



Orientation to USDA Rural Development's Self-Help Housing Program

Prepared by T&MA Contractors
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Agenda

- Overview of Program
- New Construction
- Rehab
- Benefits
- Guidance and Instruction
- Grant Requirements / Application
- 502 Loan Overview
- T&MA Contractors
- What Now?





What is Self-Help Housing?

- **A method for low and very low-income households in achieving homeownership**
- **Families working to build or repair their own homes**
- **Affordable financing**
- **A private non-profit, housing authority or tribal entity**

Self-Help Housing

- Similar to the barn raising of the pioneering rural Americans
- USDA Rural Development began funding mortgages through their 502 program in the 1960's
- In 1971 Rural Development began the 523 Grant Program
- Over 55,000 homes have been successfully built or repaired through this method
- At one time, all 50 states have participated
- Self-Help must be in a rural area as defined by USDA Rural Development



Elements of Self-Help Housing

- **Two-year grant periods**
- **Grant amount determined by number of homes to be built and the equivalent value of a modest home**
- **Requires accurate reports, annual audits, cost allocation, sound bookkeeping and financial management policies**
- **Helpful experience for a 523 grant application includes: construction, 502 loan packaging, project management, housing development, land development and organizational management**
- **Authorized 523 grant uses include staff salaries/benefits, office expenses, tools, audits/accounting system, travel, advertising and participant recruitment**

Self-Help Housing-Participants

- **Must be low or very low income**
- **Must qualify for a mortgage for new construction or rehab loan or grant**
- **Opportunity to own an affordable, energy efficient and attractive home**
- **Invest in a home versus renting-building a long-term asset**
- **Access to some of the best most affordable financing available**
- **Mortgage is reduced through sweat equity, with savings varying by participant**
- **Gain valuable skills which can enhance employ and learn skills to assist in home maintenance**
- **Contributes to building strong neighborhoods and communities.**



Self-Help Community Benefits

- Creates affordable housing opportunities
- Provides access to affordable mortgages
- Homeownership boosts the local tax base
- Brings in federal grant and mortgage funding
- Enhances and improves local housing stock
- Contributes to local economy
- Participants can own a home for what it costs to rent (varies by area)
- Participants learn valuable construction and maintenance skills
- Self-Help can build wealth and equity
- USDA Rural Development involvement may lead to additional opportunities



Self-Help Agency Benefits

- **Supports the organization's mission**
- **Creates a new revenue stream**
- **Offers program flexibility**
- **Generates excitement with new programs, stakeholders**
- **Provides opportunities for staff support and new positions**
- **Builds and strengthens organizational capacity**
- **Could lead to other USDA Rural Development funding opportunities**



Meet the Team--Four Necessary Elements



- **Participants - labor**
- **USDA Rural Development - \$\$**
 - **502 (or 504) and 523 funds**
- **Grantees -Housing corporations - organize and assist the families**
- **T&MA Contractors - training and oversight**

Regulations

1944-I governs the self-help housing program. All grantees should read the regs!

https://www.rd.usda.gov/sites/default/files/1944i_0.pdf

RD Instruction 1944-I
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Part 1944 - HOUSING

Subpart I - Self-Help Technical Assistance Grants

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Types of Self-Help Housing

New Construction

Rehab

- **Acquisition Rehab**
- **Owner-Occupied Rehab**

New Construction



Mutual Self-Help Housing - New Construction

- **Families work together in groups of 4-10 to build their home, contributing 65% of the labor tasks under the supervision of a construction supervisor as outlined in Exhibit B-2**
- **Houses start and finish construction together**
- **No one moves in until all homes are finished and approved**
- **Work is done by the participants in the evenings, on weekends and days off**
- **Families not willing to give up free time should not join a self-help housing group**

How long will it take to build the homes?

**The total process takes
12 to 16 months**

- **3 to 4 months in pre-construction**
- **8 to 12 months in construction**



Pre-Construction Tasks

- Choosing house plans
- Selecting building sites
- Completing Rural Development paperwork
- Waiting for loan approval
- Participating in Pre-Construction Meetings—Key to success
- Educational



Family Labor Contribution

- Families contribute as much labor as is required to complete ALL of the houses in the group
- Families must complete a minimum of 65% of the construction labor tasks
- Technical work such as foundation, plumbing, heating and electrical is subcontracted out
- Generally, each family contributes 30 to 35 hours each week
- Family hours include the labor of either spouse and any child over 16 years of age
- Volunteer labor is allowed with approval from USDA Rural Development

Mutual Self-Help Housing New Construction

RD Instruction 1944-I
Exhibit B-2
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Exhibit B-2 Breakdown of Construction Development for Determining Percentage Construction Completed

| | With Slab on Grade % | With Crawl Space % | With Base- ment % |
|---|----------------------------|--------------------------|-------------------------|
| 1. Excavation The removal of earth to allow the construction of a foundation or basement. | 3 | 5 | 6 |
| 2. Footing, Foundations, columns Footing: Construction of the spreading course or courses at the base or bottom of a foundation wall, pier, or column. Foundation: Construction of the supporting portion of a structure below the first floor construction, or below grade, including footing. | 8 | 8 | 11 |
| 3. Floor slab or framing The floor slab consist of concrete, usually reinforced, poured over gravel and a vapor barrier with perimeter insulation to prevent heat loss. | 6 | 4 | 4 |
| 4. Subflooring The installation of materials used for flooring that is laid directly on the joist and serving the purpose of a floor during construction prior installation of the finish floor. | 0 | 1 | 1 |
| 5. Wall framing sheathing The construction process of putting together and erecting the skeleton parts of a building's walls (the rough lumber work) and, for the exterior walls, covering with sheathing (plywood, waferboard, oriented strand board or lumber) and insulating board to close up the side walls prior to the installation of finish materials on the surface. | 7 | 7 | 6 |

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EXHIBIT B-2

Some tasks participants can be responsible for can include:

- excavation
- framing
- setting of trusses
- roofing
- insulation
- sheathing
- siding
- windows & doors
- drywall
- painting
- interior trim & cabinets
- flooring install
- landscaping



Rehab



Self-Help Rehab

- **Self-Help Rehab is allowed in regulations**
- **Labor is not mutual**
- **Acquisition Rehab or Owner-Occupied Rehab**
 - **Either or a combination**
- **Rehab grants can be combined with New Construction grants**



Elements of Rehab

USDA RD recommends the homeowner contributes a minimum of 10 hours for every \$1,000 on repairs not completed by subcontractors

Repairs will be completed over an 8-12 week period, though this may vary

TA that is provided by the grantee includes:

- **Assisting with applying for funds**
- **Training participants in tasks**
- **Managing and paying bills**



Elements of Repairs for Rehab

Repairs - Each home will be inspected on an individual basis with repairs that will vary

- Health and safety repairs first
- Energy efficiency issues next
- Cosmetic issues last



***Seek homes constructed post January 1, 1978, that are structurally sound, but need improvements.**

Considerations for Selecting Self-Help Type

With USDA approval an organization may propose to do a mix of new construction and rehabilitation based on the local housing market and needs.

When considering which type of Self-Help Program, consider this list for guidance.

Feasibility Handbook will provide valuable insight to assist your organization with making an informed decision.

| Considerations for Selecting Self-Help Type | | | |
|---|---------------------|----------------------|-------------------------|
| | New Construction | Acquisition Rehab | Owner-Occupied Rehab |
| Building lots are available | X | | |
| Families want new homes | X | | |
| Few existing homes for sale | X | | |
| Plenty of existing homes for sale | | X | |
| Existing homes are priced well | | X | |
| Many people own their homes | | | X |
| Homes people own need repairs | | | X |
| Homes can be brought to standard | | X | X |

Program Comparison

Mutual

- Group labor of generally 4-10 families
- Contribute at least 65% labor
- Families move in at same time
- Affordable financing
- Contributes to stable economy

Rehab

- No group labor
- 10 hours for every \$1,000 in non contracted costs
- Families generally live in home during the rehab project



Self-Help Technical Assistance Grant

Purpose:

- Provide technical assistance and supervision to low and very low-income family group builds or individual families to repair and rehab a home.
- To pay administrative costs associated with operating a self-help program
- Grants may not exceed 2 years



<https://www.rd.usda.gov/programs-services/single-family-housing-programs/mutual-self-help-housing-technical-assistance-grants>

Who Qualifies for a Grant and Requirements

- **501 C (3) Non-Profit**
- **Housing Authority or Tribal Entity**
- **Public Bodies**
- **Rural Towns as designated by USDA Rural Development**
- **Meet Program Performance Goals**



Grant Amount for New Construction

- **Determined by the number of homes to be built for new construction**
- **New construction-typically 15% of the Equivalent Value of Modest Housing (EVMH) as determined by USDA Rural Development**

$$\text{EVMH} \times 15\% = \text{TA Cost} \times \# \text{ of proposed homes} = \text{TA Grant Amount}$$



Grant Amount for Rehabilitation

- **Determined by the number of homes to be rehabilitated**
- **Rehabilitation-negotiated between the applicant and USDA Rural Development**
- **1 complete project = 1 EU**



Use of TA Grant Funds



Authorized expenses:

Personnel salaries

Reasonable office expenses and supplies

Employment benefit costs

Purchase or lease of power tools

Insurance

Reasonable fees for training

Consultant and legal fees

Annual audits



Prohibited use of funds:

Paying for labor on the houses

Purchasing real estate or building materials for the families

Paying any debts, expenses or costs to the participants

Any lobbying activities prohibited in 2CFR 200 Subpart F

Skills Needed to Operate a Successful Program

- Ability to communicate and coordinate objectives and goals with funding sources
- Knowledge to identify housing needs of low and very low-income people in the area to be served
- Understand the agency mission
- Strong leadership and management
- Talent to motivate participating families



Typical Staffing 1944.405 (h)

Full or Part time Director

Project Worker

Secretary-Bookkeeper

Construction Supervisor

Additional Self-Help Staffing Titles

- **Loan Packager, Group Worker, Group Coordinator-Recruit, Organize and Package Loans**
- **Project Director-Finding Lots, Houses, Develop Subdivisions, Project Management**
- **Construction Manager or Supervisor-Construction and Estimates, Ordering**
- **CFO, Financial Coordinator, Bookkeeper-Bookkeeping, Records, Financial Reports**

| Typical Position Titles | | Self-Help Functions |
|--|---|---|
| Loan Packager, Group Worker, Group Coordinator | ↔ | Recruit, Organize, Package Loans |
| Project Director or large grant-Land Developer | ↔ | Finding Lots & Houses, Develop Subdivisions |
| Construction Manager, Supervisor, Assistant | ↔ | Construction & Estimates Order |
| Project Director | ↔ | Project Management |
| CFO, Financial Coordinator, Bookkeeper | ↔ | Bookkeeping, Records, Financial Reports |

Board of Directors Responsibilities

- **Organization oversight**
 - ✓ Financial management
 - ✓ Policies and Procedures
- **Mission and Strategic Plan**
- **Knowledge of programs**
- **Authorizes program representative**
- **Provides annual evaluation**



Grantee Responsibilities

- **Recruiting participants (40% very low income)**
- **Conducting construction and pre-construction meetings**
- **Locating suitable building sites or homes**
- **Selecting house plans or Determining repairs to be made**
- **Preparing cost estimates**



Grantee Responsibilities

- **Assisting participants in applying for a 502 loan or other funding**
- **Subcontracting work on the participants' behalf**
- **Supervising and training participants in the construction/repair of homes**
- **Supervising the participants' 502 or 504 funds (or other)**
- **Attend Quarterly Review meetings**

USDA Rural Development's Responsibilities

- Determine loan eligibility
- Review and Process 523, 504 and 502 Funds
- Quarterly Reviews
- Grant Evaluation
- Review grant close-out reports and activity



Participant Responsibilities

- Commit to and Provide 65% labor of the construction
- Build in groups of generally 4-10 families
- Select house plans
- Work on all homes in the build group
- Willingness to learn construction tasks
- Follow the guidance of the Membership Agreement
- Need affordable housing-Home is a **HIGH PRIORITY**



Grant Performance Goals

Must meet 3 of 5 to earn Acceptable Rating 1944-I Exhibit O

- **Assist the projected number of families in obtaining adequate housing (Production Goals)**
- **Assisting very low-income families (40% very low income)**
- **Meeting the family labor requirement in Exhibit B-2 (65% labor completed by the families)**
- **Meeting the projected Technical Assistance Cost**
- **Meeting all other grant requirements**



USDA Rural Development Funds

523 Grant Funds:

Funds provided by USDA Rural Development to the Grantee to administer the Self-Help program

502/504 Funds:

Funds provided by USDA Rural Development for the families to construct or rehab their home

| Mortgage Financing | 502 Direct | 504 Loan | 504 Grant |
|-------------------------------|------------|----------|-----------|
| New Construction | XXX | | |
| Acquisition Rehabilitation | XXX | | |
| Owner-Occupied Rehabilitation | XXX | XXX | XXX |

Financing

- **New Construction and Acquisition Rehab - most common source of funding is USDA Rural Development 502 Direct**
- **Owner Occupied Rehab - most common source of funding is USDA Rural Development 504 Loan and/or Grant**
- **Funding can be leveraged with other funding sources to maximize loan and/or rehab.**
- **Reduced interest rate for low and very low-income borrowers**

| Mortgage Financing | 502 Direct | 504 Loan | 504 Grant |
|-------------------------------|------------|----------|-----------|
| New Construction | XXX | | |
| Acquisition Rehabilitation | XXX | | |
| Owner-Occupied Rehabilitation | XXX | XXX | XXX |

USDA Rural Development 502 Direct Loan Requirements

- **Income eligible**
- **Be without decent, safe and sanitary housing**
- **Agree to occupy the property as principal residence**
- **Show credit and repayment ability**
- **House must be modest**
- **Market value cannot be in excess of the area loan limit**

<https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-direct-home-loans>

Terms:

- **Actual interest rate based on market rate**
- **Borrowers can receive reduced interest rates down to as low as 1% (based on their adjusted annual income)**
- **Families have between 33- and 38-year mortgages**
- **No payments during construction**
- **No downpayment required and very little out of pocket costs**
Closing costs can be financed
- **No PMI required**

Benefits of the 502 Loan Program

- Effective interest rate can be below market rate
- Payment is based on income and adjusted annually
- Repayment period is 33 or 38 years
- No down payment is required
- Closing costs can be financed (up to appraised value)
- No PMI is required
- Interest and mortgage payments are deferred during construction

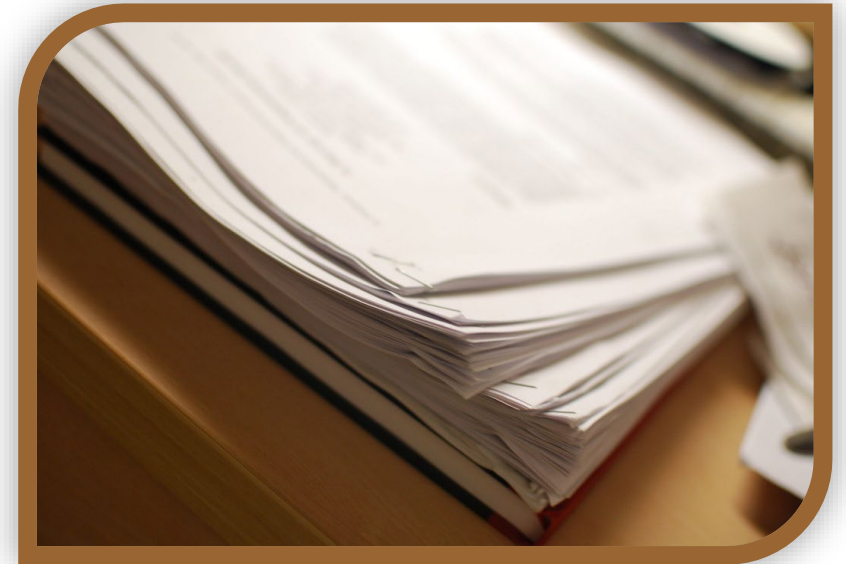


USDA Rural Development 504 Loan or Grant

- **Most commonly used resource for Owner Occupied Rehab**
- **Maximum loan \$40,000 - repair, improve or modernize and remove health and safety hazards (lien on property if more than \$25,000)**
 - **Interest rate of 1% and a term of 20 years**
 - **No downpayment**
- **Maximum lifetime grant \$10,000 (If qualified it can be combined with a loan) -remove health/safety hazards**
 - **Grant is for 62 and older who cannot afford a loan to remove health and safety hazards or remodel dwellings to make it accessible to a household member with a disability**
- <https://www.rd.usda.gov/programs-services/single-family-housing-programs/single-family-housing-repair-loans-grants>

Application Requirements

- First group of builders must be loan eligible (10% for rehab)
- First group's lots have been secured
- All key staff have been hired and available
- House plans, specs & estimates complete
- Organizational documents
- Qualified staff
- Adequate accounting system
- Detailed Budgets

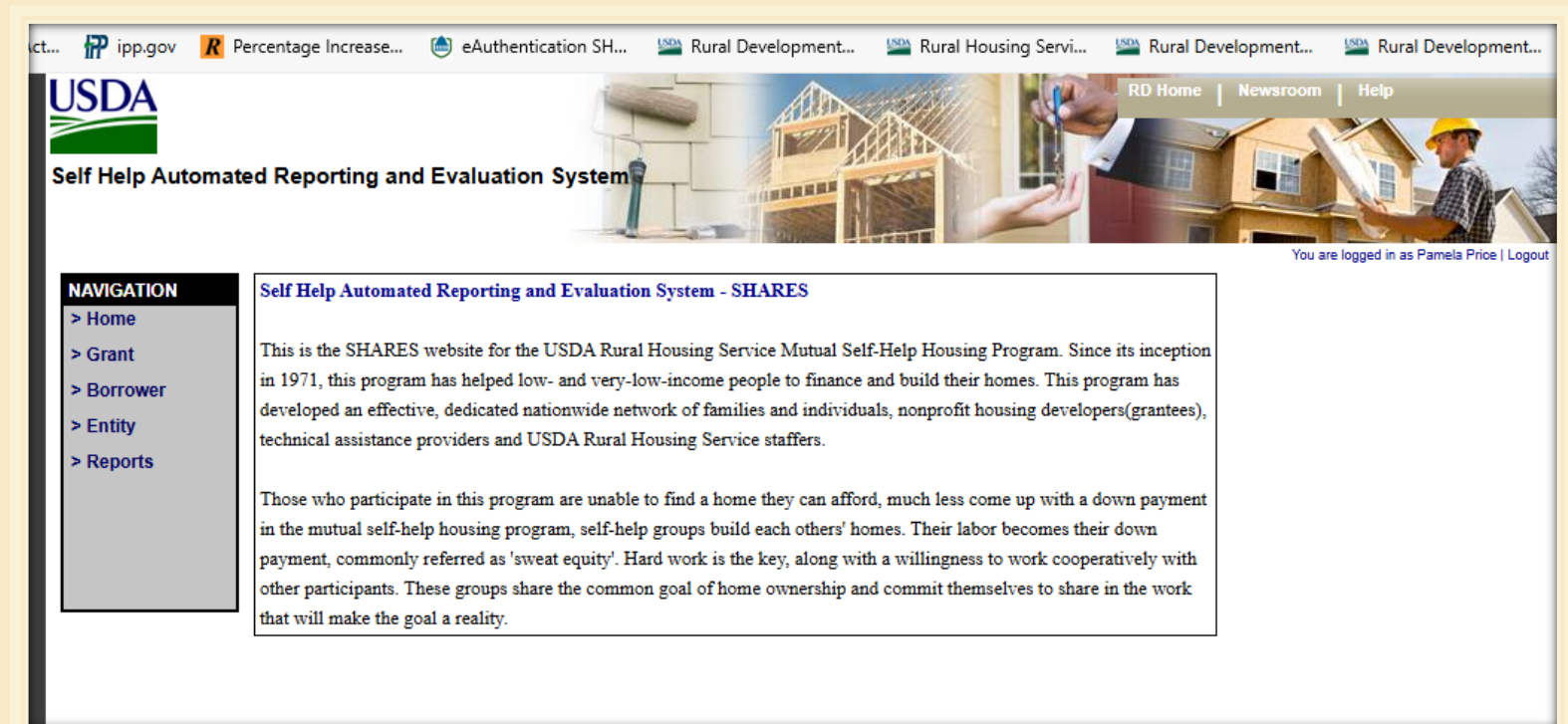


Quarterly Review Meeting 1944.417

- **Attended by USDA Rural Development, Grantee and T&MA Contractor**
- **SHARES reports are reviewed**
- **Funding status and Policy Updates discussed**
- **Grant performance is reviewed**
 - Is grantee assisting the projected number of families
 - Serving very low-income families of at least 40%
 - 65% labor contribution by the families
 - TA cost – Total EU's completed
 - Is the grantee on track

SHARES Reporting and Tracking

- Self-Help Automated Reporting and Evaluation System (SHARES)
 - Used to track grantee progress
 - Construction
 - Funds



Sample Self-Help Homes



A completed home in western Pennsylvania, sponsored by Threshold Housing Development.



A completed home in
Fort Smith, Arkansas
sponsored by Crawford
Sebastian CDC









**A completed
home in western
Moab, UT
sponsored by
Housing Authority
of Southeastern
Utah**





Completed homes in South Dakota sponsored by Inter-Lakes CAP.

Self-Help Statistics

- **Currently about 86 grantees**
- **Between 800-1000 homes built or repaired per year**
- **\$25 million in 523 grants in Fiscal Year 2024**



T&MA Contractors

- **Success of the Self-Help Housing Program in building 60,000 homes over the past 60 years is, in part, due to the expertise and commitment of the Technical & Management Assistance (T&MA) Contractors**
- **The Contractors aid the participating organizations in implementing the program**
- **There are four T&MA Contractors that oversee the program in four regions of the United States**

T&MA Contractor's Responsibilities

- **Regional self-help contracts through USDA Rural Development**
- **These orgs provide assistance to potential and existing self-help housing grantees**
- **Services provided:**

Review and assist with your grant applications and amendments

Rural Development approved handbooks

Orientation and training

Program updates

Staff Training Workshops

Act as a resource for all your technical assistance

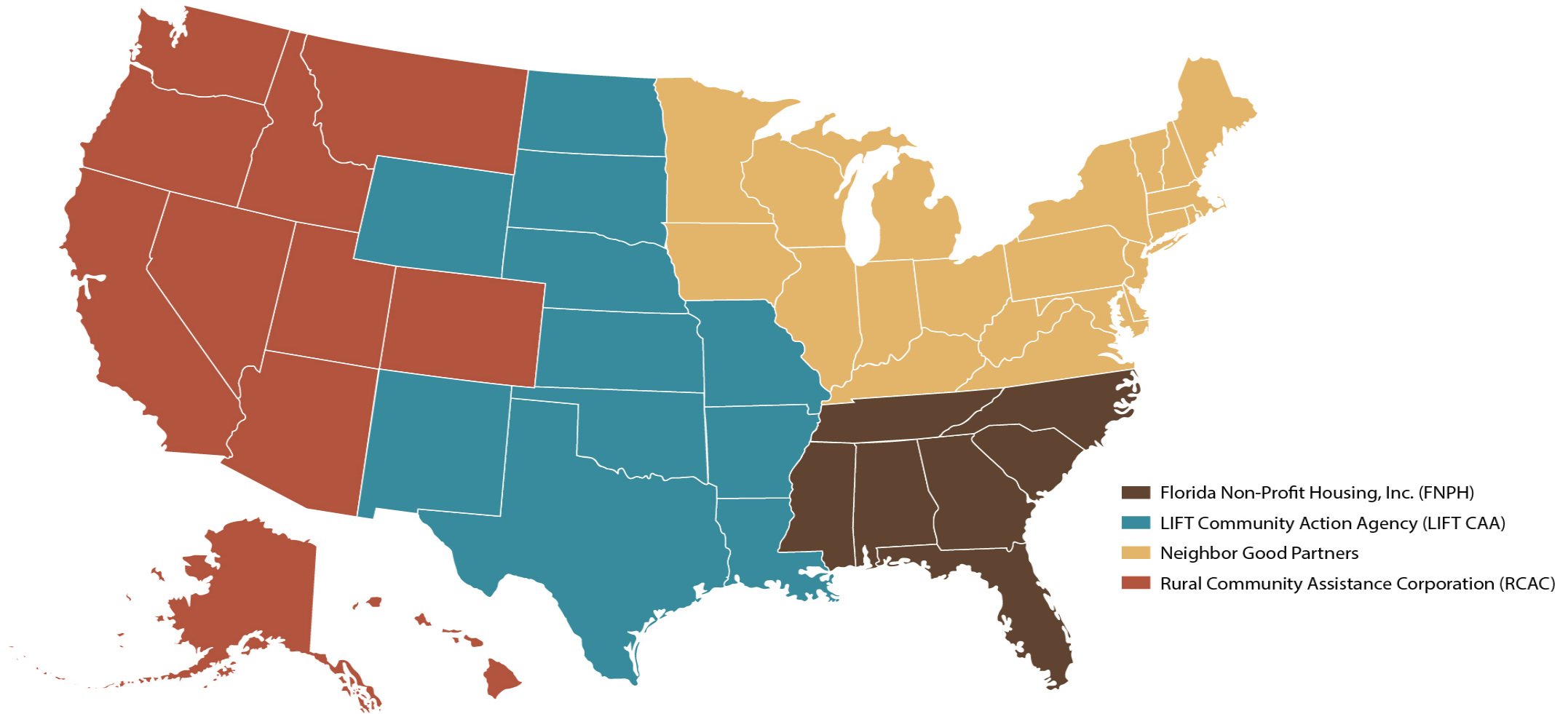


T&MA Contractors



FLORIDA NON-PROFIT HOUSING, INC.

US Technical and Management Assistance for Self-Help



T&MA Contractor Websites

- www.NeighborGoodPartners.org
- www.liftca.org
- www.rcac.org
- www.fnph.org



FLORIDA NON-PROFIT HOUSING, INC.

T&MA Contractors

Florida Non-Profit Housing-covering Region I, the Southeast, including the states of AL, FL, GA, MS, NC, SC, TN, Puerto Rico and the Virgin Islands

LIFT Community Action Agency-covering Region II, the South Central US, Including the states of AR, KS, LA, Mo, ND, ME, NM, OK, SD, TX and WY

NeighborGood Partners-covering Region III, the Northeast and Midwest, Including the states of CT, DE, IA, IL, IN, KY, MA, MD, ME, MI, MN, NH, NJ, NY, OH, PA, RI, VA, VT, WI, WV

Rural Community Assistance Corporation-covering Region IV, the Western US, including the states of AK, AZ, CA, CO, HI, ID, MT, NV, OR, UT, WA, and the Western Pacific

Resources

Spotlight website

www.selfhelphousingspotlight.org



Starting Point – Affordable Self Help Housing in Rural America YouTube Video

<https://www.youtube.com/watch?v=CXlr8fVxJBg>

Tips for Program Development

- Shadow a current grantee
- Check out the self-help housing spotlight website selfhelphousingspotlight.org
- Start small
- Use developed lots for first grant
- Keep ownership and development of land simple
- Be ready to start construction on day #1
- Prepare financial systems for construction accounts and federal funds

Create & Maintain a Good Relationship with USDA Rural Development

- **Respect**
- **Communicate-KEY ingredient**
- **Understand expectations**
- **Stay focused on the common goal to improve the quality of life and increase the economic opportunity for Rural America**
- **The winners will be the Grantee, USDA Rural Development and most important-the family being served**

Now What?

If your organization is interested:

- **Contact the T&MA Contractor for your area**
- **Conduct a Feasibility Study**
 - ❖ **Helps determine if your organization and area are right for the program**
 - ❖ **Submit to T&MA Contractor with request to proceed with application training**
- **Approval will be given by USDA Rural Development to proceed**
- **Application assistance is provided**





Thank you

PLEASE CONTACT A T&MA CONTRACTOR IN YOUR REGION.