## The Self-Help Housing Regulations Get an Update

On December 12, 2019, USDA published a Procedure Notice that will in turn make updates to the 1944-I self-help regulations. Conforming changes were made throughout in order to bring the instruction in line with the 7 CFR 1944 Subpart I which was originally updated after the release of 2 CFR 200 which combined and eliminated all old federal grant accounting regulations. NCALL does not think there are any major regulation changes here, but since it came out so recently, we cannot yet give a thorough review. Rural Development has been working on this update for a while and had informed us previously that this will be mostly incorporating old ANs into the regulation that they could no longer issue. For a review of the entire PN, visit: https://www.rd.usda.gov/files/pn532.pdf. There will be sessions at the upcoming national self-help housing conference that will have a review of these changes.

Some examples of the changes include:
- § 1944.403(f), the words project and homes were added to be inclusive of Self-Help Rehab type programs
- § 1944.403(g), revised to reflect that the Equivalent value of a modest home is often referred to as the Cost of Contractor-Built home and encourage States with self-help to release these figures as an annual policy
- § 1944.403(l), ‘rehabilitation type construction’ was clarified to include both acquisition and owner-occupied type rehab
- § 1944.405(f), to add the authorized use of grant funds and added to define the minimum amount of liability insurance required
  - § 1944.407, to add reference to Exhibit H for sample Technical Assistance fee calculations
  - § 1944.407(d), to add standard for cost savings be equal to or greater than the Technical Assistance cost for Rehab type projects
  - § 1944.407(e), added to note that other Technical fee limitation may apply and would be released on annual basis.

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The 2020 National Self-Help Housing Conference is coming up quickly! The conference will be held on Feb. 4–6, 2020 at the Hyatt Regency in Albuquerque, New Mexico. The theme is 2020: Sharing the Vision. This will be a great opportunity for self-help grantees to learn and network with other grantees and USDA RD.

There will be no registration fee this year. We do need to plan for the correct number of attendees, so the deadline for registration is January 20th. This is also when the hotel will stop holding rooms at our reduced rate, so please register soon!

Some highlights of the conference will include a report on the State of the Nation’s Housing from Whitney Airgood-Obrycki, PHD, Senior Research Analyst with Harvard Joint Center for Housing Studies; a session on Impact without Burnout from Master Trainer, Speaker, Author, and Blogger Beth Kanter as well as an overview of the updated 1944-I regulations with Andria Hively from USDA; a Legislative Update from Bob Rapoza and a welcome from Tom Collishaw, President of SHE and the National Rural Self-Help Housing Association. There will also be plenty of breakout sessions and time for networking.

NCALL is offering scholarships to self-help housing grantees in our region. Contact Jill Lordan for more information at jlordan@ncall.org.

We hope you come to the conference for all of the learning and networking ... but New Mexico is the Land of Enchantment and visiting Albuquerque allows you to experience the REAL Southwest.

Best known for its 13 Pueblos, Route 66, and extraordinary conditions for hosting one of the largest balloon fiestas in the world, New Mexico is an eclectic mix of Native American cultural variety, Mexican traditions and Catholic history. Check out Visit Albuquerque for a list of activities, nightlife, restaurants, cultural activities and more at www.visitalbuquerque.org.


We are looking forward to seeing you all in Albuquerque!
Articulating the Impact of Self-Help Housing

When recruiting families for your self-help housing program, it is important to be able to share about the benefits and positive impact of what self-help has to offer. When talking with funders of your organization, you want to be able to share how self-help housing makes a real difference. When talking with local officials you have an opportunity to share how self-help housing supports community goals and planning.

The following are some benefits and impacts to start with. You can take these and add to them, and in some cases quantify them:

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Family/Funder/Official</th>
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<tr>
<td>S-H provides an affordable path to homeownership.</td>
<td>X X X</td>
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<tr>
<td>S-H enables transition from renting to first-time home buyers</td>
<td>X X X</td>
</tr>
<tr>
<td>S-H allows families to build equity, wealth, and a significant asset</td>
<td>X X X</td>
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<tr>
<td>S-H stabilizes family finances and provides a means for the future</td>
<td>X X</td>
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<tr>
<td>S-H turns hard work and sweat into equity</td>
<td>X X</td>
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<tr>
<td>S-H teaches construction skills to enhance current or future employment, adding to the local workforce</td>
<td>X X X</td>
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<tr>
<td>S-H participants, through hands-on building, learn how to maintain their home</td>
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<tr>
<td>S-H participants gain self-esteem and a “can do” attitude along with a real sense of accomplishment</td>
<td>X X</td>
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<tr>
<td>S-H adds to the local property tax base</td>
<td>X</td>
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<tr>
<td>S-H adds utility users</td>
<td>X</td>
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<tr>
<td>S-H participants can own a home for the cost of rent</td>
<td>X X</td>
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<tr>
<td>S-H construction builds a neighborhood and community</td>
<td>X X X</td>
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<tr>
<td>S-H participants learn about money management and credit</td>
<td>X X X</td>
</tr>
<tr>
<td>S-H participants learn about tool use and safety</td>
<td>X X</td>
</tr>
<tr>
<td>S-H construction uses local suppliers, vendors and subcontractors</td>
<td>X</td>
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<tr>
<td>S-H funding and mortgages boost the local economy, multiplying and leveraging</td>
<td>X X</td>
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<tr>
<td>S-H homeownership stabilizes communities</td>
<td>X X</td>
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<tr>
<td>S-H develops leaders for all aspects of the community</td>
<td>X X X</td>
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Finally, tell the family and the community success stories of what Self-Help Housing can accomplish!
Importance of Monthly Financial Reports

One of the most important tasks of Boards of Directors, Executives, CEO’s, and Project Directors is to be fully aware of the organization’s finances. Governance is the chief role of the Board of Directors. Managing the organization’s finances and allocation of resources is a chief role of the Executive Director/CEO. Managing the finances and allocation of resources for a line of business is a chief task of the Project Director.

Without up-to-date, current, and accurate financial reporting, quality governance and management cannot take place. There is absolutely no substitute for monthly financial reports.

Why monthly? Simply because monthly financial data allows for prompt decision making, for taking advantage of opportunities, and for solving problems. By having this information, you will know if there are gains or losses, and you will be able to identify trends. Without monthly financial statements, Boards of Directors, Executives, and Project Directors are flying blind with limited ability to govern and manage the organization or line of business.

The monthly reconciliation of all bank accounts, and the revenue and expenses, is particularly critical to the fiscal management of the organization. Quarterly financial reporting is too lengthy a time period as it results in one fourth of the entire year. Waiting until an audit is done after the end of a fiscal year to learn how the organization did financially, represents gross negligence.

Managers, Directors, Executives, and Board members are in elevated roles in order to be leaders of the organization. Yet, it is impossible to lead without a variety of information – financial, being at the top of the list. How would you know if there is funding to hire a new staffer, consider adding another line of business, or give raises? If monthly financial reports are not currently being produced, reviewed, and used, please make every effort to immediately take the steps to rectify this and require such reporting. If you do so, it will free you up to lead, govern, and oversee the organization or line of business.

Complete This Word Search for a PRIZE!!

Need a break all that reading?! If you are the first person to turn in this puzzle to Jill at jloran@ncall.org, you will win your choice of $25 in Facebook Advertising to promote self-help or business card mini-flyers.

Find these words:

- Budget
- Changes
- Comment
- Financials
- Governance
- Impact
- Proposed
- Regulation
- Reporting
- Update

C G V E O U N U P A K C E C L G
O H H C P I O P N O Y Q H A O
T H L N N R M I N E W J A C J
C K O A M Q O M T R T S N Z Z
A M E N I E E P F A L A G U A
P Z M R Q N T A O A L N E R V
M L H E T D B A I S K U S L U
I H K V Q X C C D M E Z G I W
S B U O J R N B O P I D G E B
P B R G D A M G Y D U F C J R
A M X J N R E P O R T I N G I
D L M I A W Z Y T E G D U B N
C N F Z V H Z U D I Z P R H R
X N I Y H C W T X N D S V J V
E H V A C G W K S G S U Z J S
Personnel Pointers

Personnel administration is an important part of leading an organization and operating a self-help housing program. Yet, this work is often not assigned to a person and far too many leaders, executives, and managers have no training in it. If you are in a leadership role or assigned personnel work, it is important to garner training so that you and your organization are well served.

The following are some personnel pointers. Some are common sense and others are tried and true from many years of experience.

Make sure your Employee Handbook/Personnel Policies are up to date. If your handbook is getting some age on it, it is important to update it to make sure it takes into account all current State and Federal laws, recent personnel trends, that it takes into account how your organization does business, and that it provides the benefits and recourse that you want to provide. You can review other models, draft your updates, and it is suggested to have an experienced HR Attorney make final recommendations.

Make sure Personnel Files are in proper shape. They should be complete, confidential, and locked up. The files must include hiring letter, credentials, tax deductions, performance evaluations, awards, disciplinary actions, insurance card if use personal car for business, any memos related to employment, etc. Each personnel file should tell a story and it should contain plenty of information. These files should document the employee story, the good, the bad, decisions, and actions.

Deal with Personnel issues promptly. Problems related to conduct and poor performance rarely resolve themselves on their own. It benefits management and the employee to articulate expectations and consequences. Inaction generally exacerbates the problem. Facing the issue head-on provides the best opportunity for resolution. Establishing timeframes and milestones for improvement are important. It is ideal to address problems and opportunities when you become aware of them.

Take Performance Evaluations seriously and invest necessary time in them. Performance reviews should be conducted at least annually. This is an important time for a supervisor and employee to discuss performance, progress, any problems that might exist, how expectations were or were not met, and to spend time planning for the coming year. It should constitute a two-way communication as it is important for an employee to assess themselves as well. This is a great opportunity to provide helpful feedback. The employee should receive a copy of the evaluation.

However, personnel related communication should not necessarily wait for an evaluation. It is important to provide helpful feedback all throughout the year. An employee’s Introductory Period, previously called probationary period, is very important for onboarding, training, feedback, and evaluation to assure each new employee gets off to a strong start, and that the supervisor assesses the employee’s suitability for the position.

Use an experienced HR Attorney to help with difficult situations. Managers can benefit from an expert listening ear. Chances are an HR professional has far great experience than many managers and they are aware of state law, workers compensation, and can help with the approach and the wording that may be necessary to help get a difficult situation back on track, or to end an untenable employment relationship.

Rural Development Interest Rate

The Rural Development 502 Direct note rate was reduced to 3.0% a few months ago. Keep this in mind when qualifying applicants. Check with RD’s website regularly to check for changes.
502 Direct Loan Proposed Changes Open for Comment

Rural Development is proposing some sweeping changes to the 502 Direct Loan Program, including ratio changes. On Nov. 25, 2019, a Proposed Rule was published in the Federal Register seeking comments on potential changes. These changes would increase program flexibility, allow more borrowers to access affordable loans, better align single family housing direct programs with best practices, and enable the programs to be more responsive to economic conditions and trends. The full rule can be found at https://www.regulations.gov/document?D=RHS-19-SFH-0020-0001. Comments are due on or before Jan. 24, 2020.

Some of the changes include:
1. Revising and adding specific definitions to § 3550.10:
   - Revise the definition of modest housing, which would allow for the financing of existing modest homes with pools as a result of limited housing stock in rural areas.
   - Remove the definition of national average area loan limit to align with Final Rule changes in August 2019.
   - Revise the definition of the PITI ratio to include homeowner’s association dues and other recurring, housing-related assessments to more accurately calculate the front end, PITI ratio for housing related costs; and in turn, calculating a more accurate Total Debt ratio on the back end.
   - Add definition for principal residence aligning with the SFH guaranteed loan program.
2. Revising § 3550.52(a) to allow a new borrower to use new loan funds to purchase a dwelling from an existing RHS borrower.
3. Revising the packaging fee requirements in § 3550.52(d)(6) to allow the Agency more flexibility to specify packaging fees for the non-certified loan application process, and to ensure non-certified packaging fees reflect the level of service provided and the prevailing cost to provide the service.
4. Revising § 3550.53(c) and removing (c)(1) through (3) to remove the overly restrictive primary residence requirements for military personnel and students.
5. Revising § 3550.53(g) and removing § 3550.53(g)(1) through (5) to include the new definition of PITI for clarity; and to revise repayment ability ratio thresholds to use the same ratios for both low- and very-low income applicants (which will help ensure equal treatment of applicants across the income categories and improve the marketability of the program) and to increase the ratios by a small percentage to reflect common industry tolerances. This change, in conjunction with automated underwriting technology, will address risk layers and reduce the frequent requests for PITI ratio waivers due to compensating factors.
6. Revising § 3550.55(c) introductory text and (c)(4) and (5) so that application processing priorities are applied on a regular basis, and not just during periods of insufficient funding. Current regulations only trigger priorities in application processing when funding is insufficient. However, applying these priorities on a regular basis will provide clear processing priorities for RHS staff.
7. Revising § 3550.56(b)(3) to remove the requirement that the value of the site must not exceed 30% of the “as improved” market value of the property.
8. Revising § 3550.59(a)(2) to remove the requirement that the amount of a junior lien, when it is a grant or a forgivable affordable housing product, may not exceed the market value by more than 5% (i.e. up to a 105% loan to value ratio).
9. Revising § 3550.67(c) to allow more small Section 502 direct loans to be repaid in periods of up to 10 years.
10. Removing the language in § 3550.103(e) regarding a waiver of the requirement that applicants must be unable to obtain financial assistance at reasonable terms and conditions from non-RHS credit or grant sources and lack the personal resources to meet their needs.
11. Revising § 3550.108(b)(1) to modify the requirement for title insurance and a closing agent for certain secured Section 504 loans of $7,500 and greater. This revision would remove the specific dollar threshold for loans which would require title insurance and closing agent.
12. Revising § 3550.112(a) to revise the Section 504 maximum loan amount of $20,000, so that the sum of all outstanding section 504 loans

(Continued on Page 7)
502 Proposed Rule (Continued from Page 6)

to one borrower and for one dwelling may not exceed an amount
determined by the Agency, based on factors such as average loan amount
and repair costs.

(13) Removing the lifetime maximum assistance of $7,500 for a Section 504
grant and allowing the Agency to apply a lifetime grant limit to any one
household or one dwelling.

(14) Revising the Section 504 loan term requirements to specify that the
loan term will be 20 years.

(15) Revising the recapture requirements in § 3550.162(b) to specify when
Principal Reduction Attributable to Subsidy (PRAS) is, or is not, collected.

(16) Revising the payment moratorium requirements in § 3550.207 to
require reamortization of each loan coming off a moratorium. This revision
would require reamortization after a moratorium regardless of repayment
ability, which would reduce foreclosures and better serve borrowers.

Federal Budget Update

Since the beginning of the fiscal year, the federal government has been
operating under a continuing resolution. This CR expires tomorrow. There
has been a budget agreement between the House and the Senate. The
President needs to sign this in order to keep the government operating. It
does seem as though this will happen, but in politics, you never know for
sure until the ink has dried.

It looks like the 523 Self-Help Grants will get an increase from $30 million to
$31 million this year. The 502 Direct Loan program would remain at $1
billion.

Wishing you a Wonderful
Holiday Season and a
Happy New Year!!