



502 Certified Packaging Process

Self Help National Conference 2020

Presenters:

Gina Chamberlain, RCAC

Tom Manning-Beavin, Frontier Housing

**Emily Freeborn, Catholic Charities
Housing Services**

Agenda for the Session

- What is the 502 Certified Packaging Program
- How does this work with 523 grantees?
 - Catholic Charities Housing Services – Yakima, WA
 - Frontier Housing – Morehead, KY
- Discussion on Pros and Cons
 - Small Group Discussion
 - Report Back
- Next Steps in adding 502 Certified Packaging Program
- Questions

Packaging Responsibilities



- Stay informed of RD 502 regulations
- Market the 502 program in your area
- Intake, preliminary eligibility, and assembly of complete applications
- Submit loan packages to intermediary for quality assurance review and final submittal to RD

Becoming a Certified Packager

- Eligibility Requirements
 - At least one year affordable housing loan origination and/or housing counseling experience (resume)
 - Be employed by a qualified employer
 - Complete Agency-approved course
 - If you complete the course, you will receive a certificate of completion. **RETAIN THIS FOR EVIDENCE OF COURSE COMPLETION**
 - Successfully pass the corresponding test
 - If you pass the test, you will receive a notification with your score. **RETAIN THIS FOR EVIDENCE**

Roles

- **Certified Packaging Body** markets the 502 program and works with potential applicants
 - Agency-certified loan application packagers who are employed (as an employee or independent contractor) by
 - Qualified employers
- **Intermediaries** provide assistance to packagers/perform quality assurance reviews
- **RD** determines eligibility and underwrites

What is a Qualified Employer?

- Nonprofit, Public Body, Tribal Housing Authority or State Housing Finance Agency
- Engaged in affordable housing
- Notify RD and applicant if they or their certified packager has financial interest in the property
- Affirmative Fair Housing Marketing Plan approved by RD
- Submit packaged applications via an intermediary

Intermediary

- Nonprofit, public agency engaged in affordable housing or State Housing Finance Agency
- 5 yrs. experience with RD Direct Loan Programs
- Staff with experience in packaging, originating, or underwriting affordable housing loans
- Formal application/approval process through RD
- Provide additional training and technical assistance to packaging bodies
- Conduct Quality Assurance Reviews (QAR) of application packages

When is an Intermediary QAR Required?

- When the state has an intermediary
- When a packager does not have a State Director opt-out
 - Transition period opt outs granted when Final Rule was first made effective in 2016
 - Currently, performance based when a packager meets the success rate and funneled 20 applications through an intermediary for at least 12 months

Note: only applications submitted via an intermediary have access to national reserve funds and priority 4 processing

Who are the Intermediaries?

From the Direct Loan Application Packagers website:

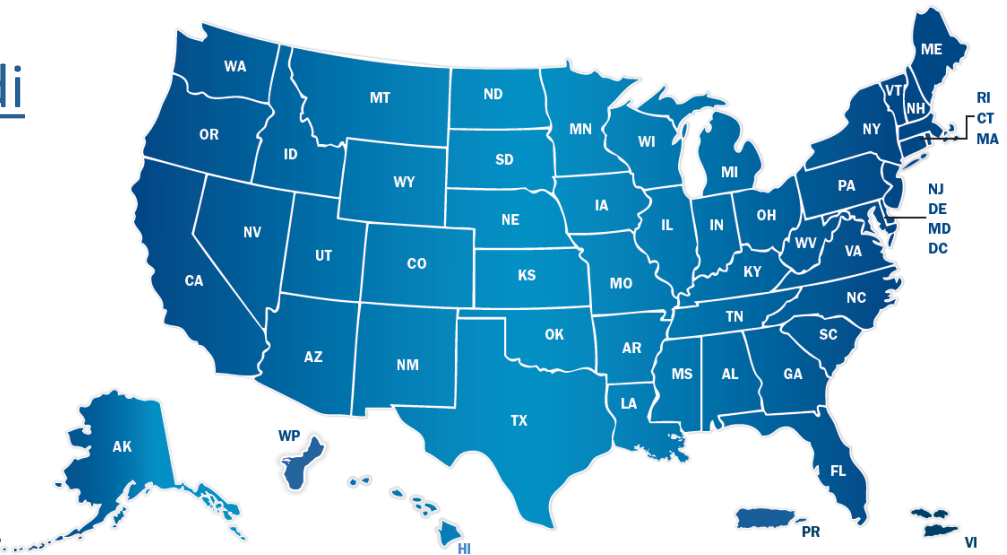
<https://www.rd.usda.gov/direct-loan-application-packagers>

Scroll to “Resources” and select “Intermediary Coverage Map” then select the state.

Rural Development Single Family Housing

Intermediary Coverage Map

Select a state from the map below to view intermediaries that provide services for the counties in that state. For a listing of coverage by intermediary, [click here](#)



Certified Process Packaging Fee

- Fees in accordance with Attachment 3-A (see next slide)
- Fee is shared when an intermediary is involved
- Packaging fee may be paid by:
 - Applicant contribution
 - Seller contribution
 - Gift Funds/Down Payment/Closing cost assistance
 - May be included in the loan provided the borrower has repayment ability for the amount and the appraisal allows it

Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan Purpose?	Access to National Office Reserve?
Certified Packaging Body Via An Intermediary	Up to \$1,750 split between certified packaging body and intermediary	Yes 3550.52 (d)(6) and 3550.75	Yes	Yes
Certified Packaging Body Without An Intermediary	Up to \$1,500	Yes 3550.52 (d)(6) and 3550.75	Yes	No
Intermediary Acting As Certified Packaging Body	Up to \$1,500	Yes 3550.52 (d)(6) and 3550.75	Yes	Yes
Approved Non-Certified Application Packager	Up to \$350	Yes 3550.52 (d)(6)	Yes	No
Other Packaging Arrangements	Not regulated and discouraged when a fee is charged	No	No. The Agency will review the impact of the fee and will make the determination if it adversely impacts the applicant's qualification.	No

Example: Paying the Fee

Transaction Details:

Purchase Price: \$150,000

Seller paying up to \$3,000 in closing costs

Appraised Value \$150,000

Applicant has \$3,000 on hand for closing costs

Closing Details:

Purchase Price: \$150,000

Title and Legal Fees \$ 2,000

RD Fees* \$ 1,000

Packaging Fee \$ 1,500

Total closing Costs \$ 4,500

Seller pays \$ (3,000)

Applicant pays \$ (1,500)

What would change if:

The appraised value = \$151,000?

OR

There were no seller contributions?

*appraisal, tax service fee, initial escrow, etc.



EMILY FREEBORN,
PROGRAM MANAGER





OVERVIEW

About
Homeownership Tracks
Our Process

DISCUSSION POINTS



HOMEOWNERSHIP PROGRAM

INTRODUCTION

- Serves Seven Counties
- Over 200 Homes built to date
- HUD Housing Counseling Agency since 2013
- Mutual Self Help Housing
- Contractor Built Homes (Self Help Lite)





HOMEOWNERSHIP TRACKS

Mutual Self Help

- 30 hr/wk min req
- Involved in all aspects of home construction
- Completes 65% of labor of home build
- Work in build groups of 5-10 families
- 8-10 month construction period
- Home will cost an average of \$30,000 less than market

Individual Self Help

- 250 hours min req
- Clean up, install laminate flooring, backsplash and landscaping
- Only required to work on own home
- 5-6 month construction period
 - Home buyer receives a \$2,500 credit towards home from contribution of labor.
- Home will sell for near market value



Housing Counseling



Identify the
Homeownership Path



Begin
Homeownership Path

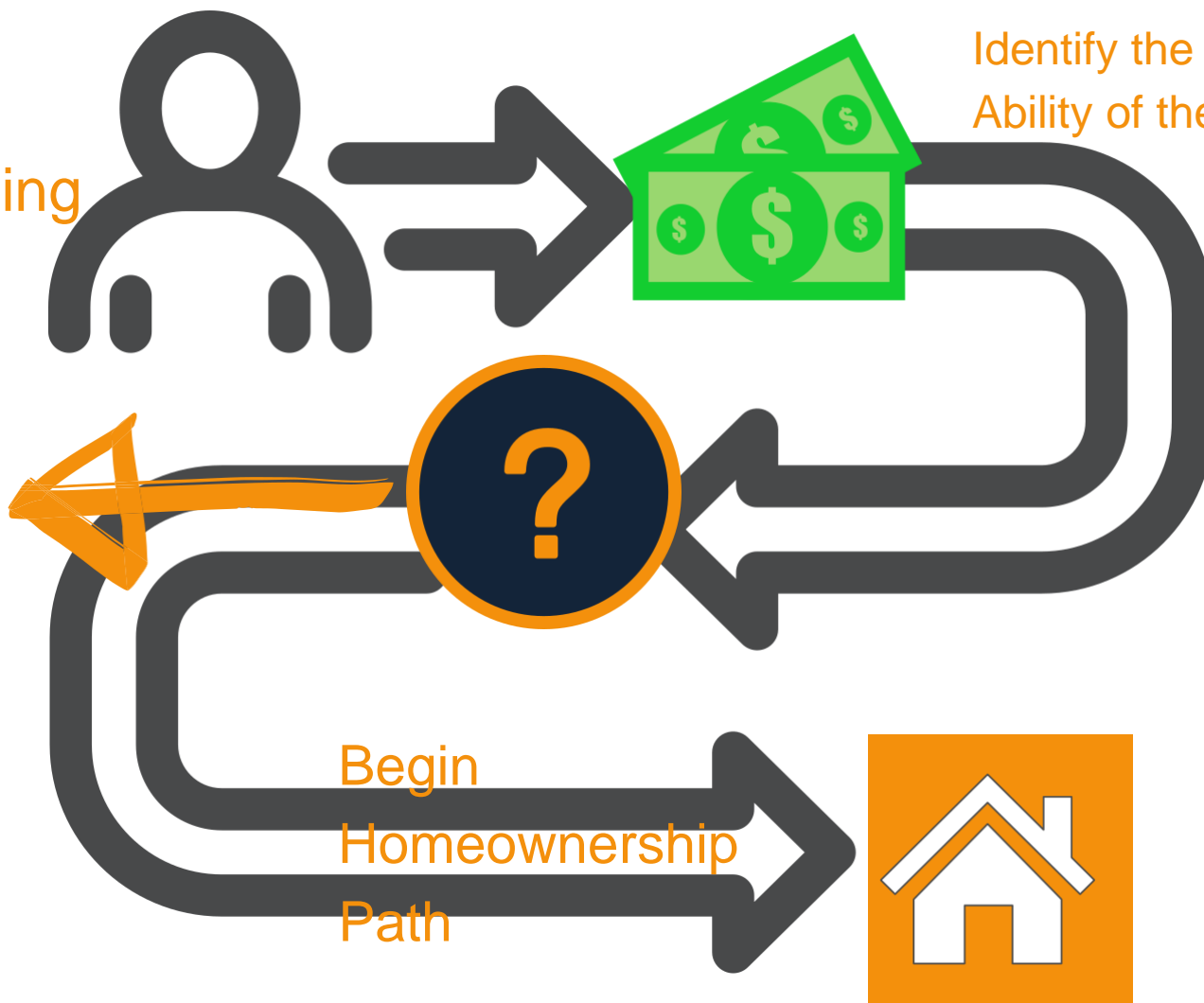
OUR PROCESS



Housing
Counseling

Client
decides if
they can
commit to
sweat
equity for
program

Identify the Borrowing
Ability of the Client



Begin
Homeownership
Path

QUESTIONS

Is there AMI below 80% AMI?

Yes

No

\$ Is there borrowing ability close to the listing price/build cost?

Yes

No

Is there only option for homeownership the Mutual Self Help because they are VLI? (30-50% AMI)

Yes

No

Are they willing to put in the Sweat Equity of the home?

Yes

No

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Great for VLI but the client must be willing to put in the hourly commitment per week.

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Great for those who are a bit higher AMI and can't make the big commitment to Mutual Self help builds

THE CLIENT DECISION

- Ultimately it is the clients decision
- Use your listening skills share the facts and let them make the best choice for them and their family.
- Loan Packing is simple, straight forward and flows to the mediator

THANK YOU!





Tom Manning-Beavin

CEO & President

A solid blue horizontal bar at the bottom of the slide.

our mission.

to provide affordable housing solutions to build better communities.



our history.

Frontier Housing was founded in 1974 by members of the local faith community

Our founding director was Tom Carew.

Our original mission was to repair existing housing stock that had fallen into disrepair.

Our first home built by the organization was in the Fall of 1974 in Carter County.

Our first 502 Direct Loan was in 1977.

We were operated entirely by volunteers until May 1978.

We developed our first subdivision beginning in 1979...we still have 2 lots for sale



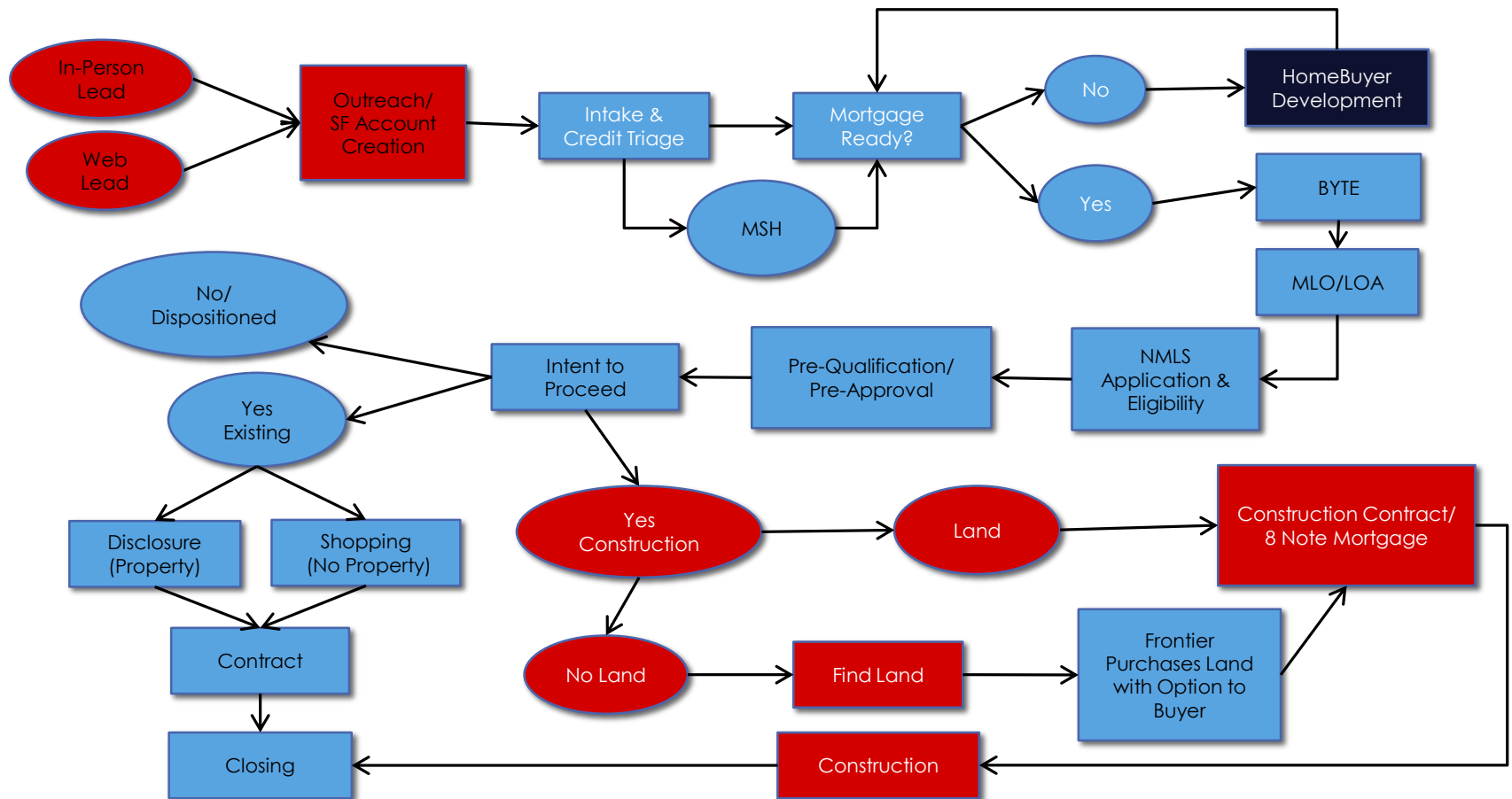
our process.

§523 homebuyers and turn-key new construction homebuyers enter through the same ***'door'***

Group Worker packages both types of buyers

Buyers choose self-help, turn-key new construction, or purchasing an existing home based on their needs and interests





the advantages & opportunities.

Utilizes existing staff capacity

Allows us to serve a wider customer base

Fewer people self-select out of homeownership

Generate additional revenue

- Earned income from sale of turn-key homes
- Fee income from loan packaging



the challenges.

Competition for homebuyers

Need to answer the question: why do self-help if I can get a house built?

- You can buy more house with the same buying power
- You can borrow less to build the same house

Need to track costs separately

- Turn-key homes must generate net revenue
- Know whether or not packaging is breaking even



the solutions.

Make turn-key work worth it to the organization

Price turn-key homes w/ overhead, profit & developer fee

We made turn-key, self-help & purchase of existing homes separate lines of business (LOB)

- We track time by line of business
- We budget financial and production goals for each LOB, and track it
- We know that turn-key new construction subsidizes other operations



Things to Consider

Pros

- Assist additional families
- Option for those unable to commit to SH build requirements
- Ongoing program options for areas between builds
- Utilizing existing org. capacity

Cons

- Competition between programs
- Need to prioritize SH to meet grant goals
- Clear accounting separation between SH and 502 Certified Packaging



When Can I Start Packaging?

- Once you have signed up with an intermediary, you have 12 months to
 - Take the class
 - Pass the corresponding test
- Assuming you meet the eligibility requirements, you may package during this 12 month period.

Who do I Contact to Get Started?

- If an intermediary/intermediaries serve your state
 - Contact one or more intermediaries for your service area
 - Negotiate/agree to the terms with the intermediary
- If there is no intermediary in your state:
 - Contact the RD state office – sign a Memorandum of Understanding (MOU)

Re-Certification

Packager certification remains valid unless:

- an extended period of packaging inactivity
- unacceptable packaging performance
- a recommendation from the intermediary
- other justifiable reason

Questions

