipient in the Nation of the Eric Joshu Team-Builder award, for outstanding collaboration with

Rural Development's Centralized Servicing Center, St. Louis.

- Eagle Award recipient, for quality housing creation, from the Colorado Housing NOW Conference.
- Developed the first RD leveraged multi-family project in the Nation, teaming-up with Colorado Housing and Finance Authority and the Colorado Division of Housing.

NCALL is pleased to welcome Don to the self-help housing team!



### Denver Awaits



Mark your calendar and pack your bags! The 2006 National Mutual Self-Help Housing Conference will be here before we know it! The conference will be held April 11-13, 2006 at the Adam's Mark Hotel in Denver, Colorado.

Located at the base of the Rocky Mountains, Denver is one of America's most beautiful cities, and one of the most fun. It has the tenth largest downtown in the U.S. - a bustling area centered around a mile-long pedestrian promenade that is lined with outdoor cafes and flower baskets. Down every street there are mountain views. The mountain panorama visible from Denver is 120 miles long and includes nearly 200 named peaks. Downtown Denver is home to three new sports stadiums, 300 restaurants, a restored historic district filled with 90 bars and brewpubs, a collection of museums, a variety of galleries and shopping, the second largest performing arts center in the nation, three college campuses and even a unique downtown amusement park, Six Flags Elitch Gardens. Blessed with 300 days of sunshine a year, Denver is a lively city with a great love of the outdoors. Here you'll find the nation's largest city park system, 90 golf courses and an incredible 650 miles of paved bike trails. The Adam's Mark Hotel Denver is located in the heart of downtown, on Denver's famous 16th Street Mall. It is easily accessible from Denver International Airport.

The conference itself will be packed with useful information, educational opportunities and networking. We hope to see you in the Mile High city!!

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## Landscaping



While visiting Fayette County CAC, a self-help grantee in Washington Court House Ohio, the group coordinator, Kathy Mickey shared a wonderful website that they use with their self help families. As they have come to learn, many of the families are eager to move into their homes once the building cycle has come to a close. They have found that some families are avid gardeners, while others are minimalists when it comes to landscaping.

Fayette County now works with each family to assist them to develop a five year plan for plantings. As they work with the families, they discuss types of shrubs, trees, and flowering plants that a family is interested in planting. They work with them on planting annuals that can accompany perennials year in, and year out.

They have found a website that will help them in this process, Better Homes and Gardens ([www.bhg.com](http://www.bhg.com)). This site has a Landscaping and Design section that is very useful as a teaching

tool for many families. It allows you to see a designed yard, segments of yards, as well as furnishes the user with a plant listing. The site has a great variety of planting scenarios which can be utilized when planning not only individual families landscaping, but also in site development plantings. The site also discusses lawn care and proper care of lawn equipment such as mowers and weed whackers.

Thanks Better Homes and Gardens and Fayette County CAC for a great resource and idea!

## Self-Help News from D.C. *(Continued from Page 1)*

The regulations that govern the self-help housing program are in clearance and should be published in early 2006. These regulations, which will be open to comment, would allow a NOFA system and provide other program changes. Previously when the funding was not fully spent, no case could be made for increasing the \$34 million.

The National Rural Housing Coalition through its Board, Executive Committee, and the work of Bob Rapoza, is dedicated to seeking an increase in 523 appropriations for the future.

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