Andria Hively, Finance & Loan Analyst
Rural Development (RD)

Angela Sisco, RCAC
1944-I Updates

Published through PN 532
• Formatting Changes
  • Exhibit tables, extra underlines, etc.
  • Requested January 8th, 2020
• Not that much actually changed or is new, more so it’s finally been put in the instruction

  • Everywhere you see ‘(Added 12-12-19, PN 532.)’ a change was made
    • 2 places no change was made…can you find them?
• 7 CFR 1944, Subpart I-RD Instruction 1944-I must match the CFR
  • Example: Subpart B of Part 1900 no longer exists:
    §1944.413(b) (2) The District Director will notify the applicant of the cancellation and the right to appeal under 7 CFR Part 11 and Subpart B of Part 1900 of this chapter. If the applicant requested the cancellation, no appeal rights are provided, but the applicant will still be notified of the cancellation.
  • Example: 2 CFR 200 replaced OMB Circulars in 2015:
    § 1944.422 (b)(3) Public hospitals and public colleges and universities may be excluded by the State Director from OMB Circular A-128 audit requirements. If such entities are excluded, audits shall be made in accordance with paragraph (a) of this section.

• The Future of Self-Help Regulations
  • 7 CFR 1944-Technical Corrections
    • Grant Agreement Date 19__ to 20__; Appeals Regulations; District Director vs. County Supervisor; SF 269a to SF 425; etc.
  • You tell us…
General requirements changes

- Smaller organizations (5 or less employees) may have a 3 person Board of Directors
- Most current audit required in 523 application
- Payment of insurance and special purpose audit costs allowed
General requirement changes cont.

• DOI/IBC completes Indirect Cost Rate negotiations, Exhibit P outlines instructions
  • RD approves Direct Cost Allocation Plans
• Additional funding limitations may be issued by RD annually
• Exhibit H, TA Calculation, updated to match AN and method that’s been in use
Exhibit H

SAMPLE TECHNICAL ASSISTANCE CALCULATIONS

Requested Grant Amount = $500,000 ($23,810 x 21 = $500,010)

<table>
<thead>
<tr>
<th>Method A</th>
<th>Method B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equivalent Value of modest homes built in area:</td>
<td>Average mortgage of participating families $134,000 minus $1,000</td>
</tr>
<tr>
<td>$160,000</td>
<td></td>
</tr>
</tbody>
</table>

Number of homes built under the grant proposal: 21

Max allowed TA cost per House ($160,000 x 15%): $24,000

Requested TA per house: $23,810

Actual Percentage of equivalent value: 14.88%

(TA cost equivalent per unit of no more than 15% of modest home built in the area)
Equivalent Value of a Modest Home / Cost of Contractor Built Home

- Emphasized and modernized but no change
- Typical contractor built home cost financed by RD + site
- If not available, Marshal Swift or equivalent value
  - Equivalent value is established by RD
- Used in new construction TA Calculations
- NOT the same as the Area Loan Limit
Rehabilitation Type Self-Help Projects

• Definition

  • Equivalent units, § 1944.403(f), word project/homes added to be inclusive of Self-Help Rehab;

  • Participating Family, § 1944.403(K), min. hour requirement for rehab type projects;
    • 10 labor hours for every $1,000 in project costs that are not completed by a sub-contractor.

  • Self-Help, § 1944.403(l), ‘rehabilitation type construction’ clarified to include both acquisition & owner-occupied type rehab;
Limitations

- § 1944.407(d), Cost savings must be greater than or equal to the TA cost
  
  \textit{This amount should be reviewed as an average grant cost savings to the family which is greater than or equal to the TA per equivalent unit cost.}

- §1944.403(n)(8), including 504 loans/grant application packaging
• § 1944.423, **Loan packaging and 502 RH application submittal.**
  - § 1944.423(a) thru (c), added requirements for rehab dockets 502/504 and when using other funding sources are used.

• § 1944.424, **Dwelling construction and standards.**
  - § 1944.424(a) thru (e), to add requirements for rehab type projects.
    - Acquisition vs. Owner Occupied
    - Project feasibility, inspection, bidding, etc.
• RD Instruction 1944-I, Exhibits
  • Exhibit I, ‘Application Processing Checklist-Rehabilitation’
  • Exhibit K, ‘Evaluation Report of Rehabilitation Technical Assistance (TA) Grants’
    • Rehab’s version of Exhibit B for quarterly reporting
  • Exhibit K-1, ‘Instruction for Preparation of Evaluation Reports of Rehabilitation Technical Assistance Grants’
  • Exhibit K-2, ‘Equivalent Unit Tracking and Family Cost Savings for Rehabilitation Grants’
    • Equivalent Unit breakdown
    • Cost Savings Calculation Methods
      • Contractor Cost Savings
      • Appraised Value
      • Hourly Rate of Labor Contribution
Quarterly Reports

• Quarterly Reports due by January 15, April 15, July 15 and October 15

• Progress update
  • Evaluates progress towards grant objectives
    • Assisting the projected number of families
    • Serving very low-income applicants
    • Equivalent Units
    • Labor contribution by the family

• Exhibit B of 1944-I; SHARES generated Quarterly Report; and/or equivalent
QRM Report

Quarterly Report or equivalent must include:

- Assisting the projected number of families
- Serving very low-income applicants
- Equivalent units (EUs)
- Labor contributions by the family
Quarterly Review Meeting

- Meeting is held during the quarter but report covers previous quarter progress
- May be held virtually
- Strongly encouraged but required if the grantee was previously or will be identified as a problem grantee
- Participants will include the grantee staff, RD and T&MA Contractor
523 Draw Requests

- Monthly submission using SF-270, Request for Advance or Reimbursement
- Shows the amount of funds used the previous month
- Amount unspent
- Projected need for the next 30 days
- Justification if the request exceeds 30 day need
- Must be submitted 15 days prior to the end of the month
523 Draw Requests Continued

- Request is based on the approved schedule
- Not exclusively on E.U. production but does take it into account
- Tool and equipment needs
- Training needs
- Other funding needs
- Exhibit L Optional – Draw Request Cover Sheet
502 Draws

• Provide clear documentation of expenditures due
• Invoices
• Coversheet signed by the grantee and participant
Section 523 Grant Funds

• §1944.411, **Conditions for approving a grant.**
  • (g)- In accordance with 2 CFR §200.305(b)(9) interest earned up to $500 per year may be retained by the grantee for administrative expense; and
  • Couldn’t remove $250 from 1944-I
• §1944.411, Conditions for approving a grant.

(g)- Wavier to interest-bearing checking accounts:
(1) The Non-Federal entity receives less than $120,000 in Federal awards per year. (Added 12-12-19, PN 532.)

(2) The best reasonably available interest-bearing account would not be expected to earn interest in excess of $500 per year on Federal cash balances. (Added 12-12-19, PN 532.)

(3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources. (Added 12-12-19, PN 532.)

(4) A foreign government or banking system prohibits or precludes interest bearing accounts. (Added 12-12-19, PN 532.)
• § 1944.405, Authorized use of grant funds.
  • (e) Section 523 grant funds should cover cost for power tool, equipment, etc.
  • “If the grant award will not cover all tools,”
    • Fee amount must be reasonable & approved by RD
    • Must demonstrate that it is the best value as compared to renting from other sources.
    • Funds may only be used for the rental of tools and other miscellaneous shared cost items
    • Rental fees must be tracked as a separate ledger item
    • Disbursements approved and reviewed annually by the T&MA Contractor & Rural Development.
• § 1944.405, Authorized use of grant funds. (f), Liability insurance amounts example.
  • The amount of required liability insurance will vary based on the organization’s assets at risk. For example, assets that could be lost due to employee dishonesty at $100,000 requires matching liability coverage.
Section 502 Borrower Funds

• §1944.425, Updated to include minimum requirements for grantees managing 502/504 funds:
  • Must have an adequate record-keeping system
    • 502 draw request should contain a coversheet signed by both the grantee and the participating family detailing the current charges due from the borrower as well as copies of corresponding invoices
  • A letter from the grantee’s auditor or T&MA Contractor indicating that the proposed method for bill-paying provides a means for an adequate audit trail
§1944.422, has always required the audit of 502 borrower accounts managed by a grantee; however, new language includes:

- Agreed Upon Procedures (AUPs) may be developed and used for the Section 502 or 504 loan funds in custodial accounts.

- At a minimum, an AUP engagement will include a review of the draw requests to ensure charges listed can be traced back to source documents and a reconciliation of the financial institution’s account record.
523 Grant Extensions

- Submit **prior to grant expiration**
- Includes revised budget, implementation schedule, Exhibit B or K and a cover letter clearly outlining the cause of the delay, if it was outside the grantees control, etc.
- Can be for up to one year
- >1 year requires National concurrence
- Submitted to RD
- T&MA Contractor recommendation
High Risk Designation

- Determined by the State Director
- Performance issues defined: any problem that affects grantees ability to meet the grant goals with consideration for issues that may be caused by RD delays
  - Assisting the projected number of families
  - Serving very low-income applicants
  - Equivalent Units
  - Labor contribution by the family
  - Meeting other objectives of the Grant Agreement
High Risk Designation Continued

- Time Bound
- Can be extended
- Allows the grantee more support and assistance from RD and T&MA Contractor
- Exhibit M – new sample “High Risk” Designation Letter
- Exhibit N – new sample High Risk Removal Letter
• §1944.415, **Grant approval and other approving authorities**.
  - All applying organizations are checked against Do Not Pay portal

• Once funds have been obligated, the National Office will issue a letter to the State Director confirming the obligation and outlining any additional closing conditions

• ‘Exhibit J’ Template Letter of Conditions (LOC) will include all conditions to grant closing and/or can be issued with the grant agreement, as applicable

• No funds may be released to the grantee before the grant agreement is fully executed

• Once the grant is closed, a copy of the fully executed grant agreement and LOC are also provided to the T&MA Contractor
Grant Closing and Final Evaluation Updates

• §1944.419, Final grantee evaluation.
  • Failure to obtain at least an acceptable grant rating could jeopardize future grant awards

• ‘Exhibit O’ added for a template final evaluation letter

• A copy of this letter should also be forwarded to the National Office, Single Family Housing, Special Programs Branch and the T&MA Contractor
523 Application Changes

• Exhibit G – Application Processing Checklist
  • Added Audit requirement

• Exhibit I – Rehabilitation Programs Applications/Re-Application/ Amendment Checklist
Question?