



2025 Self-Help National Conference SH Appendix 13 and 1944-I

March 2025

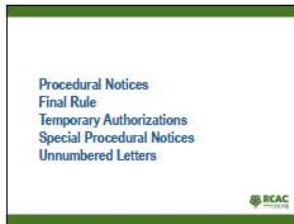
Angela Sisco, RCAC RDS – Housing II

The Plan

Appendix 13
1944-I



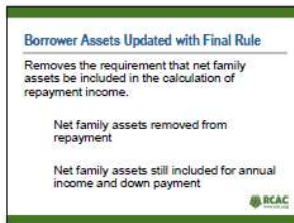
Handouts



4



5





Packaging and Priority

- Self-Help applications receive a priority four
- Section 523 Grantees, new construction AND rehab, must use eForms
- Grantees must follow the process found in Attachment 3-A (including disclosure letters)

Initial Application Disclosure Letter eForms: “Other Tab”

HB-1-3550
Attachment 3-A
Page 9 of 29

Required Disclosure Letter: All packagers, regardless of packaging type, must give potential applicants this letter after inserting the appropriate letterhead and information where indicated with brackets. Once signed by the potential applicant, the packager may assemble the application and submit to the Agency in accordance with the guidance in this attachment.

Page 1 of 3

[Insert applicable letterhead: If under the certified packaging process, this required disclosure letter must be on the qualified employer’s letterhead. If outside the certified packaging process or for self-help applications, the packager’s letterhead can be used.]

Dear Potential Applicant:

After talking with you, we think that a direct Section **[insert 502 or 504, whichever is applicable]** single family housing loan through the Rural Housing Service (known as the “Agency”) is a good loan for you. The Rural Housing Service is an Agency of the United States Department of Agriculture.

We **do not** work for the Agency; we are an outside loan application packager. **[Insert name of organization]** will assist you in applying for a loan through the Agency. We do not

Handbook Letter 16-A & 16-B

- Use Handbook Letter 16A/B!
- Is your home build estimate
- For rehab, the cost to purchase and repair
- For O/O rehab, repair costs

The image shows two overlapping forms. The top form is titled 'CERTIFICATE OF ELIGIBILITY' and is Form RD 1944-59 from the United States Department of Agriculture Rural Housing Service. It contains the following text: 'I. This is to certify that [redacted] has been determined eligible for Rural Housing Service (RHS) financing for the purchase of a modest single family home. Eligibility is based on income and financial information that will be reevaluated within 120 days of loan approval and closing. Loan approval and closing are subject to the continued eligibility of the applicant, eligibility of the property, first-time homebuyer's completion of an approved homeownership education course, and the availability of loan funds. Changes in the household's income or the applicant's debt obligations must be reported to RHS and may affect the applicant's eligibility and loan qualification amount. RHS has determined the applicant qualifies for a loan to purchase a home in [redacted] County, [redacted] up to the amount of \$ [redacted] based on a down payment of \$ [redacted], estimated annual real estate taxes of \$ [redacted] and insurance of \$ [redacted]'. The bottom form is titled 'Handbook Letter 16 A (3550)' and is from the Field Office Handbook Chapter 4. It contains the following text: 'REFERENCE: Eligibility of Self-Help Applicants--New Construction or Acquisition Rehabilitation Date: [insert today's date] Dear [insert applicant last name(s) (Mr., Mrs., Ms.)]: [insert applicant(s) first/mi/last name(s) (Mr., Mrs., Ms.)] [insert applicant(s) street/post office address] [insert city, state, and zip code] You have been determined eligible for Rural Housing Service (RHS) financing for (INSERT- CONSTRUCTION, OR ACQUISITION REHABILITATION) of a modest single family home under the Self-Help program. Eligibility is based on income and financial information that is verified within 180 days of loan approval and closing. Loan approval and closing are subject to the continued eligibility of the applicant and the availability of loan funds. Changes in your financial status (income and expenses) must be reported to RHS, and may affect your eligibility and the amount of loan for which you qualify. RHS has determined that you qualify for a Self-Help loan up to the amount of \$ [redacted] in [redacted] County, based on a down payment of \$ [redacted], estimated annual real estate taxes of \$ [redacted] and insurance of \$ [redacted]'. The forms are tilted and have a green border.

Eligibility Letters Continued

The dollar amount to be inserted in the eligibility letter will be based the lesser of what they qualify for or on the following:

- a. The estimated cost to build the home; or
- b. For acquisition rehabilitation, the cost to purchase and repair the home.
- c. For owner occupied rehab (Handbook Letter 16-B), the estimated cost to repair the home.

Environmental Reviews

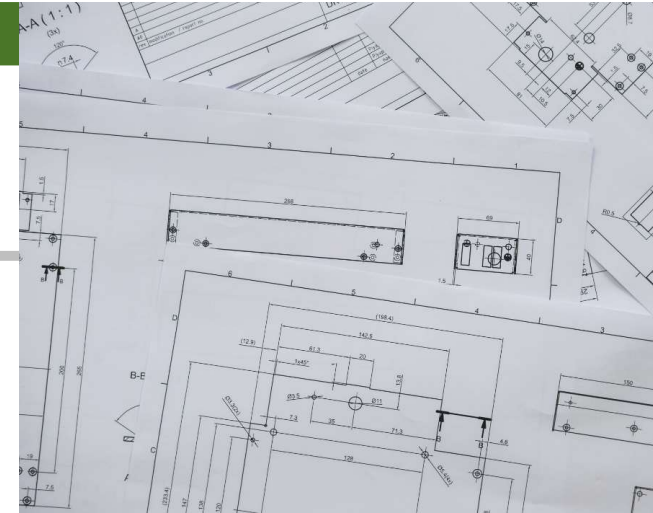
- Four or more proposed lots considered a “Significant Impact” and requires higher level of review
- Conducted by RD if there is no other Federal Funding source
- Started when the grantee is purchasing the land for SH
- If triggered by other Federal Funding: “**Cooperating Agency**”

Construction Documents

- Plans and Specifications
- Form RD 1924-2, Description of Materials
- Form RD 1924-25, Plan Certification
- Development Budget

Submitted as part of the Section 523 application process but must be updated as needed.

Construction may not begin until the loan has closed.



Appraisals

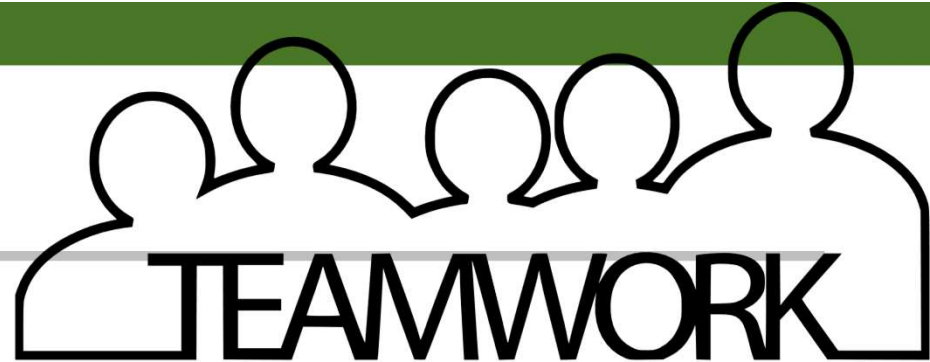
Appendix 13 made the Temporary Authorization on Appraisals no longer temporary!

- Grantee or homeowner responsible for payment but can be reimbursed
- Requires RD advance approval
- Administrative Appraisal Review (min of 5)
- Must meet the Uniform Standards of Professional Appraisal Practice and Agency appraisal standards (but no list)

After the Appraisal

- Plans and Description of Materials are finalized = no changes without RD review and approval
- Exhibit B-2 approved with the 523 application
 - Subcontracts and labor must match

Group Agreement



- Acts as governing document between grantees and participants
- Must be initially approved by RD through the 523 application process and any subsequent changes or modifications must be approved prior to use
- Equally enforced for all

Group Agreement Continued

Critical components

- Labor contribution requirements
- Volunteers, waivers and materials
- Contracts and bidding
- Receiving and accounting for materials
- No changes from RD approved Description of Materials and plans
- Draw request review and approval
- When participants can move in
- Grievance Procedure

Subcontracts

Must be signed by the owner/builders but may be made individually with each owner/builder or as a group.

- DOL Notification
- Do Not Pay
- Release of Claimant
- Builder's Warranty

An inspection report and pictures from a Grantee can be accepted as a third-party inspection (not grantee only)



Builder's warranty reminder



**Do not sign USDA Form RD 1924-19,
Builders Warranty. This is for
contractor-built homes, not self-help.**

Section 502 Draws

- Should not be more than monthly
- Based on projected needs (not % completion)
- Detailed cover letter/invoices signed by participants *and* grantee
- Code inspection reports
- Invoices/backup documentation required
- No RD inspection required for draw



Section 502 Draws Continued

- Budget to actuals
- Bill Paying meetings
- Borrower construction draw checks in Grantee's name only for custodial accounts
- Shared costs are permissible
- RD will review progress compared to funds drawn



Sample Draw Schedule

Initial draw: for land, closing costs, etc., and projected start up building materials; some invoices would be included in the closing (e.g., land), the title record should be itemized in the recordkeeping.

Second draw: Invoices for initial draw to back-up projected needs and draw request including any invoices received already but not included in the initial draw, plus projected funding needs in the short-term.

Third draw: Same as above with backup for draw two.

Fourth draw: Same as above with backup for draw three.

502 Closeout: All remaining invoices to back-up draw number 4. The combination of all five of these reports (total of all the invoices) should equal the total construction cost.

The grantee will pay bills as normal in-between and keep the invoices handy to submit with the subsequent draw request.

Inspections



- An inspection report and pictures from a Grantee can be accepted as a third-party inspection when coupled with local county/city inspectors, RD inspections, or other approved third-party inspectors.
- Inspections that cause a charge to the 502 borrower account should be used as a last resort.
- Grantees should never be asked to pay for an inspection.

DNP for (Sub)Contractors

- Completed for any subcontractor with a contract for \$25,000 or more
- Submitted by the grantee and completed by RD
- Need to wait for clearance (response by RD) before entering into a contract

Do Not Pay for Grantees

- Before grant obligation and grant closing
- Grantees are vetted through the Section 523 approval process and are not checked as a contractor (at each draw) through Do Not Pay (DNP). (Appendix 13, pg. 3)

Reporting to DOL – Kinda, but not really!



This is still in the handbook, but RD received guidance to stop the practice, and a future update will reflect this change.

- Completed within 10 days of entering into any single contract or subcontract that will exceed \$10,000 to a single homeowner.
- Group contracts exceeding \$10,000 only require notification if the individual charge to any one homeowner exceeds the threshold.
- Once submitted to RD, no need to wait for any kind of response or “clearance” from RD or DOL.

Square footage requirements

- Rural Development has no limitation on maximum square footage
- Minimum square footage is generally 400 square feet, but can be waived

Participant Withdrawal

1. Transfer to Another Self-Help Borrower

- The sale of the partially built home to another very-low or low-income applicant

2. Contract Method

- Contractor completes the home

Notification in writing with reasonable time to respond required.

Construction Closeout

- 60 days prior, grantee starts gathering updated documents
- “Left over funds” - returned to RD as a curtailment of the loan balance
- Take-out loans = high grantee risk and “highly discouraged”
- Proof of program eligibility when using other loan financing



Grant Closeout

Complete within 90 days

- Final Quarterly/SHARES report
- Closeout 502/504 accounts
- Final Accounting
 - SF 270 grant draw
 - SF 425 Final financial report
- Audit
- A cover letter saying how fabulous you did!

Retain program records and non-expendable property records for three years from the date of submission of the final SF 425

Newer to Appendix 13



Rural Eligibility may continue in newly designated non-rural areas until:

- 1) the terms of the grant agreement that concern the site development have been completed, or
- 2) two years has passed from the effective date of the revised designation

SFH Direct Loan Temporary Authorizations

Temporary Authorizations Related to New Construction that ended January 31, 2024:

- Increased contingency to 15% (HB is 5%)
- Subsequent loans for cost overruns easing of requirements

1944-I Items of Note

Most Recent Updates and Changes 10-24-2024 PN 626

Grant Modifications to Reduce Grant Goals

- Modifications to reduce grant goals are highly **discouraged**
- Allowed when it's in the best interest of the government
- Requires National Office approval

Audit Requirements



- Required to be submitted to RD annually (copy your T&MA Contractor)
- Must include audited borrower accounts when utilizing the Custodial Accounting method or draw requests in supervised accounts; lessor of 10 loans or 10% of total loans
- The earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the grantee's audit period
- Submit outside of the 523 application

Rehab Specific Changes

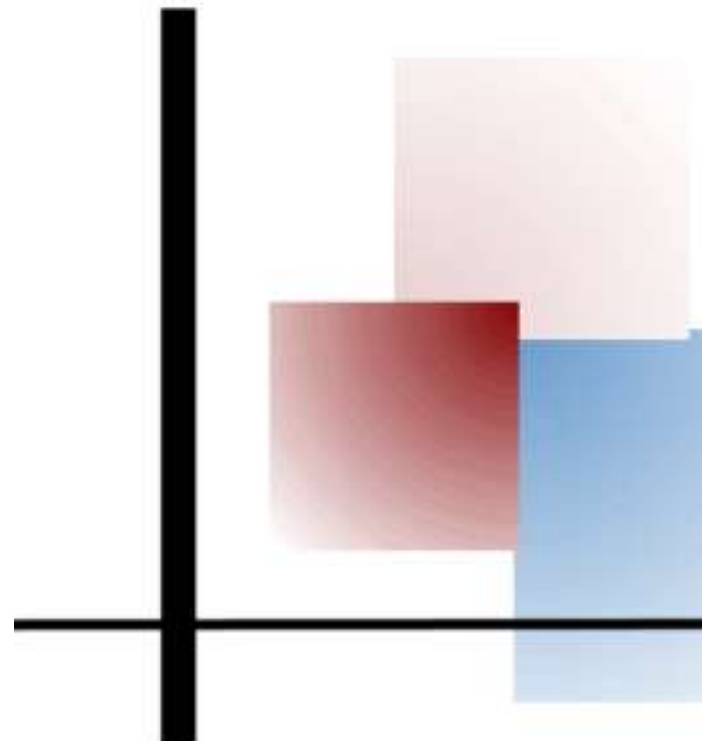
- No requirement to have an average cost savings which is greater than or equal to the TA per EU cost – but it's coming!
- Recommendation from RD National is to continue with what you've been doing in calculating the cost savings and average vs TA cost per unit, so there's a baseline but no one at RD has to 'ding' the grantee one way or the other on those numbers.

Rehab Specific Changes Continued

- If materials, appliances, etc. come at no cost to the rehab participant, the value of those items may be included in the cost savings calculations.”
- Per RD National, as it's written, even if another program paid for these items, the grantee can use them in their cost savings calculations

SELF-HELP 502 GUIDEBOOK

*PROVIDED BY REGIONAL T&MA
CONTRACTORS,
APPROVED BY RD NATIONAL
SECTION 523 MUTUAL SELF-HELP PROGRAM*





Questions?