



**ACQUISITION
AND
OWNER OCCUPIED
REHABILITATION
HANDBOOK**

*PROVIDED BY REGIONAL T&MA CONTRACTORS
SECTION 523 MUTUAL SELF-HELP PROGRAM*

Disclaimer

A handbook for grantees of the USDA Section 523 Self-Help Housing Program

Developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

Florida Non-Profit Housing, Inc. (FNPH)

Little Dixie Community Action Agency, Inc. (LDCAA)

National Council of Agricultural Life and Labor Research Fund, Inc. (NCALL)

Rural Community Assistance Corporation (RCAC)

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Refer to the Introduction chapter of this handbook to identify the appropriate T&MA Contractor to contact for your area. After receipt of consent and conditions letter you may copy and distribute the manual in accordance with such terms and conditions as set and approved by the T&MA Contractors.

Table of Contents

INTRODUCTION	5
The Self-Help Program.....	5
Rural Development.....	6
Rural Development Offices	7
Rural Development National Office	7
Rural Development State Office.....	7
Rural Development Area Office.....	7
Rural Development Local Office.....	8
The Rural Development Section 502 Single Family Direct Home Loan.....	8
The 523 Mutual Self-Help Housing Technical Assistance Grant	9
The T&MA Contractors	10
Self-Help Training Handbooks	10
Boards of Directors Handbook	11
Program Director Handbook.....	11
Construction Supervisor Handbook.....	11
Group Coordinator Handbook	11
Financial Management Handbook for Federally Funded Organizations	11
Accounting for Individual Family 502 Loan Accounts Handbook.....	12
502 Loan Processing Handbook	12
Preconstruction Meetings Handbook.....	12
SECTION 523 SELF-HELP REHABILITATION PROGRAM	13
Introduction.....	13
Definitions	14
Program Criteria	15
Participant Labor Tasks	15
Repair and Rehabilitation Cost Savings	16
Technical Assistance (TA) Costs.....	18
Measuring Production.....	19
Service to Very Low-Income.....	20
Modest Housing.....	20
Cost Savings & Other Benefits	21
REHABILITATION PROGRAM FRAMEWORK.....	21
Program feasibility.....	21
Funding Sources for Rehab Projects	24
Home Selection Process.....	26
Property/Dwelling Requirements.....	26
Environmental, Flood Requirements	28
CONSTRUCTION PROJECT MANAGEMENT	30
Project Estimating	31

CONTRACT DOCUMENTS39

Construction Planning and Scheduling41

JOB Site Safety46

Recommended Acceptable and Unacceptable Activities on the Job Site47

Inspections48

Quality Control49

PARTICIPANT REQUIREMENTS49

APPENDICES52

Appendix A1: A listing and links to key regulations and AN53

Appendix A2: Website References- Listing and Links55

Appendix B1: Equivalent Unit Tracker Sample56

Appendix B2: Funding Sources List and Description57

Appendix B3: Self Help Quarterly Rehab Report_ Sample.....61

Appendix C1: Home Inspection Checklists- Listing and Links.....64

Appendix C2: Inspection Report Information_ Sample65

Appendix D1: Construction Forms_ Listing and Links78

Appendix D2: Scope of Work and Specifications_ Sample79

Appendix D3: Cost Savings Estimate_ Sample80

Appendix D4: Notice to Proceed- Sample.....81

Appendix E1: Participation Agreement Acquisition/Rehab_ Sample82

Appendix E2: Participation Agreement Owner-Occupied_ Sample.....90

Appendix E3: Biweekly timesheet for Self Help Participants_ Sample91

INTRODUCTION

The Self-Help Program

The Self-help housing program has separate two housing components. The Mutual Self-help new construction and rehabilitation program. Each program is regulated differently. The new construction program is discussed below. The rehabilitation program will be discussed later in this handbook.

Self-help housing is just as it sounds, participants working together to build their own homes. This cooperative effort is a direct application of the church and barn raising traditions of pioneering rural Americans. Self-help participants, working in groups, supply the necessary labor to build their homes, having qualified for mortgage financing to purchase land, building materials, and some subcontracted work on the more technical items. A private nonprofit corporation, public body, a federally recognized Tribe, or rural town can obtain a grant from United States Department of Agriculture (USDA) Rural Development to hire skilled staff, rent office facilities, pay for mileage, and purchase tools. This staff then works with the participants by providing the assistance and training necessary to fulfill the goals of the self-help housing program. The program is described in more detail below.

With the assistance of the skilled staff, a group of generally four to 10 households is formed. Once the grant is completed, at least 40% of the total participants served should be in the very-low income category and the remaining 60 percent of participants would likely fall into the low-income category. (See income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>) The participants select lots, house plans, (or in the case of purchase/repair programs, locate a suitable home) and apply for individual mortgage loans. While participants await loan approval, the group studies the responsibilities of homeownership, construction techniques, tool usage, safety, homeowner's insurance, taxes, home maintenance, and money management. This time is known as the pre-construction stage.

Once the loans are approved, the group begins to build under the guidance of a skilled construction supervisor. The participants must complete a minimum of 65% of the construction labor tasks until the group of homes is completed; usually the more technical work such as electrical, plumbing and HVAC is subcontracted out. The construction stage lasts from six to 12 months, depending on the size of the group and other factors. Participants work during their spare time (evenings, weekends, and days off) so as not to interfere with the regular household

employment. Rural Development loans feature fixed interest rates ranging from 1% to the current market rate, depending on the household's adjusted annual income. The repayment period is 33 or 38 years and no down payment is required.

Rural Development

Rural Development is an agency of USDA. The Rural Development mission is to help rural Americans improve the quality of their lives. Rural Development helps rural communities meet their basic needs by:

- Building water and wastewater systems.
- Financing decent, safe, sanitary and affordable housing.
- Supporting electric power and rural businesses, including cooperatives.
- Supporting economic and community development with information, technical assistance and funding.

Rural Development has been providing the funds for the self-help housing program since the late 1960s. They provide Section 523 self-help grants to eligible entities to start and implement the program and they thoroughly review the self-help application before a grant is awarded. When a grant is awarded, Rural Development is agreeing that there seems to be a need for self-help housing in the area; the approved applicant is suited to administer a self-help housing program; the proposed plan, budget and schedule are feasible; the house plans meet local, state and Rural Development building codes; adequate building sites are available; the necessary project elements are in place; and Rural Development is ready to provide the requested financial resources necessary to make the project work. Technical assistance grant funds provided to self-help grantees by Rural Development do not have to be repaid. It is an investment Rural Development is willing to make in order to see self-help housing work.

Rural Development will continue to monitor and provide oversight in the areas of construction and administration, through quarterly meetings, construction inspections, and participant accounts throughout the term of the grant.

In most cases Rural Development provides another important ingredient to the self-help program; construction/permanent financing in the form of a Single Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions; the financing is directly between Rural Development and the borrower. While labor and construction are group efforts, each applicant must qualify and obtain a loan individually from Rural

Development. Rural Development’s function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms which can be a barrier to homeownership.

Rural Development Offices

Rural Development usually operates from four levels: national, state, area and local. The National Rural Housing Service Administrator in the National Office and the State Directors are politically appointed – all others are federal civil service employees.

Rural Development National Office

The Rural Development National Office is responsible for developing policy and interacts with Congress for legislation, development and program funding. The National Office also obligates and monitors all Section 523 self-help grants. The program staff at the national level maintain reports and statistics on operating self-help organizations and projected needs for funding. The National Office has a separate Appeals Division that hears appeals on actions unresolved at the state level.

Rural Development State Office

The State Office has the approval authority over smaller Section 523 Self-Help grant applications up to \$300,000. Section 502 home loan funds are allocated on a state-by-state basis and the State Office allocates the 502 money based on a state Rural Development formula. There are additional staff members who are key to the operation of a self-help program located in many State Offices:

- Rural Development State Director
- Rural Housing Program Director
- Rural Development Architect
- Rural Development Appraiser
- Rural Development Housing Specialist

Rural Development Area Office

The Rural Development Area Director is typically responsible for the Section 523 grant. In some states however, the grant monitoring has been retained at the State Office level with the Single Family Housing Program Director or it has been assigned to the Local Office. In any case, the RD grant manager is responsible to ensure that the grant is

operated effectively and in accordance to regulations. Rural Development will evaluate the Section 523 self-help agencies on a quarterly basis and review grant applications for new and on-going programs.

Rural Development Local Office

Within this office, the Area Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. He or she will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's Supervised Bank Accounts (if this SBA system is used instead of custodial accounting) and will process the draws. They are the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

The Rural Development Section 502 Single Family Direct Home Loan

Many applicants that participate in the self-help housing program use Rural Development's Section 502 home loan program to finance their homes. Section 502 loans are only available for homes in eligible rural areas as defined by USDA (www.rd.usda.gov).

In order to qualify for a Section 502 loan, prospective self-help applicants must meet Rural Development income eligibility requirements as low-income or very low-income. (See the income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>) They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. These income standards, established by the U.S. Department of Housing and Urban Development and adopted by Rural Development, are subject to local variation and periodic change. Current information on income standards and eligibility requirements for Section 502 loans is available at Rural Development local offices or online at www.rd.usda.gov.

The repayment period for the Section 502 loan is either 33 or 38 years, and the interest rate is between 1% and the current market rate. The actual rate of interest the borrower pays depends on the borrower's income, as does the loan term. If a borrower is eligible to pay less interest than the market rate, the borrower then receives a subsidy called "payment assistance." The amount of payment assistance a borrower receives is determined by the loan amount, loan period, and the household income. The assistance makes up the difference between the full loan

interest rate and the interest rate the participant pays. A portion of this subsidy must be repaid at time of sale or loan payoff based on equity, time, etc.

During home construction, Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices to the self-help grantee. Grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction. Note that the participant's loan payments are deferred during construction.

When construction is complete and all the necessary funds have been withdrawn from a participant's account, Rural Development's finance office sends payment books to the participant. The participant's first loan payment is due within 30 days of termination of deferred payments. Payments then go directly to Rural Development's National Financial and Accounting Center in St. Louis.

The 523 Mutual Self-Help Housing Technical Assistance Grant

In order to enable organizations to operate a mutual self-help housing program, Rural Development provides grant funds to operate and oversee the program. Each technical assistance (TA) grant is usually for a period of up to two years, and is available to public and private nonprofit organizations, federally recognized Tribes and units of state or local government. The amount of grant funds an organization can receive is based primarily upon how many houses they build in a grant period. An organization can receive up to 15% of the average cost of a new home financed under the 502 program in their area, for every home they are planning to build.

Activities that are allowable uses of Section 523 technical assistance grant funds include:

- Recruit eligible households to participate in the self-help program.
- Hold training meetings with participants on the self-help process and homeownership topics such as mortgages, insurances, taxes, and maintenance.
- Assist participants to obtain and develop building sites; obtaining or creating Rural Development-approved house plans and helping participants select theirs.
- Help participants bid and select building supplies and subcontractors; train participants in construction techniques and provide construction supervision.
- Supervise participant Section 502 loan accounting, including:
 - Totaling invoices and itemizing payments to suppliers and subcontractors.
 - Maintaining records of deposits and withdrawals.

- Preparing checks (accompanied with invoices and statements).

Disallowed activities using Section 523 Technical Assistance grant funds are:

- The use of any TA funds to pay staff to provide labor on the houses
- Purchasing any real estate or building materials for participating families
- Paying any debts, expenses or costs which should be the responsibility of the participating families
- Any lobbying activities as prohibited in OMB Circular 2 CFR 200 subpart f.

The T&MA Contractors

In 1979, appropriations language was changed to authorize the use of Section 523 grant funds to contract for technical assistance to self-help grantees. Currently there are four Technical and Management Assistance (T&MA) Contractors.

Rural Development contracts with these groups to assist operating and potential self-help housing grantees across the country. This assistance comes in the form of staff and board training, grant management, development of applications, 502 loan program and processing training, newsletters and conferences, among other services. These services are provided at no cost to the grantee.

The four contractors are:

- 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.
- Little Dixie Community Action Agency, Inc. – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NCALL Research, Inc. – 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 (RCAC) – 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.

Self-Help Training Handbooks

The T&MA Contractors have produced a variety of training materials for the purpose of assisting grantees and training grantee staff. The following is a list of the available self-help

handbooks. Please contact your T&MA Contractor for a copy or for more information.

Boards of Directors Handbook

Boards of Directors play a critical role in the success of any non-profit organization. With this in mind, the Board of Directors Handbook was designed for use by board members of any housing agency. It is an informational resource that may be used as a training tool and can provide new insights and a clearer understanding of nonprofit organizations, board meetings and operations, agency planning, administration of agency personnel, teamwork, orientation for new board members, federal accounting requirements, and agency activities.

Program Director Handbook

It is the responsibility of the Program Director or Executive Director to administer a successful self-help housing program. This handbook takes a general look at the process of managing a self-help program as well as providing specific information on required reports, program criteria, grant and financial management, personnel, and fair housing.

Construction Supervisor Handbook

The Construction Supervisor Handbook discusses the roles and responsibilities of the construction supervisor as it relates to self-help housing. This handbook covers aspects of the construction supervisor's job; from construction specifications, house plans, schedules, bill paying procedures, to group motivation. Insight is provided on how the self-help program operates and what is expected from the construction supervisor.

Group Coordinator Handbook

Group Coordinators are central to the self-help program throughout the self-help participant's involvement from recruitment through construction and move-in to the completed homes. This handbook provides guidance for the group worker in maintaining effective communication and relationships within the group of self-help participants throughout the self-help process.

Financial Management Handbook for Federally Funded Organizations

The purpose of the financial management handbook is to aid new and operating self-help grantees with the development of financial management systems and policies that are compatible with the fiscal responsibilities set forth by the funding agency (Rural Development) and the Office of Management and Budget (OMB). While self-help housing programs that have been operating for many years may have sophisticated

financial systems and policies, others are lacking written, established financial procedures that assure proper internal controls.

Accounting for Individual Family 502 Loan Accounts Handbook

The self-help housing grantee is responsible for keeping an accurate account of the disbursements of funds from the individual self-help family's Section 502 loan accounts. RD Instruction 1944-I indicates that the technical assistance provided by the grantee to the families should include "providing financial supervision to individual families with Section 502 loans, which will minimize the time and effort required by Rural Development in processing borrower expenditures for materials and contract services." This handbook provides guidelines for self-help grantees to use in designing the procedures necessary for a reasonable standard of control and a system of checks and balances to protect the participants and the grantee.

502 Loan Processing Handbook

While the labor and construction is a group effort, each participant must qualify and obtain a loan individually from Rural Development. In order to qualify, a household must fall within the income guidelines set by Rural Development, must have demonstrated repayment ability, must have a good credit rating, and should have a low debt load. Because the 502 self-help loan process can be complicated for the individual, the technical assistance staff will pre-screen participants for program eligibility and prepare the application packages for Rural Development. The 502 Loan Processing Handbook will help to train the Group Coordinator or appropriate staff person in packaging these loans.

Preconstruction Meetings Handbook

Each self-help grantee is responsible for organizing participants into self-help groups, which remain together from loan processing through construction. The organization of participants into groups reinforces the "mutual" aspect of the self-help program because participants within a group are expected to work on each other's house until all houses in the group are completed. In addition to organizing participants into groups, self-help grantees are responsible for explaining the self-help concept and methodology to participants, and for educating participants about their responsibilities as self-help participants, 502 loan borrowers, and homeowners. This is achieved through a series of "pre-construction meetings" which are covered in this handbook.

SECTION 523 SELF-HELP REHABILITATION PROGRAM

Introduction

History and Development of the self-help rehabilitation program

Although not fully utilized until 1995, the rehabilitation component of the self-help program is allowed in the original 1944-I Self-Help Technical Assistance Grants regulation. First mentioned on Page 3 in the definition of Participating Family, the rehabilitation element was largely overlooked and unused by grantees nationally. Offered as either an owner-occupied or acquisition-rehabilitation element, self-help rehab offers flexibility in the program when changing market conditions make land difficult to find, tough to develop, a drop in the economy increases the housing stock, or low incomes make obtaining homes a challenge for homeowners seeking affordable housing under the traditional mutual self-help model.

Historically, other programs, such as weatherization, HUD CDBG, State Housing Trust Funds and the USDA Rural Development 504 Repair Grant and Loan have been used to serve the needs of deteriorating housing. Now, organizations are often using the 504 program for self-help owner occupied rehabilitation and the acquisition option in the 502 Direct Loan program to include rehabilitation of an existing structure. It has been determined that USDA self-help rehabilitation activities can be used in conjunction with weatherization and other programs to have a much greater impact.

Some grantees only administer self-help rehabilitation programs; others are able to sustain both a new construction and a rehabilitation program, while still others alternate their program from a new construction program to a rehabilitation program and back to new construction to align with changing market conditions.

With rehabilitation mentioned only six times in the 1944-I, there was a significant range of variability between states. In early 2017, with input from the T&MA contractors, Rural Development instituted Administrative Notice (AN) 4831. This AN was designed to provide additional guidance and create consistency in administration and reporting in the rehabilitation component of the self-help program. It clarified feasibility of the various rehabilitation projects and developed three different methods to substantiate cost savings to participants. Since rehabilitation projects vary in size and complexity, 65% labor is not a

requirement, but the regulations require at least 10 hours per \$1,000 spent on homeowner labor tasks with some grantees doing more or putting in a minimum number of labor hours.

Administrative Notice 4831 no longer exists and its rules have been incorporated into the updated version of 1944-I released in December 2019.

See Appendix A.1 and Appendix A.2

Definitions

The following definitions used in the program have been developed through Administrative Notices (ANs) and RD Instruction 1944-I. All relevant Instructions and ANs are listed with website links and references in Appendix 1.

Self-Help Housing Acquisition Rehabilitation: *A method by which a family utilizes their own labor to create a “cost savings” in a home that they are in the process of acquiring. Acquisition rehab programs can be proposed by a new grantee or a current grantee when applying for a grant renewal or as an amendment to a grant already in process. Grantees should establish “typical needed repairs” and subsequently consider the organization’s cost of providing adequate cost saving to families in order to establish an appropriate Technical Assistance (TA) fee. An average projected minimum ‘cost savings’ to the family should be established in the grant application or grantee’s request for a grant amendment.*

Self-Help Housing Owner-Occupied Rehabilitation: *A method by which a family utilizes their own labor to create a “cost savings” in a home that they currently own and reside in. Owner-occupied rehab programs can be proposed by a new grantee or a current grantee when applying for a grant renewal or as an amendment to a grant already in process. Grantees should establish “typical needed repairs” and subsequently consider the organization’s cost of providing adequate cost saving to families in order to establish an appropriate Technical Assistance (TA) fee. An average projected minimum ‘cost savings’ to the family should be established in the grant application or grantee’s request for a grant amendment.*

Self-help: *The construction method by which an individual family utilizes their labor to reduce the construction cost of their home without an exchange of labor between participating families. Unless otherwise authorized by the District Director, this method is*

only funded for repair and rehabilitation type construction.

See Appendix A.1

Program Criteria

In order to run a successful program, there are principles and rules that must be followed. The criteria that are the pillars of the program include: participant labor tasks, TA cost, production, service to the very low-income, modest housing, and sweat equity. These items are part of the final evaluation that Rural Development conducts to determine if a grant was completed successfully.

Participant Labor Tasks

In self-help rehab projects, as defined in 1944-I section 1944.403 (k) (1) individuals utilize their labor to repair and rehabilitate their home reducing the cost of construction without the exchange of labor between participating families. The labor is negotiated based on the project and the ability of the owner or licensing requirements to do the necessary tasks. The project should have a goal of creating a cost savings that is equal to or greater than the average grantee's Technical Assistance per equivalent unit cost and it is encouraged to have at least 10 hours per \$1,000 of the project costs that are not completed by a sub-contractor.

The use of volunteer labor also needs to be discussed. The definition of a participating family, according to 1944.403(k), is “individuals and/or their families who agree to build homes by the mutual self-help method and rehabilitate homes by the self-help method. Participants are families ... who have the ability to furnish their share of the required labor input ... have sufficient time available to assist in rehabbing or building their own homes...”

A participating family may use a substitute to perform the labor with prior approval of the grantee and the Rural Development State Director. A substitute is only permitted when the participating family is “incapacitated.”

Other than this statement on substitute labor, there is no regulation that controls the use of volunteer labor. However, good judgment should be shown by the grantee. An occasional group of volunteers may help speed up construction or bolster morale but should only be used sparingly. If volunteers will be used, grantees should discuss all related challenges, such as if they are covered by insurance and how, or if, their hours will be distributed.

Repair and Rehabilitation Cost Savings

Since it may be difficult to determine equity in a rehab project, we measure the benefit to the homeowner in “cost savings.” Not only can the job be done for less with family labor, but in most cases, the management of the project by the self-help grantee helps to successfully complete difficult rehabs with all of financing assistance, contracting and coordinating by the grantee. The regulation gives direction on this:

Program participants should realize an adequate cost savings from family labor participation in order for a project to be undertaken by the grantee. As with the ‘sweat equity’ in the mutual self-help program which varies greatly from project to project; area to area; and from grantee to grantee, it is anticipated that the cost savings received in rehab projects will see similar variances. Cost savings is ideally realized through the amount of work the participant will be contributing but may be calculated utilizing an approved method.

Grantees have three options for calculating cost savings described in ***RD Instruction 1944-I Exhibit K-2***- Contractor Cost Savings, Appraised Value and Hourly Rate of Labor Contribution. Below are examples of each method.

1.) Contractor Cost Savings: This method should be considered first and requires comparing a contractor bid or cost estimating software amount for work to be completed by the participating family.

The grantee will need to create a Scope of Work for all the repairs needed to complete the project. Calculate what each task would cost if the repairs were contracted out. Once the repairs have an estimated budget deduct materials, equipment and any sub-contracted repairs. The remaining repairs would be considered the Scope of Work the family will be required to complete. Those tasks will be the cost savings the family will receive for their labor contribution.

Example Job Summary:

Remove and install 6 new Double Hung Low E windows wrap exterior trim with coil stock. Remove and install new panel steel front door w/ adjustable threshold and rear 9 lite steel door w/ adjustable threshold both bored for deadbolt. Remove 1500 sq.ft of existing aluminum siding and replace with D 4 vinyl siding. Remove 800 sq.ft of carpeting/padding repair sub floors and replace with laminate flooring.

Windows: Material (\$1,557.50) + Labor (\$1,665.00) = \$3,222.50

Doors/ Locksets Material (\$1,633.50) + Labor (\$939.00) = \$2,572.50

Siding: Material (\$4,810.00) + Labor (\$6,615.00) = \$11,425.00

Flooring: Material (\$1,559.00) + Labor (\$5,747.50) = \$7,306.50

Total Project Costs if Contracted: \$24,526.50

Minus Material: \$9,560.00

Family Cost Savings based labor contribution: \$14,966.50

2.) Appraised Value: This method takes the purchase price of home and compare the as improved appraised value to determine an equity model similar to that used in self-help new construction.

Example Appraised Value Comparison:

As- Improved Value After Repairs	\$125,000.00
<u>Purchase Price (loan amount)</u>	<u>\$114,500.00</u>
Family Cost Savings	\$10,500.00

3.) Hourly Rate of Labor Contribution: This method would include establishing a typical hourly rate for the job task and multiplying it by the hours family contributed. The “National Construction Cost Estimator”, “Homewyse.com” or other comparable software may be used to compute and establish cost savings.

Example of Hourly Rate Summary:

Remove/dispose and Install 6 DH vinyl windows:

Rate \$80.99 x 14.8 hours = \$1,198.65

Remove and Install 2 entry doors w/ locksets:

Rate \$122.02 x 7.6 hours = \$927.35

Remove and Install 1500 sq.ft vinyl siding:

Rate demo \$59.99 x 20.4 hours = \$1,223.80

Rate installation \$66.35 x 83.8 hours = \$5,560.13

Remove old flooring/ Install 800 sq.ft laminate flooring:

Rate removal \$23.90 x 8.3 hours = \$198.37

Rate installation \$56.02 x 46.4 hours = \$2,599.33

Family Cost Savings based on hourly contribution \$11,707.63

Technical Assistance (TA) Costs

When an application for a self-help grant is submitted, your organization makes a proposal to Rural Development to rehab a certain number of homes for a certain amount of money. By signing the grant agreement, Rural Development and your organization agreed that this specific amount of money would be paid to your group on an advancement or reimbursement basis for actual expenses.

It is important to operate your program within that budget. The method of calculating that sum is a bit complicated for rehab programs. In order to determine your TA cost per house for a rehab project, there are a few things that you need to consider. The most important is, what is the budget needed to operate this program. This is discussed more in program feasibility. The next is, what does the 1944-I regulation say is the limitation of your grant.

§ 1944.407 Limitations.

The amount of the TA grant depends on the experience and capability of the applicant and must be justified based on the number of families to be assisted. As a guide, the maximum grant amounts for any grant period will be limited to (See Exhibit H for sample calculations): (Revised 12-12-19, PN 532.)

(d) A negotiated amount for repair and rehabilitation type proposals. At a minimum, applicants applying for repair and rehabilitation grants must include information on the proximity of the houses in a project, the typical needed repairs, and the cost savings between self-help and contractor rehabilitation and repair. 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. (Revised 12-12-19, PN 532.)

For clarity, this handbook does not discuss the other TA grant calculation methods that are to be used in new construction grants.

So how do you know what figure to use in negotiations? In the self-help regulations, Rural Development has made it a goal of the rehab program to have the TA cost be less than or equal to the average cost savings of the homes. The methods of determining cost savings were addressed above. When considering a self-help rehab program, an organization needs to determine what the likely cost savings may be and take that into consideration when calculating a requested amount.

Budgeting is very important and will be discussed in more detail later in this handbook

but needs to be mentioned here as well. Throughout the operation of the self-help program, keep track of the TA cost. There will typically be more spending at the beginning of a grant, due to start-up costs, but this will give you an idea of how spending compares to production. Plan and budget as much as possible to stay within the TA cost that was originally agreed upon.

Measuring Production

Another item decided in the grant agreement was how many homes were going to be rehabbed. It is important to complete that number of homes in the specified grant period. Producing less than the agreed upon number jeopardizes the program in two ways. The grant amount received is based on the number of homes rehabbed. Production is one of the criteria rated at the end of a grant. If an organization does not receive an acceptable rating, its chances of competing for another grant are put at risk.

Production is measured by equivalent units. Equivalent units (EUs) represent the “theoretical number of completed homes” arrived at by adding the equivalent percentage of completion for each participant in the program together at any given time during program operations. EUs are useful in measuring progress during the grant period and are not a fee for service—or a measurement of actual expenses. They should be used to assess potential success of meeting the overall grant goals. They can be used for draws as a general way to have money on hand for reimbursement but all grant funds drawn should always be reconciled to actual expenses.

See Appendix B.1

Acquisition Rehab EUs are calculated as follows:

Property acquisition – identifying and assessing feasibility of potential homes	.2 EU
Application – Closing/Inspections & Scope of Work/Pre-Construction Activities	.2 EU
Rehab Construction/Subcontractor & Inspection Coordination	.4 EU
End of Construction Punch List/Construction Completed/Loan Conversion	.2 EU
Total EUs	1.0 EU

Owner Occupied Rehab EU’s are calculated as follows:

Application Closing/Inspections & Scope of Work/Pre-Construction Activities	.2 EU
Rehab Construction/Subcontractor & Inspection Coordination	.4 EU
End of Construction Punch List/Construction Completed/Loan Conversion	.4 EU
Total EUs	1.0 EU

Service to Very Low-Income

Rural Development’s Instruction 1944-I requires that at least 40% of the total number of households served by the program be very low-income. (see income map for details: <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>) These applicants may be more difficult to qualify, so make it a priority and work at it. These households can have substantial housing needs and can be wonderfully served by this program. The application requires a planned outreach to attract eligible borrowers.

Modest Housing

Dwellings financed by this program must provide modest, decent, safe and sanitary housing. Loans will not be approved that have structures designed for income producing facilities or homes greater than 2,000 sq. ft. Rural Development also limits the lot size to one that cannot be subdivided. In addition, the appraised value cannot exceed the area loan limit that is established by Rural Development. This limit is based on the cost of modest housing in the area. Two important things to remember:

1. The property costs, including the combined cost paid by the agency loan, loans from other sources, or the applicant’s own funds, and the value of a site already owned by the applicant, cannot exceed the area loan limit (or the appraisal amount). The homeownership education fee, appraisal fee, tax servicing fee and the initial contribution to the escrow account are allowable excess costs and the exceptions when a loan can exceed this limit.
2. Area and individual exceptions are permitted to allow the cost of the dwelling financed to exceed the maximum dollar limitation when the existing mortgage limit is insufficient to provide for adequate housing. The State Director can approve increases of \$5,000 or less. The National Office must approve larger increases.

Aside from these considerations, what is modest? That question cannot be solved within the pages of this handbook but should be heavily considered by your organization

for many reasons. The modest house provides for long-term affordability, is easier to repair and maintain, less expensive to heat and cool, and allows the governmental program dollars to be stretched further. The home should be comparable to the local market for a starter home but must not exceed the Rural Development maximum of 2,000 square feet. But most importantly, you want housing that is affordable to your customers and will hold its value.

Bigger is not always better, for the participants or for the program. Stick to the program model; providing modest, decent, safe and sanitary housing.

Cost Savings & Other Benefits

There are many reasons that a participant may become involved with the self-help program and there are many benefits that they will receive from it. Increased self-esteem and acquiring skills are wonderful benefits that they may not have expected in addition to cost savings.

Home equity can be a long-term strategy for building wealth. Participants should fully understand that their labor does not always translate into instant equity. The real goal of the program is to provide participants with decent and affordable housing options. These families typically would not have the ability to afford nor own a home through most conventional lenders.

There is more than one way to save money. Obviously, the participant labor provides a substantial portion of that savings. Another method is bulk purchasing. The size of your projects can be used to negotiate savings with subcontractors and suppliers. Also, it is important to provide accurate cost estimates. If the numbers on the estimate are inflated, the money that is returned at the end does not add to the participant's equity savings. Do what you can to make this program beneficial to the participant's bottom line.

REHABILITATION PROGRAM FRAMEWORK

Program feasibility

Modification Request/ Adding a Self-Help Repair Program to Existing Grant or New Inquiry

Prospective grantees or existing grantees interested in administering an Owner Occupied or Acquisition Rehab program should first do a feasibility study. Grantees should consider several factors when determining the need to add or start a self-help rehab program.

Evaluate your service area housing needs. Does your current housing stock have adequate quality affordable housing? Do you have the staffing capacity to effectively execute the program? Do you have the support from key community leaders along with Board support? Determine if adding a rehab program will be financially self-supportive. Grantees should also get support from their State Rural Development office prior to applying.

When analyzing whether a Self-Help Repair Program will give your organization additional opportunities to meet the needs of your community, first demonstrate the need for decent, safe and affordable housing in your service area. Do you have an adequate number of income eligible families that are interested in participating in the repair/rehab program?

Homeownership is a long-term investment and purchasing a lower cost existing home can be a great opportunity for families that cannot afford self-help new construction homes. It also can be the right program for participants that can't dedicate the extended time required for a new construction build.

The grantee should also do their due diligence when factoring the organization's operating costs to facilitate the rehab program. There are services that the nonprofit will provide to the participant which are not factored into the repair cost savings but will ultimately have a significant cost associated with program operations. Examples of these services are:

- application intake/loan packaging & processing
- pre-construction meetings
- marketing costs
- time spent locating homes for each participant
- providing accurate cost estimates & scope of work for each loan docket
- applying for permits
- inspections (staff on site)
- delivery of materials (staff delivery)
- administrative costs associated with facilitating program/ maintaining/reconciling 502 family loan funds (check processing)
- scattered sites (large service area) distance between projects increasing travel costs

These expenses will not be accounted for when determining the family cost savings using an estimator software, but should be factored into the operating cost. The grantee should

factor in these anticipated costs when creating a budget to run the program and as part of establishing an accurate TA fee.

Planning

Planning is an important function of management which consists of determining what should be done in the future. It involves setting goals, objectives, policies, procedures, assessing resources and developing action plans needed to achieve the purposes of the organization and the program.

Typically, the entire team is involved with different levels of the planning process. Planning means thinking before acting, looking ahead and preparing for the future, laying out in advance the road to be followed, and thinking about what and how the job should be done.

Staffing Pattern

There are many factors that determine the staffing patterns of a self-help agency, e.g. budget, current positions, size of the organization. But typically, a staff has four major program functions: program oversight and management; group development/loan packaging, construction supervision; and management of grant and construction funds. These functions may result in several job positions such as an Executive Director/Program Director, Group Coordinator/Loan Packager, Bookkeeper, and Construction Supervisor. If it is a larger grantee these functions can be split into multiple job positions e.g. there could be a Group Coordinator and a separate Loan Packager; construction staff may have an overall manager and individual site supervisors. The great thing about the program is that it allows for a variety of staffing patterns but key to all is to be sure that responsibilities are clearly spelled out.

Typical Staff Positions and their Roles and Responsibilities

- Program Director: Hires and supervises Self-Help staff, evaluates, directs progress, typically the point of contact with Rural Development and T & MA Contractor.
- Group Coordinator/Loan Packager: Responsible for family recruitment, application intake/loan packaging/processing, preconstruction meetings, tracking participant labor contribution.
- Construction Supervisor: Coordinates all aspects of the development from acquisition through rehabilitation, makes sound decisions on the scope of work and the construction details of each home, tracking costs, budgets and timelines of all homes in construction, enforces job site rules, and coordinates all family labor and subcontractor work.

- **Bookkeeper:** Responsible for the day to day duties associated with maintaining accounts for both the 523 grant funds and the family’s loans/ grants, process checks for bill paying, maintain and balance family’s accounts, and generates required financial reports.

Outreach

Recruiting eligible participants can be a very challenging task without a plan. A recruitment plan is a tool that can help you build a pipeline of eligible applicants who are willing to participate in the self-help program. Once your plan is implemented, if you are not achieving the desired results, analyze it and modify it. Try different outreach efforts until you find the methods that work well in your service area and in each of your communities.

The self-help rehab program can be promoted through a variety of methods including flyers, TV and newspaper ads and social media, and attending meetings and events and forming partnerships with local community organizations and employers. Realtors can be a good partner too because the acquisition rehab program can help them sell difficult properties.

Remember to review your Affirmative Fair Housing Marketing Plan which describes the special outreach efforts that are required by Rural Development. Also, remember always to include the Fair Housing logotype on all advertising materials. Pay close attention to the required sizes. (See <https://www.hud.gov/library/bookshelf11/hudgraphics> for logos or <https://www.hud.gov/sites/documents/43105C9HSGH.PDF> for information on required sizes.)

Funding Sources for Rehab Projects

Section 523 Mutual Self-Help Housing Technical Assistance Grant

The USDA Rural Development Section 523 Grant is the main source of grant funds used by grantees to operate and oversee the self-help housing rehab program.

Section 502 Direct Loans for New and Rehab Construction

The Rural Development Section 502 home loan program is used by most applicants that participate in the self-help purchase repair program. These funds are used to finance the acquisition and rehab of their homes. Contact your local Rural Development office to ask for additional details about applicant(s) and property eligibility requirements and loan limits.

Section 504 Loans and Grants for Housing Rehab

The Rural Development Section 504 home loan and grant programs are used by owner-occupied applicants that participate in the self-help rehab housing program. These funds are used to rehab their homes. Contact your local Rural Development office to ask for

additional details about eligibility requirements.

Other Funding Sources

There are some grantees that use their own funds to finance the rehabilitation of the self-help homes.

There are several local, state and national organizations that provide funding for rehab projects (FHLB, HUD, VA and weatherization programs). Many grantees have been successful leveraging a combination of these funds to help offset costs for their rehab projects and are able to assist lower income applicants.

See Appendix B.2

Developing Policies, Processes and Procedures for Rehab Projects

Your organization should establish a set of policies, processes and procedures specific to the rehab program that will be adopted and governed by your organization.

Having well-developed policies, processes and procedures will give your staff clear instruction when operating the self-help rehab program. They should include at a minimum the following: Program Planning, Program Set-up, Client Outreach and Intake, Specifications, Feasibility, Bidding and Contracts, Construction Monitoring, Warranty and Evaluation.

Reporting

Quarterly Reports- the quarterly report is an important tool for the assessment of the grantee's progress in relation to the approved grant goals. The grantee must submit Exhibit K of 1944-I, Evaluation Report of Rehabilitation Self-Help Technical Assistance (TA) Grants, as required by Rural Development.

Progress is reviewed at quarterly meetings where the timeline, spending, production, projected number of very low-income participants and labor contribution requirements are discussed as well as other conditions specified in the grant agreement.

Monthly Reports- the grantee must enter information into the Self-Help Automated Reporting and Evaluation System (SHARES) by the 5th of every month. This monthly report contains the grant activities of the preceding month which includes grant funds spent, status of recruitment/loan packaging/closing/construction and borrower information. Alternative and/or supplementary reporting is authorized by Rural Development for rehab projects that cannot be easily recorded in SHARES. See Appendix B.3

Home Selection Process

Property/Dwelling Requirements

Grantees operating an acquisition rehab program will need to locate houses for sale in their service area that can be renovated and still remain affordable. Knowing the real estate market within your service area is critical, selecting specific houses for this program is key. When assisting the families in locating a home the grantee must first do their homework in order to help the participants make better purchasing decisions. Identifying homes that meet the criteria of this program may seem difficult if grantee does not do their due diligence.

Selecting an appropriate home can be a challenge. Deciding whether a house can be rehabilitated and remain affordable for the family can be the grantee's first obstacle. The process of making a purchase offer comes down to taking steps to ensure that all costs associated with the acquisition are calculated.

When working with families selecting a home the grantee should predetermine the criteria the home must meet. There are program regulations that may narrow the housing options that both the family and grantee must be aware of; the home must be considered modest, it needs to come in under the RD 502 Direct Program loan limit for its county, the home cannot exceed 2,000 square feet nor be designed for income producing activities. Families should also avoid homes that contain environmental hazards such as; asbestos, lead and mold. These will significantly increase the cost of the rehab and will need to be abated prior to making repairs. This will likely make the home unaffordable.

Once a home is selected, the grantee should first create a detailed scope of work based on their initial inspection of the home. Then, prepare an accurate cost estimate based on all the needed repairs. This should not be taken lightly as it is the basis of making and negotiating a fair offer. When calculating an offer the family and grantee will need to determine the maximum purchase price that can be afforded, taking into consideration the total cost of rehab and sellers asking price.

Example:

Negotiated Sales Price = \$90,000

Rehab Costs = \$32,000 (Contracted services + Materials \$12,000) + Family labor (\$20,000)

Purchase Price \$90,000 + Contracted Services/Material \$12,000 = \$102,000

Appraisal Value \$126,000 - \$102,000 = Equity \$24,000

Another option for the grantee is to enlist the help of a local Realtor. The grantee should meet with the realtor to discuss the parameters of the self-help program. They should determine the criteria of the homes for the participants and possibly hand select houses that meet the needs of the families and fit the program. Having predetermined which homes are currently on the market that meet the criteria will help expedite and eliminate a lot of time searching.

Not every home is right for the program. Some homes may need too many repairs and not be feasible for one family to do all the necessary repairs in a timely manner. Other homes may not need enough repairs to make sense for the program. It is up to the grantee to approve a home for the program once that house has been selected by a participating family.

Grantees operating an owner-occupied rehabilitation program must also determine if a home is suitable for the program. Extreme caution should be taken when considering rehabbing homes that contain hazardous materials: lead, asbestos and mold. The Scope of Work must meet the standards in RD 1924-A and all national/local building codes. Homes must also meet the agencies decent, safe and sanitary requirements.

Home Inspection and Project feasibility

For **Owner Occupied** rehab projects, Rural Development can accept an inspection from the grantee's qualified staff. Each state office will determine whether the grantee's staff has the knowledge and experience to conduct a thorough house inspection. Typically, Owner-Occupied projects will need to meet the State's decent, safe and sanitary requirements and local codes. Grantees who wish to do their own inspections should create an inspection checklist, they should also take pictures and measurements of items they will need to repair. See Appendix C.1 and Appendix C.2

This does present certain liabilities to a grantee, especially if repairs are overlooked. This may open the door for possible legal recourse or the need for additional funding to make the repairs. The State may require a third party inspection if they deem the grantee's staff unqualified.

For grantees administering **Acquisition Rehab** in which the participants are using Section 502 direct loans to purchase an existing dwelling, the applicant must engage the services of a State-licensed inspector to perform a whole house inspection. The inspector must provide a statement that the dwelling appears to meet the Agency's decent, safe, and sanitary

standards with respect to: (1) termites and other pests (this may be separate from the whole house inspection); (2) plumbing, water and sewage; (3) heating and cooling; (4) electrical systems; and (5) structural soundness. The inspection report must be a comprehensive document that meets the minimum standards of the professional home inspector associations. When a State does not license inspectors, a qualified, independent, third-party inspector may perform the inspection and provide the necessary certifications.

The A/R and O/O programs will require the grantee to prepare a project application docket for each home, this will be based on the inspector's report and contain the following items:

- Final Purchase and Sales Agreement (n/a for O/O)
- Inspection Report
- Scope of work & a descriptions of materials
- Development Plan Cost Breakdown- rehab costs, purchase price and closing cost (if applicable)
- Projected Cost Savings
- Construction schedule for project – include family labor requirements

This docket will be submitted to the local RD office if using funding through the USDA- RD Section 502 or 504 programs.

If funding for rehab projects is not through USDA, then the grantee will not be required to submit an entire docket to Rural Development. They will still be required to report quarterly on items outlined in the 'Reporting and Evaluation' Attachment 2, or State equivalents, which requires reporting on applicable items from RD Instruction 1944-I, Exhibit B-2 as well as construction investments, cost savings, and total labor contribution. All third party financing must be identified.

Environmental, Flood Requirements

Flood-Related Requirements Flood insurance is required for all dwellings located within the 100-year flood plain, unless FEMA has granted an exception, and flood insurance is available as part of the community's flood plain management regulations.

For all new construction, substantial improvements, and existing dwellings the lowest floor (including basement) must be elevated to or above the 100-year flood level. In addition, for newly constructed and substantially rehabilitated dwellings, the construction materials and

methods used must be for the purpose of making the structure resistant to flood damage, and minimizing any damage that may occur. RD Instruction 426.2 contains further guidance on the National Flood Insurance Program and flood-related requirements.

All dwellings within the 100-year floodplain must be served by public utilities that are located and constructed to minimize or eliminate flood damage, or have an on-site water supply and waste disposal system located and constructed to avoid contamination of the water supply by the septic system due to flooding.

For all new construction, substantial improvements, and existing dwellings in a floodplain, the Agency must perform a decision making process for alternative consideration in order to determine if a reasonable alternative to committing federal funding to a property in a floodplain exists. This process is outlined in detail in RD Instruction 1970-F, section 1970.256.

Flood Hazard Determination

FEMA’s Standard Flood Hazard Determination Form (SFHDF) determines if the home is located in a Special Flood Hazard Area (SFHA) and states the availability of flood insurance based on if the community participates in the National Flood Insurance Program (NFIP). A home located in a SFHA is not eligible for Federal financial assistance unless flood insurance is available. The flood insurance can be through NFIP or under NFIP’s “write your own” program where the policy is through private insurance that meets the requirements of 42 USC 4012a (b)(1)(A). Flood insurance must be obtained and maintained throughout the life of the loan when any portion of the home is located in a SFHA, including attached garages, decks and carports, etc. Flood insurance is not required for any additional structure that is located on the property but is detached from the home (such as detached shed, garage, or other ancillary structure). Flood insurance is not required for loans and grants with an original principal balance of \$5,000 or less.

The information on the SFHDF will assist in the preparation of the environmental review documentation, which must examine whether there is a reasonable alternative to a proposed purchase or construction in a floodplain. The Loan Originator will be responsible for acquiring the SFHDF from CoreLogic Flood Services at: <https://www.floodcert.com/>. CoreLogic provides “Life of Loan Determination” in which the Agency will be notified should the site’s floodplain designation change. The SFHDF must be acquired prior to the completion of the environmental review.

If the dwelling is located within a SFHA, the lowest floor (including basements) must be elevated above the base flood elevation (BFE). Proof that this requirement has been met is usually

in the form of a FEMA Elevation Certificate, however other forms of documentation may be accepted (see RD Instruction 1970-F).

Additionally, for applications to purchase, construct, or substantially rehabilitate dwelling in a floodplain, utilities should be flood-proofed or located above the BFE. If the dwelling does not use public utilities, the domestic well must be a minimum of 50 feet from the septic drain field (or more, depending on local or state codes). For minor repairs, these requirements are not applicable if the dwelling existed prior to the publication of the first FEMA flood map for that location. In accordance with RD Instruction 1970-F, section 1970.256 (b) and 1970.261(b), if the property is within a floodplain, the Agency approval official is responsible for notifying the applicant about the hazards associated with occupancy of locations within a floodplain at the earliest possible point in the Agency’s decision-making process. A template notice can be found in RD Instruction 1970-F, Exhibit B, Attachment 2.

CONSTRUCTION PROJECT MANAGEMENT

Creating Scope of Work and Description of Materials

Upon completion of the inspection report a detailed Scope of Work that accurately reflects the repairs needed to make the home safe, sanitary and livable should be completed. Additionally, repairs that may not be on inspection report include increasing energy efficiency and weatherization. Examples of this work may include adding insulation, reducing drafts through windows and doors, window/door replacement, weather stripping, installation of energy efficient water heater and HVAC systems. Accessibility modifications; bathroom/kitchen modifications, ramps, grab bars, widening of doorways, etc. which enable an elderly/person with disabilities to remain independently in their home.

See Appendix D.1

Some Rural Development offices may determine eligible repairs based on inspection report only, repairs identified from inspection report listed as health and safety will take priority and have precedence over any cosmetic repairs. A participant’s budget, and the potential to appraise, will ultimately determine the number of repairs that will be able to be completed outside the initial inspection report and may need the State Office approval.

When creating a Scope of Work, high priority should be placed on making repairs to conditions that are inherently unsafe and hazardous to the potential occupant. Most likely, until these repairs are made, the home may not be able to be occupied. Again, these repairs must be done as soon as possible, Purchase Rehab homes must be occupied within 30 days of loan closing as a requirement of the loan program in order to maintain their subsidy. If it is going to take longer, a construction loan will be needed.

Once a detailed Scope of Work is completed the next process is creating a description of materials based on the Scope of Work. The description of materials should contain as much detail as possible. At a minimum, the specifications list should detail what materials to use and any installation requirements. This will establish a quality of standard for the materials and workmanship. Equally important, it provides a measurable way to determine whether work has met the standard. How detailed a spec should be on depends on the complexity of the project and is critical to the successful completion of the rehab. Listing products, installation standards and quality of materials ensures the participants and Rural Development are getting what they are paying for.

See Appendix D.2

Project Estimating

For our purposes in construction estimating, we need to account for every item that is needed in the project. Because of this, construction knowledge is very important. Every possible material item should be considered and or listed so that it can be properly estimated.

One of the primary responsibilities assumed by the self-help grantee is the accurate and accountable disbursement of the 502 loan funds. One of the areas in which many self-help programs get into trouble is inaccurately estimating the cost of construction in the self-help program. Accurate cost control and accounting are dependent upon consistent and thorough cost estimating. Any grantee that does not accurately estimate the cost of construction in the program has failed to live up to the bargain made with the participants and jeopardized the family's ability to repay the mortgage to Rural Development.

Some commonly used software programs, such as Homewyse and National Construction Cost Estimator, are available to help with the estimating process. Contact your T&MA provider for additional assistance.

When estimating materials to be used, always remember that the most current codes are considered. The Construction Supervisor should be well versed in local codes, construction methods, building materials and components.

This is probably the most critical step in ensuring the success of the individual project and equally significant the success of the grant. Grantees should do their due diligence when it comes to accurately estimating repair costs.

Grantees must first determine what tasks the family will complete as part as the labor contribution agreement. This is also the basis for establishing the cost savings. Placing a value on the families' labor contribution, along with material costs and any subcontracted repairs, will be the principle foundation for establishing an accurate estimate and ensuring that all repairs are budgeted.

See Appendix D.3

When creating an estimate the grantee should pay attention to all factors that will affect the cost of rehabbing the home besides the actual repair costs such as:

- Location of the project from vendors (added delivery cost)
- Logistics to sub-contractors (if project is located in an extremely rural area they may have limited options for obtaining multi-bids which can impact cost)
- Disposal costs
- Permit fees (if required)
- Inspection fees (if required)
- Equipment rental cost (if located in an extremely rural area maybe limited)

Things to consider when estimating a rehab project

All estimating is part art, part science. But estimating a rehab/ renovation relies a lot more on the art side of the equation. That is, judgement and experience are necessary for accuracy. There are a number of factors that add to the cost and uncertainty in estimating rehab projects. When in doubt, err on the high side. Important items to consider include:

Demolition

The demolition of an existing unit, or part of it, usually goes quickly and smoothly, but needs to be done thoughtfully and carefully. Working slowly and carefully often takes less time than blasting away with sledgehammers and reciprocating saws, and then sorting through

the wreckage.

On all remodeling jobs, a good dust barrier is essential to keep the dust from spreading throughout the rest of the house. Care must be taken to not damage existing finishes such as flooring, or causing collateral damage, like accidentally busting through a good wall or ceiling in another room. In estimating, the amount of damage to other nearby finishes may be difficult to predict.

Job Site Issues

Working in an occupied house with children, pets, valuables, and finishes that need protecting add time and cost to rehab jobs. Common issues include:

- **Site access.** Delivering tools and materials up a narrow staircase or through a second-story window will be slow (if they fit at all). Working in tight spaces will take longer than normal. Also, walking through occupied portions of the house to reach the work site with workers and materials can be challenging.
- **Protection of finishes.** In addition to a good dust barrier separating the work zone from the living zone, it takes time and materials to protect finishes that are not being renovated. If you damage other areas, the project will unintentionally grow larger and more expensive. The amount of protection required depends on the level of traffic and abuse a surface will be exposed to. In many cases, a heavy plastic drop cloth is not enough. On floors, tub bottoms, and other vulnerable surfaces, a hard layer such as ¼- to ½-inch plywood or OSB placed over a heavy drop cloth is often needed for protection from foot traffic, falling hammers, or miscellaneous debris, bumps, and scratches.
- **Job-site maintenance.** When working in an occupied home, you may need to spend a lot of time controlling and cleaning dust and debris, securing the job at the end of the day, keeping rain and weather out of open structures, and maintaining a safe environment for children, pets, and others.

Structural Issues

Look before you leap – or in this case, before you cut. It's not always 100% clear whether a wall is load-bearing or not, so you need to do a thorough inspection before cutting into or removing a wall – sometimes this requires cutting a few holes in the plaster or drywall to get a

good look at the framing. Also, don't assume that the original builder understood structural forces. You might find that things have been supported over the years, with a bit of sagging, by a wing and a prayer along with the lath and plaster. Always proceed carefully, with proper shoring (temporary support), to avoid damage to other parts of the structure.

Toxic materials – Lead and Asbestos

Testing and removal, or “encapsulation” of lead or asbestos can substantially drive up rehab costs in older homes. Laws vary from state to state, so be sure to check with your local building department when planning and estimating your job. Many states allow homeowners to do their own “abatement” under certain conditions, which can save a lot of money, but potentially expose the family to toxic materials. In some cases, you are allowed to leave the material in place and cover it with new materials – often the cheapest and safest approach. However, some states require expensive safety procedures for all older homes, regardless of test results. So check with your local authorities.

- **Lead paint.** Most homes built before 1960 contain lead paint, perhaps buried under coatings of modern lead-free paints. However, lead was not completely banned from home paints until 1978. Lead becomes hazardous when flakes or dust are ingested or breathed in after peeling or being pulverized by sanding, cutting, or other demolition activities. Burning off lead paint and breathing the fumes is especially noxious.
- **Asbestos.** Asbestos was widely used in insulation, pipe and boiler wraps, and other building products until the early 1980s. Other than insulation and pipe wrap, common uses include floor tiles (vinyl/linoleum/rubber), textured ceilings, siding and roofing. Asbestos becomes hazardous when the material is cut, broken, or crushed and becomes airborne. Soft, brittle “friable” asbestos, often found wrapping old boilers and pipes is especially hazardous. Depending on the condition of the material and local regulations, options may include doing nothing, covering the material, “encapsulation” with special coatings, or removal.

Hidden Conditions

You never really know what you're going to find when you start tearing down walls. The structure may be inadequate, as described above. Other hidden issues include:

- **Wood decay.** There are usually clues to significant wood decay before you open up walls and ceilings, but the extent of the decay is hard to determine without tearing into the structure. Inspect any wood that touches earth or masonry. Also look for excessive sagging and settling, bouncy floors, areas of the roof that feel mushy underfoot, or evidence of insect infestation.
- **Vinyl or aluminum siding.** Beware of what's behind vinyl or aluminum siding, or the aluminum "coil stock" used to cover exterior wood trim around doors and windows, building corners, and eaves when the siding was installed. The vinyl or aluminum may look great, but what's underneath is an unknown – ranging from materials in remarkably good condition to severe rot from trapped moisture.
- **Old plumbing and wiring.** You may find wiring and plumbing runs that were not apparent, and need to be relocated, or just about anything else that may not comply with modern codes and needs updating. Depending on the age of the house, you might find obsolete knob-and-tube wiring, ungrounded electrical systems, or lead plumbing that needs to be replaced, especially in houses over 50 years old. You may see heavy cast-iron drain pipes that had rusted and rotted through. Iron water pipes are often brittle and may break when disturbed. Even modern copper plumbing can be damaged by pitting and corrosion due to hard or acidic well water or other water conditions. Blue stains on plumbing fixtures from oxidized copper may be evidence of corrosion.
- **Unusual construction.** Materials and building techniques have evolved over the decades, leading to surprises. Behind walls and ceilings, and under floors, you may discover iron and steel, reinforced concrete, rock-hard plasterboard, and other materials where you least expected. Some were original to the builder; others added during an earlier repair. The older the building, the more surprises you can expect.

Remodeling Specialties

Old houses have their charm, but charm can be costly when you have to structurally reinforce it, level it, or match it with new materials. Some issues to consider:

- **Square and level.** Often nothing is square or level in older homes, so you need to spend time leveling the old (not always possible) or adjusting the new construction to gracefully join the older off-kilter construction.
- **Mechanical systems.** Tying into old wiring, plumbing, heating systems, chimneys and flues, can be time-consuming and require more work and replacement materials than anticipated. Lead plumbing, knob-and-tube wiring, and other obsolete systems can be difficult or impossible to tie into and, therefore, may need replacement.
- **Patching and matching.** Patching into existing floors, woodwork, and other finishes is time-consuming, and getting an acceptable finish match can take a lot of trial and error as well as skill. Contracts refer to this delicate process as “match existing,” which is easier said than done.

Remodelers’ Estimating Guides

If you want to use a unit-pricing guide to help estimate rehab projects, get one specifically published for remodeling. Look for one that has adjustments for regional costs, different quality levels, and job-site variables. Most familiar are Craftsman’s National Repair & Remodeling Estimator, Homewyse and HomeTech’s Remodeling and Renovation Cost Estimator, but there are several others to choose from. (Tip: To save money look for last year’s guide online.)

Remodeling estimating guides are very similar to new construction guides, only with additional categories for demolition, repair, and replacement of various components and materials. You’ll find remodeling-only items such as “Break through existing wall and make opening,” In addition you’ll find labor and material prices for retrofitting a skylight or window, adjusting a sticking door, and various types of repairs. Some also provide unit prices for estimating whole jobs by the square foot such as kitchen and bathroom remodels, with various deductions and additions for different features and quality levels. Of course, you need to take these whole-job estimates with a big grain of salt.

Some contractors swear by these guides, but most only glance at them on occasion to see if they are in the ballpark or to check a task or sub-trade with which they are unfamiliar. These guides can be a good place to start in budgeting and preliminary estimating. However, with all the unknowns and variability in a real-life renovation job, you are much better off getting actual bids from subcontractors for as many tasks as possible.

Bidding Process

For those of you who might not know, a construction bid is the process in which the grantee takes the inspection report, drawings and specifications as prepared by their architect or construction supervisor, reviews them for materials, quantities, and formulate an initial cost estimate based on scope of work as defined in those construction documents.

The grantee is responsible for obtaining bids and referrals from subcontractors on behalf of the participating families. In most cases the grantee will coordinate all of the work involved in receiving the bids and referrals and then will relay the information to the participants to determine who is the lowest responsible bidder and if the bidder is credible. The grantee should not be confused as being a general contractor; their acting role is just as a coordinator, organizer, and advisor to the participants.

Before the bidding process can even start, the grantee or the participant must provide the subcontractors, that are going to be bidding the job, a complete copy of the blueprints (if needed), scope of work and specifications and any other data involved in the subcontracted task. For competitive bidding to be a valid procedure, all competitors must bid under exactly the same conditions for an identical package of work. There are no laws stating that certain contractors cannot perform specified work other than requiring them to have the proper license. So be very careful in qualifying a subcontractor by local directories.

Prior to obtaining bids from prospective subcontractors, the grantee should schedule interviews with them to discuss the Self Help Program, discuss how it differs from conventional home building/rehabbing. The grantee should clearly outline the family participation in the construction process, families are required at minimum to provide 10 hours for every \$1,000 of repairs. The grantee should make the subcontractor aware that the timing between certain tasks will generally take longer than in typical market home building/rehabbing and that they will need to price accordingly.

After examining the scope of work and specifications, subcontractors should want to visit the jobsite. When submitting a task for bid to subcontractors, always tell them the location, availability of electric, water, telephone, local ordinances, storage of equipment, delivery information, topography and drainage, etc. Give subcontractors access to all available information concerning the project. Always make sure that you give the subcontractor a firm date by which you need the bid. All too often subcontractors wait until the last minute before giving an estimate. Make sure the subcontractor is aware of the length of the project so they can

guarantee pricing accordingly. Make sure to acquire references from other jobs where similar work was performed.

The bid process has several steps that are typically standard no matter what “delivery method” you are utilizing for your project. The basics of the bid process are as follows:

Step 1: Construction Docs Completed

The grantee’s construction staff have completed a full set of construction documents that should include all of the important information required for contractors to provide a price to complete a certain task within the rehab project; Scope of Work, Specifications, Drawings (if applicable), General Conditions, Special Conditions, and Schedule.

Step 2: Advertise the Project (at large or to invited bidders)

During this period, the construction documents are provided to contractors and tradesmen to review, question, and price. This process can be handled in several ways, these days the majority of this process occurs electronically, though some forms of paper distribution still take place. The future for this step will be completely electronic at some point.

Step 3: Bidding Q&A Period

During this step a set period of time is established, typically 2-4 weeks, that the documents are available for reviewing and such by anyone who hopes to provide a price to complete work on project. This is directly tied to Step 2. The contractors can ask for clarifications or product substitutions or additional information within this set number of days. It is recommended that all contractors do a walk-through of the property to get firsthand look of the project prior to bid submittal. Also, during this period it is the construction supervisor’s job to continue to distribute information to all those contractors who are bidding the work. This is always a set period of time, that once it ends, the pricing/bid is due.

Step 4: Reception of Bids

This is the step, usually an exact day and time, when everyone is required to provide their bid, insurance, licenses information, etc. Many times bids come in at the last minute. The construction supervisors assemble all of the trade bids they receive.

Step 5: Evaluation and Selection

The bids and requirements of the bid documents are now reviewed by the construction supervisor

and self-help participant. The goal here is typically to identify the best value for the project; this is not always the lowest bid. This review process also ensures that the bidders meet all the requirements put forth in the request. It can also give time to get some clarifications on the bid number from the contractors. It is helpful to create a bid matrix for determining the contractor that best meets the projects' needs.

Step 6: Contract Negotiations & Start

This is the last step. At this point, bids have been evaluated and the contractor that is going to perform a certain task for the project has been chosen. All the details and nuances of the legality of the contractual relationships are established during this step. At this point the contractor will be provided with a Notice to Proceed. (Sample in Appendix D-4.) **Contractors are not authorized to begin work until they receive a Notice to Proceed.** Once this one is concluded, you can start construction!

CONTRACT DOCUMENTS

Contracts

When any construction project is awarded, contracts are an important part of the process. A construction contract provides important protections for the parties to the contract and for both contractors and homeowners. See Appendix D.1

In general, contracts provide duties and obligations the parties have agreed to but also provides protections for the parties if they fail to abide by their obligations. Construction contracts include details about the project and the scope of work that will be done and how compensation will be handled related to the project. When a contract has been breached by one of the parties, the other party will have important legal remedies to consider.

The non-breaching party may be able to seek compensatory damages for the financial harm suffered; rescind, or cancel, the contract; or request specific performance of the contract, requiring the breaching party to perform their obligations under the contract. Because the contract relationship is essential to any business opportunity, construction project or real estate project, it is necessary to carefully draft the contract and trained guidance throughout the process can be useful in that regard.

Effective contract drafting can help avoid contract disputes down the road; however, it is equally important to understand how to address contract disputes and a breach of contract. Both

contract law and construction law are complex, which is why it is important for the parties to a contract to understand contract basics and what to do if a contract is breached.

Once a subcontractor is selected, the self-help family must sign a construction contract with each subcontractor. Example: USDA RD Form 1924-6 “Construction Contract”. The contract should also list the grantee’s requirements that the subcontractor must comply with and specify what conditions under which payment may be withheld or another contractor substituted.

The subcontractors’ work should be inspected carefully. Errors or changes can be handled with little trouble and time if dealt with right away. Subcontractors are sometimes requested by owner/builders to grant extensions of the acceptance time. Subcontractors are generally willing to oblige, but sometimes in their eagerness to get the job they will agree to such an extension without giving the matter sufficient consideration. Such action means that the completion date of the project will be set back by a length of time equal to the extension of the acceptance period. Due to increased wage and material costs, a subcontractor may not be willing to extend the original acceptance period. When increased costs are anticipated and the subcontractors do not wish to absorb them, they should quote the required additional amount in exchange for extending the acceptance period.

Problems with subcontractors usually evolve from lack of communication. Make sure that contracts and payment schedules have been clearly defined. If the subcontractor is not fulfilling the contract or the work is poor quality and all attempts to work things out have failed then you have no choice but to release the subcontractor from the job. Hopefully having to terminate a subcontractor is the last resort, particularly since replacing them after work has begun can be even more difficult. Obtaining bids and choosing the right subcontractor can be quite an experience. Good preparation is the answer to a successful project.

The grantee should avoid making change orders, if one is necessary the contractor will need to agree that no alteration of materials or labor described in the original work order shall take place unless in writing and mutually agreed upon by the participant, grantee and Rural Development. All changes must be submitted using Rural Development’s change order form 1924-7. Any work done outside the initial Scope of Work not approved by written change order will not be paid, change orders must conform to the standards and specifications of the program. If an inspection is required, work authorized under the change order must be submitted for inspection, review and approval by Rural Development. All changes made will be bound by the

executed contract, incorporated into the project and subject to all program requirements, policies and procedures.

Change Orders

As a Construction Supervisor you are responsible to manage all aspects of the homes as they are being built and or rehabbed. Changes to any portion of the homes whether there is a cost involved or not is considered a change order. Any alteration to the original plans and specs is considered a change. The common practice for self-help agencies is to have a ZERO change order policy. No changes will be allowed to these homes whatsoever. The families will need to understand that they have agreed to rehab their homes as per scope of work and specifications.

Sometimes unexpected conditions will arise and a change order becomes necessary. A process should be implemented to inform all interested parties of the change. Each grantee should establish an internal process that they would like their Construction Supervisor to follow. Rural Development also has a process and the proper change order forms must be utilized for documentation purposes.

Should a change become necessary, ensure proper channels are followed and that the correct documentation is completed.

Construction Planning and Scheduling

Time management is an important aspect of job control. If a construction project is to proceed efficiently and be completed within the contract time, the work must be carefully planned and scheduled in advance. Construction projects are complex, and a large job will involve literally thousands of separate operations. If these tasks were to follow one another in single file order, job planning and scheduling would be relatively simple, but this is not the case. Each operation has its own time requirements, and its start depends on the completion of certain preceding operations. At the same time, many tasks are independent of one another and can be carried out simultaneously. Thus, a typical construction project involves many mutually dependent and interrelated operations that in total combination comprise a tangled web of individual time and sequential relationships. When individual task requirements of materials, equipment and labor are superimposed, it becomes obvious that project planning and scheduling are very complicated and difficult management functions.

The traditional basis for the planning and scheduling of construction projects has been the bar chart. This graphical representation of work versus time is a useful and convenient device for depicting an established schedule of construction operations and recording its progress. The bar chart is very useful. Its unsurpassed visual clarity makes it a very valuable medium for displaying job schedule information. It is immediately intelligible to people who have no knowledge of CPM (Critical Path Method), or network diagrams. It affords an easy and convenient way in which to monitor job progress, check delivery of materials, schedule equipment and crews, and record project advancement. For these reasons, bar charts will undoubtedly continue to be widely used in the construction industry. Conventional bar charts can be quickly derived from a project schedule. Activities may not always be the most desirable basis for bar chart preparation or usage. Simpler diagrams with fewer bars and showing larger and more comprehensive segments of the work may be more suitable for ordinary job applications. In such a case it is an easy matter to combine strings or groups of activities into a single bar chart item.

Scheduling Subcontractors

Knowing where you are going before you get there is half the battle; so don't leave construction schedules out of your plan.

Despite having executed contracts and agreements with subcontractors, one of the most common problems is getting the subcontractors on the job when needed and keeping them there until the job is completed.

Here again is where the construction schedule comes in handy as a valuable management tool. If the schedule is adhered to, the grantee can give subcontractors plenty of notice of when they will be needed on the job. Both starting and completion dates can more accurately be negotiated.

To further maximize the usefulness of the construction schedule, on-site meetings should be arranged with subcontractors prior to them starting their work to coordinate in detail the work to be done, and during construction to review their progress and performance.

Each subcontractor should receive a copy of the construction schedule so that they are fully aware of the organization's construction interdependencies and timelines. Of course, there may always be dilemmas that arise, but with a feasible construction schedule, and open and clear lines of communication, problem solving becomes much easier.

Following these simple guidelines will minimize most of the problems that arise with subcontractors. Remember, clear communication and prompt action is essential.

Inexpensive software is available to assist you in creating and maintaining an up-to-date schedule.

Schedules

Using a construction schedule template to plan out your project timeline is a great way to save time. There's no doubt about it, lining up all your key contractors and resources is one of the most important things you can do on a renovation project. The construction schedule template will help you to outline the scheduling basics. Then you can adjust the details according to discussions with each one of your chosen subcontractors.

See Appendix D.4

Construction Schedule Template:

Having a construction schedule template is:

- Another way to help project manage your renovation and plan out all the critical tasks one by one without clashes or overlap.
- Great for helping you think about each phase of the rehab and what you'll need to have organized when the families are involved with completing the repair and when your contractors arrive on site.
- Will show you the order in which most renovations will be sequenced.

Some of the considerations when filling out your schedule for each stage of the project are as follows.

1. Site establishment

This is the stage where you should get the project set up **BEFORE** any construction begins; before families begin repairs or contractors arrive on site. It covers things such as:

- installing floor protection over carpets, tile and wood floors
- setting up dumpster for rubbish removal
- setting up a first aid kit
- any signage that may be needed to direct contractors

- setting up all safety equipment on site (gloves, dust masks, glasses, etc.)
- setting up any temporary toilets if the bathroom will be out of action

During site establishment, plumbers and electricians are typically first on site. This is to make the work area safe. It's also to perform disconnections for things such as water, gas and power so that the area is ready for demolition.

2. Discuss timeframes with the contractors

For all other items in your construction schedule template, grantees should recommend discussing the timeframe to complete the tasks with the families and contractors.

When you engage them both in this process you will ensure that they are working within timeframes that you set. This way there's no unrealistic expectations from either party

3. Avoid scheduling clashes

One of the main considerations is trying to avoid a clash in your schedule, especially if a family is required to complete a certain task prior to a contractor finishing a repair or where two or more contractors may need to work in a specific area.

Bathrooms are generally confined spaces, and having contractors working over the top of each other can be a recipe for disaster.

Depending on the scale and size of your project, you could have a plumber come in the morning and electrician after lunch. But generally speaking, book them on separate days to avoid any headaches.

4. Keep your schedule up-to-date

Another consideration is to keep your schedule current. If there are any changes such as delays or over runs with a particular section of your rehab, make sure you revise your schedule to reflect this.

Once amended make sure you contact your preceding trades and advise them of any delay well in advance so they can reschedule to fit you in at a later date. Calling a contractor one or two days before they were due to start won't cut it!

Most good contractors will have a few months' worth of work in front of them so it may take some shuffling on their part to fit you back in.

Finally, when you're happy with your construction schedule, give every contractor plenty of notice on their start dates.

Benefits of Creating a Construction Project Schedule

There are many benefits to creating a schedule for your construction project. A well-written timeline:

- **Communicates Expectations to Family Members:** All of your family members and subcontractors know who needs to perform which tasks at what time. This keeps everyone on schedule, avoids confusion, and prevents delays caused by incorrect work.
- **Creates an Action Plan:** A timeline allows you to schedule work at the project, phase, and task levels. It helps you to determine which crews you need when, order the right materials at the right time, gauge progress, and communicate all of this to your families and subcontractors.
- **Helps Control Costs:** A timeline helps you schedule work in the most efficient way possible, so one task is finished in plenty of time for the next one to start. You can also schedule material delivery so that families or subcontractors are never left waiting. Finally, you can use your schedule to come up with contingency plans for times where construction will interfere with family schedules.
- **Facilitates Communication with Subcontractors:** No matter how well you plan, your project may still require changes. Your timeline can help you gauge the impact those changes will have on other tasks, phases, and subcontractor work. It also allows you to collaborate with your families and subcontractors on schedule and budget adjustments to minimize the negative impact of changes.
- **Establishes a Work Hierarchy:** Create a more precise schedule by establishing a hierarchy of project phases, tasks, and subtasks. You can include a Gantt chart as part of your timeline to more clearly visualize task relationships and dependencies, and to gauge the effect of any changes or delay

Job Site Safety

The Construction Supervisor is the first line of defense against accidents and injuries on the job site. The Construction Supervisor not only trains the self-help participant in tool use and construction methods, but also provides training on how to use tools and perform tasks safely. The Construction Supervisor should design safety training for the participants to fully develop the skills necessary to safely use construction tools. The training should not only include the correct methods of tool use but must cover general tool maintenance (e.g. cleaning saws, securing ladders, extension cords and tool storage).

The Construction Supervisor should maintain a safe job site during construction. He or she will need to develop a reliable sense for what's not right with the job site and be prepared to correct each problem as it arises. During pre-construction meetings and at least weekly during construction, the Construction Supervisor should discuss job-site safety with the participants. Safety discussions should include hazards pertinent to the upcoming phase of construction, any problems that need to be corrected and reminders on proper use of tools. In addition, the Construction Supervisor should routinely maintain first-aid supplies weekly, and continuously check the job site for debris and hazards.

The self-help agency and/or Construction Supervisors should be responsible for developing a safety checklist that can be used to perform on site safety inspections.

Safety guidelines

The self-help agency and the Construction Supervisor should develop safety guidelines and procedures to follow in the event of an accident or an emergency on the job site. A safety plan should be put into place and rehearsed regularly as part of pre-construction meetings or on-site safety meetings. Participants must have a clear understanding of their role in the event of an accident or emergency.

Practical knowledge of general first aid and emergency assistance should be a part of the Construction Supervisor's training, including treating burns, cuts, shock, applying tourniquets, performing CPR and treatment of venomous bites. Many areas have service organizations (American Red Cross, YMCA and YWCA), which train individuals in first-aid, CPR and safety in the workplace. In your area, check your yellow pages or on-line local searches under the following headings: first-aid instruction, first aid supplies, and safety equipment and safety consultants along with the above-mentioned organizations.

The self-help agency and the Construction Supervisor must maintain a list of telephone numbers in the event of an emergency.

Safety is the responsibility of everyone on the job site. The self-help agency must develop clear, easy to follow instructions for reporting an accident. Identify the issues of safety and liability during the planning stages.

Recommended Acceptable and Unacceptable Activities on the Job Site

The Construction Supervisor should make sure that all persons (family members, self-help staff members, volunteers, contractors, etc.) involved in the construction process follow these procedures:

- No work should be done on homes where minors are present unless an adult family member is present.
- Children under 16 should not be allowed to provide any labor on job site.
- A practical dress code should be followed. (Any clothing that could be considered disruptive or unsafe should not be allowed.)
- Cell phones should be used only during breaks or in an emergency.
- Biased, inflammatory or lewd language, sexual harassment, or physical abuse will not be tolerated on the job site.
- The use of alcohol or any controlled substances will not be allowed on the job site.
- Tobacco products can only be used during breaks and smoking is prohibited inside any home.
- Friends, relatives or volunteers cannot receive any compensation whatsoever for helping family members.

Insurance

When planning to renovate or repair their homes families should discuss the insurance implications and risk management considerations with a personal risk manager/adviser or insurance agent who specializes in home renovation insurance. Once it is determined that a home will be under major rehabilitation and a new insurance solution is needed besides the typical homeowner's policy binder, there are a couple options to consider. The correct option will depend on the home and the scope of the project.

The most important thing to remember when planning to do a major renovation is to consult a personal risk manager or an insurance professional who specializes in this type of insurance. Once the conversation is started, the advantages and disadvantages of the various solutions can be discussed to find the one that is the best fit for the situation.

Inspections

Progress Inspections

Systematic, thorough and frequent inspections are critical to successful housing rehabs. A grantee's construction supervisor should identify and remedy problems as early as practical which are observed during these inspections. Payments are the primary leverage over subcontractors and should be withheld until faulty work is corrected. If serious deficiencies are identified through inspection, the grantee can terminate the contract, compute the cost of unsatisfactory work and escrow this money, and solicit another subcontractor to complete the job paying the original contractor from the escrow account only if sufficient funds remain for the new contractor to complete the work.

The grantee should also recognize that its staff may have to intercede on behalf of the subcontractor with the property owner who may have unfounded complaints about the repairs. When repairs are completed and a final invoice is received from the contractor certifying completion in accordance with the contract and warranty, the grantee must make a final inspection. This may vary based on the amount of rehab to be completed, there may be a need to have a draw schedule especially if the contractor(s) is completing more than one repair. If this is the case then a release of liens is required with each draw request. If the work is satisfactory and complete, the job should be accepted.

The grantee will need to obtain a signoff from both the family and Rural Development indicating that the work completed is acceptable and deemed satisfactory. The grantee will then authorize the receipt of a release of liens and applicable warranties from all of the subcontractors and suppliers, final payment can be made.

The grantee should follow-up with the property owner roughly 30 days after the completion of the rehab to ensure there are no ongoing issues. The grantee should also provide the family's with a list of all subcontractors that worked on the home, all pertinent documentation, warranties and copies of permits/ certificates of occupancy or compliance.

Quality Control

The Construction Supervisor must remember that the ultimate goal of the self-help housing program is to provide decent and affordable housing opportunities to those who would not typically be afforded this possibility without this unique program. To this end, the Construction Supervisor's role is to train and guide the participants in the construction of their houses.

The repairs and renovations completed by the family and sub-contractors must pass both the local jurisdictions and Rural Development final inspections.

To ensure the Rural Development housing standards are met, the Construction Supervisor must:

- Assist the families to produce quality housing repairs
- Adhere to the approved scope of work and specifications

The Construction Supervisor must know the local building code, the Uniform Building Code, the MEC (Model Energy Code), Rural Development construction guidelines and the generally accepted methods of residential construction. As important as knowing and understanding the subject matter, the Construction Supervisor must be able to demonstrate this information and concepts in a positive and motivating way to ensure adherence.

The Construction Supervisor is responsible for leading the project successfully through the construction process. It is the responsibility of the Construction Supervisor to teach each participant how to repair and rehab their homes, to train and assist them through the entire construction process.

Supervising nonskilled participants is often the most difficult task facing the Construction Supervisor. Gaining the family's cooperation, respect and trust is not always easy. In addition, getting consistent, good quality work from the participants while avoiding conflicts is also a challenge.

PARTICIPANT REQUIREMENTS

Participant Labor Contribution Requirements

As stated in RD 1944-I family labor contribution requirements will vary based on the amount of rehab to be completed. Each labor agreement should be specific to the particular rehab project and to the individual participants projected labor requirements. The grantee should

clearly outline which specific tasks the family will be required to complete and is the basis for the cost savings the family will receive for project.

Though a minimum labor contribution is not established by RD 1944-I, the recommendation is for every \$1,000.00 of repairs not completed by a sub-contractor the family should complete a minimum of 10 hours of labor. It is highly recommended that the grantees establish a minimum hourly weekly requirement of (10-20 hours) this will help to ensure the project gets completed in a timely manner. Volunteer labor may be included in the family's contribution requirement.

The grantee's construction supervisor should work closely with each participant, clearly explaining each task to be completed, showing the method of the repair and assisting the family in completion of the repair. The supervisor is responsible for ordering and the delivery of all the materials that the family will need to make the repairs. Grantees should strongly discourage families from purchasing materials on their own.

Grantees should create a Family Labor Contribution Agreement and timesheet specific to the projected rehab, examples are included in the sample document and form section of this handbook.

See Appendix E.1 and Appendix E.2

Enforcing the Participant Agreement

The Construction Supervisor must maintain the participant's attention on their common goal: finishing the repairs. This may need to be reiterated, that the only way to reach the goal will be through strict adherence to the labor commitment pledged by the participant when they signed the membership agreement.

A participant's failure to meet their labor contribution is to be treated as a breach of contract and must be responded to as quickly as possible to make sure that little problems do not lead to bigger ones. The participant agreement should contain a clear description of what will occur if the participant fails to contribute the agreed-upon weekly labor contribution. The agreement must contain a formal set of grievance procedures.

Recording Construction Time

The self-help participant and the Construction Supervisor have to schedule their time with great care and attention.

If sites are scattered, the distance from one site to another and a reasonable work schedule for the Construction Supervisor can be very challenging.

Ongoing construction planning must be done frequently, perhaps at the weekly meeting. Recording hours will need to be completed at least once a day by everybody involved in construction.

As a project staff person, the Construction Supervisor must record his hours on a Time and Attendance Report. The family's work hours, location and what tasks were worked on should also be compiled on a Construction Time Report.

See Appendix E.3

Labor Contribution Governance

The success of any self-help housing construction program is to have a clear understanding and agreement with Rural Development on how the Agreement's "labor contribution" will be viewed. Specifically, what the Construction Supervisor needs to know is what response and support the self-help agency can expect to receive from Rural Development.

An important step for the self-help agency is to get a commitment from Rural Development that they will listen to complaints only when all parties are present. This means, the grantee, the self-help participant and Rural Development.

APPENDICES

APPENDIX A: PROGRAM REGULATIONS

Appendix A1: Regulatory References- Listing and Links

Appendix A2: Website References- Listing and Links

APPENDIX B. PROGRAM CRITERIA

Appendix B1: Equivalent Unit Tracker _Sample

Appendix B2: Funding Sources List and Description

Appendix B3: Quarterly Rehab Report _Sample

APPENDIX C. HOME INSPECTIONS

Appendix C1: Home Inspection Checklists- Listing and Links

Appendix C2: Inspection Report Information_ Sample

APPENDIX D: CONSTRUCTION DOCUMENTS

Appendix D1: Construction Forms_ Listing and Links

Appendix D2: Scope of Work and Specifications_ Sample

Appendix D3: Cost Savings Estimate_ Sample

Appendix D4: Notice to Proceed- Sample

APPENDIX E: PARTICIPANTION AGREEMENT

Appendix E1: Participation Agreement Acquisition/Rehab_ Sample

Appendix E2: Participation Agreement Owner-Occupied_ Sample

Appendix E3: Participant Labor Report_ Sample

REGULATORY REFERENCES

Appendix A1: A listing and links to key regulations and ANs

Main website for regulations, ANs, forms, Handbooks, and Unnumbered letters:

<https://www.rd.usda.gov/resources/directives>

Instructions

Self-Help Technical Assistance Grants Instructions 1944-I:

<https://www.rd.usda.gov/files/1944i.pdf>

7 CFR Part 3550 - Direct Single Family Housing Loans and Grants (502 and 504 Programs):

<https://www.rd.usda.gov/files/3550appendix01.pdf>

Planning and Performing Construction and Other Development 1924-A:

<https://www.rd.usda.gov/files/1924a.pdf>

Planning and Performing Site Development Work:

<https://www.rd.usda.gov/files/1924c.pdf>

Environmental Guidelines 1970 A-O Listed in separate pdf's

Administrative Notices

Main website for all Agency Administrative Notices:

<https://www.rd.usda.gov/resources/directives/administrative-notices>

Rural Development Fact Sheets

502 Direct Loan Program Fact Sheet:

https://www.rd.usda.gov/sites/default/files/fact-sheet/508_RD_FS_RHS_SF502Direct.pdf

504 Loan and Grant Fact Sheet:

https://www.rd.usda.gov/sites/default/files/fact-sheet/508_RD_FS_RHS_SF504HomeRepair.pdf

Handbooks

HB-1-3550 Direct and Single Family Housing Loans and Grants

<https://www.rd.usda.gov/files/hb-1-3550.pdf>

Direct Loan and Grant Income Limits (HB-1-3550 Handbook, Appendix 9):

<https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf>

Forms

Standard Form 270 (7-74) "Request for Advance or Reimbursement:

<https://www.gsa.gov/forms-library/request-advance-or-reimbursement>

Standard Form 425 and Instructions:

<https://www.gsa.gov/forms-library/federal-financial-report>

IRS Form 990:

<https://www.irs.gov/pub/irs-pdf/f990.pdf>

RD Forms: Forms are available through the main Rural Development website listed above but require E-Authentication. If you do not have that, please contact your T&MA contractor for assistance.

WEBSITE REFERENCES

Appendix A2: Website References- Listing and Links

http://www.rd.usda.gov/	for USDA-Rural Development Home Page
https://www.rd.usda.gov/resources/directives	for USDA-Rural Development Regulations
https://www.gsa.gov/policy-regulations	for GSA Office of Government wide Policy
http://www.bocai.org/	BOCA Building Codes, ICC, International mechanical codes, statewide building codes
https://www.iccsafe.org/	Your source for the International Building Code
www.fnph.org	Florida Non-Profit Housing, Inc.
http://www.littledixie.org	Little Dixie Community Action Agency, Inc.
www.ncall.org	NCALL Research, Inc.
www.rcac.org	Rural Community Assistance Corporation
https://www.hudclips.org/forms/index.html	HUDCLIPs - Standard Forms and other HUD forms
www.nahb.com	National Association of Home Builders
www.lowes.com	Lowes Companies, Inc.
www.homedepot.com	The Home Depot
www.84lumber.com	84 Lumber
www.nahn.com	National Affordable Housing Network - assists non-profits with house plans
https://www.weather.gov/	National Weather Service
www.owenscorning.com	Owens Corning - vast array of building products

Appendix B1: Equivalent Unit Tracker Sample

SELF HELP EU CALCULATOR														
Self-Help Housing Rehab QUARTERLY REPORTING														
INSTRUCTIONS: Enter points for each family in red and when each item is earned change font to black and color code the quarter. Tasks can be subdivided 20/80 for long term projects.														
PRE-DEVELOPMENT AND CONSTRUCTION TASKS	EU POINTS	Family 1 Name	Family 2 Name	Family 3 Name	Family 4 Name	Family 5 Name	Family 6 Name	Family 7 Name	Family 8 Name	Family 9 Name	Family 10 Name	TOTAL		
Pre-construction Activities/Inspect	0.2	0.1	0.1	0.1	0.1	0.1	0	0	0	0	0	0.5	1st Quarter	.1
Loan Closing/Subcontracting/Write-up		0.1	0.1	0.1	0.1	0.1	0	0	0	0	0	0.5	2nd Quarter	.22
Demolition	0.8	0.15	0.15	0.15	0	0	0	0	0	0	0	0.45	3rd Quarter	.45
Roof Repair		0.2	0.2	0	0	0	0	0	0	0	0	0.4	3rd Quarter	1.0
Bathroom Repair and ADA remodel		0.15	0.2	0.2	0	0	0	0	0	0	0	0.55	4th Quarter	1.43
New Flooring		0.1	0.1	0.2	0	0	0	0	0	0	0	0.4		3.2
Interior Painting		0.05	0.025	0.2	0	0	0	0	0	0	0	0.275		
Exterior Painting		0.05	0.05	0	0	0	0	0	0	0	0	0.1		
ADA Porch repair		0.075	0.05	0.05	0	0	0	0	0	0	0	0.08	Red Font are to be done tasks	
Completion and Inspections		0.025	0.025	0.025										
TOTAL EU'S to Date		1	0.85	0.95	0.2	0.2	0	0	0	0	0	3.255		
Planned EU's per job	1	1	1	1										
If project period is less than a quarter, simplify the chart to just show the three stages mentioned in the rehab AN														

Appendix B2: Funding Sources List and Description

FUNDING SOURCES

SELF-HELP REHABILITATION PROGRAM FUNDING SOURCES/ ELIGIBILITY

USDA Rural Development (RD) provides Section 502 Single Family Direct Loans to very low and low-income customers in rural areas for the purchase of decent, safe and sanitary housing. Customers may purchase an existing dwelling, the home must be less than 2,000 sq. ft., structurally sound and functionally adequate and must be in good repair or can or can be placed in good repair with loan funds. In addition, the property must not be designed for income producing activities nor have an in-ground swimming pool.

For an initial Section 502 direct loan to purchase an existing dwelling, the applicant must engage the services of a State-licensed inspector to perform a whole house inspection and provide a statement that the dwelling appears to meet the Agency’s DSS standards with respect to: (1) termites and other pests (this may be separate from the whole house inspection); (2) plumbing, water and sewage; (3) heating and cooling; (4) electrical systems; and (5) structural soundness. The inspection report must be a comprehensive document that meets the minimum standards of the professional home inspector associations. When a State does not license inspectors, a qualified, independent, third part inspector may perform the inspection and provide the necessary certifications. **USDA Rural Development (RD) also provides 504 direct loan and grant program** is intended to provide funds to help very low-income owner-occupants in rural areas who cannot obtain other credit to repair or rehabilitate their properties. To be eligible, the applicant must have an adjusted income that is at or below the applicable very low-income limit and meet other eligibility requirements similar to those for Section 502 loans. The 504 program offers grants to owner-occupants who are 62 or older who cannot obtain a loan to correct health and safety hazards or to make the home accessible to household members with disabilities. Grants may be determined available only to eligible applicants who are 62 years of age and older. Recipients may receive multiple grants, up to a lifetime maximum of \$7,500.00. (***USDA has increased the grant amount to \$10,000 in 21 states as part of a pilot***). The Section 504 loan funds may be used to make general repairs and improvements to properties, and to remove health and safety hazards, as long as the home remains modest in size and design. Applicants may obtain multiple Section 504 loans, but the

sum of the outstanding balance on all Section 504 loans cannot exceed \$25,000.00. (**USDA has increased loan amounts to \$40,000.00 in 21 states as part of a pilot**). The loans have a maximum term of 20 years and an interest rate of 1 percent. USDA Rural Development makes a conscientious 504 loan and grant determination after analyzing and verifying income, credit and personal and cash flow. Grants must be repaid if the property is sold in less than three year. This is currently a Pilot Program.

HOME Investment Partnerships Program (HOME) funds may be used to assist existing homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units. Whenever HOME funds are used for rehabilitation activities, the work must be performed according to the Participating Jurisdiction (PJ)'s written rehabilitation standard and the unit must be brought up to the applicable state or local code. This means that PJs may not undertake some forms of special purpose homeowner repair programs, such as: weatherization programs; emergency repairs programs; or handicapped accessibility programs.

To be eligible for HOME funds, the homeowner must be low-income and occupy the property as a principal residence. Additionally, the value of the HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area.

For more information on Homeowner Rehabilitation, see **24 CFR 92.254(b)(1) and (2)**.

Home Improvement Program (HIP)- The purpose of the program is to eliminate substantially substandard Indian owned and inhabited housing for very low income eligible Indians living in approved tribal service areas. The Housing Improvement Program (HIP), is a home repair, renovation, replacement and new housing grant program administered by the Bureau of Indian Affairs (BIA) and federally-recognized Indian tribes.

Requirements To be eligible for HIP assistance, you must be a member of a federally recognized American Indian tribe or be an Alaska Native; live in an approved tribal service area; have an income that does not exceed 125 percent of the U.S. Department of Health and Human Services (DHHS) Poverty Guidelines.

Housing Grant for Disabled Veterans (VA) provides grants to Service members and Veterans with certain permanent and total service-connected disabilities to help purchase or

construct an adapted home or modify an existing home to accommodate a disability. Two grant programs exist: the Specially Adapted Housing (SAH) grant and the Special Housing Adaptation (SHA) grant.

Specially Adapted Housing (SAH) Grant grants help Veterans with certain service-connected disabilities live independently in a barrier-free environment. SAH grants can be used in one of the following ways:

- Construct a specially adapted home on land to be acquired
- Build a home on land already owned if it is suitable for specially adapted housing
- Remodel an existing home if it can be made suitable for specially adapted housing
- Apply the grant against the unpaid principal mortgage balance of an adapted home already acquired without the assistance of a VA grant

Special Housing Adaptation (SHA) Grant grants help Veterans with certain service-connected disabilities adapt or purchase a home to accommodate the disability. You can use SHA grants in one of the following ways:

- Adapt an existing home the Veteran or a family member already owns in which the Veteran lives
- Adapt a home the Veteran or family member intends to purchase in which the Veteran will live
- Help a Veteran purchase a home already adapted in which the Veteran will live

Temporary Residence Adaptation (TRA) Grant- A temporary grant may be available to SAH/SHA eligible Veterans and Service members who are or will be temporarily residing in a home owned by a family member.

- The TRA grant will not be deducted from the total grant funds available to a Veteran or Service member
- The TRA grant will be deducted from one of the three usages available to the Veteran or Service member
- The maximum amount available to adapt a family member's home for the SAH grant is \$37,597 and for the SHA grant is \$6,713

Eligibility- If you are a Service member or Veteran with a permanent and total service-connected disability, you may be entitled to a Specially Adapted Housing (SAH) grant or a Special Housing Adaptation (SHA) grant.

The Weatherization Assistance Program (WAP) enables low-income families to reduce their energy bills by making their homes more energy efficient. Funds are used to improve the energy performance of dwellings families in need, using the most advanced technologies and testing procedures available in the housing industry. The U.S. Department of Energy (DOE) provides funding to states, U.S. overseas territories, and Indian tribal governments, which manage the administration of the program. These governments, in turn, fund a network of local community action agencies, nonprofit organizations, and local governments that provide these weatherization services in every state, the District of Columbia, U.S. territories, and among Native American tribes.

Requirements As many as 20 to 30 million U.S. families are eligible for weatherization services nationwide. Services are provided by the states, and each state has slightly different criteria. All energy services are handled by local weatherization agencies.

If you receive Supplemental Security Income or Aid to Families with Dependent Children, you are automatically eligible to receive weatherization services. In other cases, states give preference to:

- People over 60 years of age
- Families with one or more members with a disability
- Families with children (in most states)

One of the primary factors affecting eligibility is income. Depending on what state you live in, you are eligible for weatherization if your income falls below the 200 percent poverty level.

There may be additional funding sources available to the grantee, research possible grants and loans that may be available to you and your families in your service area.

Appendix B3: Self Help Quarterly Rehab Report_ Sample

Worksheet for Acquisition and Owner Occupied Rehab Reporting

Grantee Name: _____

Address: _____

Areas Serving: _____

Evaluation for QTR Ending: _____

Grant Cycle: _____

of houses/EU s under rehab this grant period, but started during previous grant period: _____

Number of OO Rehabs	0
Number of Acquisition Rehabs	0
Rehabs in pre-construction	
Rehabs under construction	
Rehabs completed	0
Number of VLI Families	0
Number of LI Families	0
Percentage of VLI Families	#DIV/0!

Average Cost of Acquisition	#DIV/0!
Average Appraised Value	#DIV/0!
Average Loan Amount	#DIV/0!
Average Cost of Rehab (Full Contractor)	#DIV/0!
Average Cost of Rehab (Family Part.)	#DIV/0!
Average Cost Savings to Family	#REF!
Average number of family hours contributed	#DIV/0!
Average time needed to complete project	#DIV/0!

EU Totals

Project	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 2	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 3	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 4	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 5	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 6	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 7	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 8	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 9	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 1	0	0	0	0	0	0	0	0	0	0	0	0
Rehab Household 2	0	0	0	0	0	0	0	0	0	0	0	0
Total EUs	0	0	0	0	0	0	0	0	0	0	0	0

Quarter 1 Total EUs	0	Quarter 2 Total EUs	0	Quarter 3 Total EUs	0	Quarter 4 Total EUs	0
---------------------	---	---------------------	---	---------------------	---	---------------------	---

Cumulative Total 0

Number of Construction Supervisors:

Number of TA Employees:

Did any of the following adversely affect the Grantee's ability to accomplish program objectives?	Yes		No	
TA Staff Turnover				
Rural Development Staff Turnover				
Bad Weather				
Loan Processing Delays				
Unavailable Loan/Grant Funds				
Lack of Qualified Participants				
Communication between Rural Development/Grantee				
Other (please specify)				

Number and percentage of loan docket rejections during reporting period:

I certify that the statements made above are true to the best of my knowledge and belief.

Date

Print Name

Signature

GRANTEE

LOCAL RD OFFICE REVIEW

Comments

Date

Area Office Representative

STATE RD OFFICE REVIEW

Comments

Date

State Office Representative

REHAB HOUSEHOLD #2			
Family:		EU Description	
Address:		Acquisition (Disregard if Owner Occupied Rehab)	EU Earned
Household Size:		Preconstruction	Month/Year Earned
VLI/LI?		Construction	0.00
Owner Occupied or Acquisition Rehab?		Completion	0.00
		Total EUs Earned	0.00
Sales Price:		Description of Acquisition/Preconstruction Activities:	
Appraised Value:		Contractor Rehab Activities:	
502 Funding Amt for Acquisition:		Family Rehab Activities:	
Other Funding Amt for Acquisition:		Other/ Intrinsic Cost Savings Realized by Family:	
504 Funding Amt for Rehab Activities:		Date in Preconstruction:	
Other Funding Amt for Rehab Activities:		Date Loan Closed:	
Downpayment Assistance Amt Provided:		Start Date Rehab Construction:	
Total Funding: \$0.00		Completion Date:	
Cost Savings Based on Appraised Value: \$0.00		Days in Construction:	
Contractor Rehab Cost:		Number of Labor Hours Contributed by Family:	
Family Labor Rehab Cost:			
Contractor Cost Savings:			
Hourly Rate of Labor Contribution Job Summary			
work description	hourly rate	hours contibuted	total
			0
			0
			0
			0
			0
			0
			0
Hourly Rate of Labor Contribution Cost Savings			0

Appendix C1: Home Inspection Checklists- Listing and Links

For Grantees who do their own inspection, following are some inspection checklists.

EXISTING HOME COMPONENT INSPECTION GUIDE

Single Family, 502, 504, and HPG Housing Inspections
MO RH Guide 11a

SINGLE FAMILY HOUSING SITE CHECKLIST

HB-1-3550 ATTACHMENT 5-B

CHECKLIST FOR EVALUATION OF EXISTING HOUSING

HB-1-3550 ATTACHMENT 12-D

HB-1-3550 Direct and Single Family Housing Loans and Grants

<https://www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13550>

RELEASE OF CLAIMANT

Periodic and Final Inspection

RD Form 1924-10

www.rdinit.usda.gov

Appendix C2: Inspection Report Information_ Sample

Inspection Report Information:

Client Information:

Client Name: _____

Client Phone Number: _____

Client Email Address: _____

Property Information:

Property Address: _____

Approximate Year Built: _____

Approximate Square Footage: _____

Number of Bedroom(s) _____

Number of Bath(s) _____

Direction House Faces: North, South, East, West

Inspection Information:

Inspection Date: _____

Inspection Start Time: _____ Inspection End Time _____

People Present During Inspection: Buyer, Seller, Buyer/Seller Agent, Inspector Only

Weather Conditions: Dry, Rainy, Recently Rained/Snowed

Outside Temperature: _____

Price for Inspection: _____

1. Grounds

Grading:

Grading Slope: Flat, Minor, Moderate, Steep, Very Steep

Grading Conditions _____ Comments: _____

Driveway/Sidewalk & Walkways:

Driveway/Sidewalk material: Gravel, Concrete, Asphalt

Driveway/Sidewalk Conditions _____ Comments: _____

Vegetation:

Vegetation Conditions _____ Comments: _____

Retaining Wall:

Retaining Wall Material: Concrete, Wood

Retaining Wall Conditions _____ Comments: _____

Other Conditions _____ Comments: _____

Note: Inspect electrical service conditions while outside.

2. Exterior

Entrance Conditions:

Front Entrance Type: Covered/Uncovered, Patio, Porch, Deck

Front Entrance Conditions _____ Comments: _____

Rear Entrance Type: Covered/Uncovered, Patio, Porch, Deck

Rear Entrance Conditions _____ Comments: _____

Exterior Walls/Trim:

Structure Type: Wood Frame, Brick/Masonry, Log

Exterior Wall Covering: Wood, Vinyl, Metal, Brick, Stone, Stucco, Veneer, EIFS

Exterior Wall Conditions _____ Comments: _____

Trim material: Wood, Vinyl, Brick

Trim Conditions _____ Comments: _____

Eave/Soffit/Fascia:

Conditions _____ Comments: _____

Windows/Exterior Doors:

Window Material: Aluminum, Wood, Vinyl

Window Type: Sliding, Casement, Double Hung, Single Hung, Louver

Window Conditions _____ Comments: _____

Door Conditions _____ Comments: _____

Exterior Water Spickets:

Faucet Conditions _____ Comments: _____

3. Roofing

Roof Covering:

Method of Inspection: Walked on, Viewed from ladder, Not fully visible

Roof Style: Hip, Gable, Mansard, Shed, Gambrel

Roof Covering Material: Composition shingle, Metal, Clay, Wood Shingles/Shakes

Number of Layers: One, Two, Three, Four or more, Undetermined

Roof Condition _____ Comments: _____

Flashing Conditions _____ Comments: _____

Condition of Roof Penetrations _____ Comments: _____

Gutter and Downspout Conditions _____ Comments: _____

Chimney:

Chimney Material: Brick, Block, Concrete, Stone

Chimney Conditions _____ Comment: _____

Attic:

Access Location _____

Method of Inspection: Entered Attic, No Access, Viewed from Access Entrance Only

Roof Frame Type: Rafters, Trusses

Roof Frame Condition _____ Comments: _____

Ceiling Frame Type: Joists, Trusses

Ceiling Frame Condition _____ Comments: _____

Attic Ventilation Type: Gabel End, Ridge, Soffit, Rotary Vent

Attic Ventilation Conditions _____ Comments: _____

Insulation Type: Blown in, Rolled Fiberglass, Combination, None Present

Insulation Conditions _____ Comments: _____

Attic Fan Condition _____ Comments: _____

Other Attic Conditions _____ Comments: _____

4. Heating/Air

Heating:

Location of Unit _____

Heating Type: Forced Air, Gravity, Radiant, Boiler, Floor/Wall, Heat Pump

Energy Source: Natural Gas, Oil, Wood/Coal, Electric

Heating Unit Condition _____ Comments: _____

Ventilation Conditions _____ Comment: _____

Thermostat Condition _____ Comments: _____

Air Conditioning/Cooling:

Cooling System Type: Split System, Evaporative Cooler, Window/Wall Unit, Heat Pump

A/C Unit Power: 120V, 240V

Unit Conditions _____ Comments: _____

A/C Line Conditions _____ Comments: _____

Fireplace:

Fireplace Location _____

Fireplace Type: Wood Burning, Natural Gas, Propane, Ventless Gas

Fireplace Conditions _____ Comments: _____

5. Electrical

Service Drop/Weatherhead:

Electrical Service Type/Material: Overhead/Underground, Copper/Aluminum

Number of Conductors: Two, Three, Four

Electrical Service Condition _____ Comments: _____

Grounding Condition _____ Comments _____

Main Electrical Panel:

Main Disconnect Location: At Main Panel, Outside at Meter, Other: _____

Main Panel Location _____

Panel Amperage Rating: 60, 100, 150, 200, Other: _____

Circuit Protection Type: Breakers, Fuses

Main Panel Conditions _____ Comments: _____

Wiring:

Conductor Type: Copper, Aluminum

Wiring Method: Plastic-Sheathed, Cloth-Sheathed, Knob & Tube

Conditions _____ Comments: _____

Electrical subpanel(s):

Subpanel Location(s): _____

Subpanel Conditions _____ Comments: _____

6. Plumbing

Water Main Line:

Main shutoff Location _____

Main Line Material: Copper, Galvanized Steel, Plastic/PVC, Lead

Main Line & Valve Condition _____ Comments: _____

Water Supply Lines:

Supply Line Material: Copper, Galvanized, Plastic/PVC, Lead

Supply Line Conditions _____ Comments: _____

Drain/Waste Lines:

Drain Line Material: Plastic/PVC, Galvanized, Lead, Copper

Drain Line Conditions _____ Comments: _____

Plumbing Vent System:

Plumbing Vent Pipe Material: Plastic/PVC, Copper, Galvanized

Plumbing Vent Conditions _____ Comments: _____

Gas/Oil Fuel Systems:

Main Shutoff Location _____

Fuel Line Material: Black Steel, Copper

Fuel Line Conditions _____ Comments: _____

Fuel Storage Tank Condition _____ Comments: _____

Water Heater(s):

Water Heater Type: Gas, Electric

Water Heater Location _____

Capacity: _____ Gallons _____

Water Heater Conditions _____ Comments: _____

7. Interiors:

Interior Walls/Ceilings/Floors:

Wall Conditions _____ Comments: _____

Ceiling Conditions _____ Comments: _____

Floor Conditions _____ Comments: _____

Closet Conditions _____ Comments: _____

Heating Source Conditions _____ Comments: _____

Windows/Doors:

Interior Window Conditions _____ Comments: _____

Interior Door Conditions _____ Comments: _____

Interiors Electrical Conditions:

Electrical Conditions _____ Comments: _____

Lighting Conditions _____ Comments: _____

Ceiling Fan Conditions _____ Comments: _____

Smoke Detectors Present? Yes, No Comments: _____

8. Kitchen

Walls/Ceilings/Floors:

Wall Conditions _____ Comments: _____

Ceiling Conditions _____ Comments: _____

Floor Conditions _____ Comments: _____

Closet Conditions _____ Comments: _____

Heating Source Conditions _____ Comments: _____

Windows/Doors:

Kitchen Window Conditions _____ Comments: _____

Kitchen Door Conditions _____ Comments: _____

Kitchen Electrical Conditions:

Electrical Conditions _____ Comments: _____

Lighting Conditions _____ Comments: _____

Ceiling Fan Conditions _____ Comments: _____

Sink/Counter Tops/Cabinets:

Counter Condition _____ Comments: _____

Cabinet Conditions _____ Comments: _____

Sink Plumbing Conditions _____ Comments: _____

Sink Faucet Condition _____ Comments: _____

Garbage Disposal Condition _____ Comments: _____

Appliances:

Stove/Range Type: Electric, Gas, Combo

Stove/Range Conditions _____ Comments: _____

Hood/Fan Condition _____ Comments: _____

Dishwasher Condition _____ Comments: _____

Refrigerator Condition _____ Comments: _____

9. Bath(s):

Walls/Ceilings/Floors:

Wall Conditions _____ Comments: _____

Ceiling Conditions _____ Comments: _____

Floor Conditions _____ Comments: _____

Closet Conditions _____ Comments: _____

Heating Source Conditions _____ Comments: _____

Windows/Doors:

Window Conditions _____ Comments: _____

Door Conditions _____ Comments: _____

Bathroom Electrical Conditions:

Electrical Conditions _____ Comments: _____

Lighting Conditions _____ Comments: _____

Ventilation Fan Conditions _____ Comments: _____

Sink/Plumbing:

Counter/Cabinet Conditions _____ Comments: _____

Sink Drain Conditions _____ Comments: _____

Faucet Conditions _____ Comments: _____

Shower/Tub/Toilet:

Shower Enclosure Condition _____ Comments: _____

Tub Condition _____ Comments: _____

Bath Faucet Condition _____ Comments: _____

Toilet Condition _____ Comments: _____

10. Basement:

Basement Walls/Ceilings/Floors:

Wall Conditions _____ Comments: _____

Ceiling Conditions _____ Comments: _____

Floor Conditions _____ Comments: _____

Closet Conditions _____ Comments: _____

Heating Source Conditions _____ Comments: _____

Windows/Doors:

Window Conditions _____ Comments: _____

Door Conditions _____ Comments: _____

Electrical Conditions:

Electrical Conditions _____ Comments: _____

Sump Pump Conditions _____ Comments: _____

Other Basement Conditions _____ Comments: _____

11. Garage/Laundry:

Garage:

Garage Type: Attached/Detached, Finished/Unfinished

Exterior Siding Condition (if detached) _____ Comments: _____

Roofing Condition (if detached) _____ Comments: _____

Garage Interiors:

Wall Conditions _____ Comments: _____

Ceiling Conditions _____ Comments: _____

Floor Conditions _____ Comments: _____

Window Conditions _____ Comments: _____

Door Conditions _____ Comments: _____

Electrical/Lighting Conditions _____ Comments: _____

Garage Vehicle Door:

Vehicle Door Condition _____ Comments: _____

Automatic Door Opener Condition: _____ Comments: _____

Laundry Room:

Laundry Room Conditions _____ Comments: _____

12. Foundation/Crawl Space:

Foundation:

Access Method: Entered Crawl Space, Viewed from Access, No Access

Access Condition _____ Comments: _____

Foundation Type: Crawl Space, Basement, Slab on Grade

Foundation Material: Poured Concrete, Concrete Block, Brick, Stone, Wood

Foundation Conditions _____ Comments: _____

Column Type: Poured Concrete, Concrete Block, Brick, Stone, Wood, Steel

Column Conditions _____ Comments: _____

Ventilation Conditions _____ Comments: _____

Flooring/Structure:

Flooring Support Type: Joists, Trusses

Flooring Support Conditions _____ Comments: _____

Crawl Space Insulation/Vapor Barrier:

Insulation Conditions _____ Comments: _____

Vapor Barrier Conditions _____ Comments: _____

Other Crawl Space Conditions: _____

CONTRACT DOCUMENTS

Appendix D1: Construction Forms_ Listing and Links

INVITATION FOR BID (PROPOSAL)

RD Form 1924-5

www.rdinit.usda.gov

CONSTRUCTION CONTRACT

Construction Contracts between Borrowers and Subcontractors and Vendors.

RD Form 1924-6

www.rdinit.usda.gov

CONTRACT CHANGE ORDER

RD Form 1924-7

www.rdinit.usda.gov

RELEASE OF LIENS

RD Form 1924-9

www.rdinit.usda.gov

RELEASE OF CLAIMANT

Periodic and Final Inspection

RD Form 1924-10

www.rdinit.usda.gov

BUILDERS WARRANTY

RD 1924-19

<https://www.rd.usda.gov/files/>

Appendix D2: Scope of Work and Specifications_ Sample

Scope of work/ Specifications for Example 1:

1. Replace 20 existing wood sashed windows with *Anderson Series 200 Low E Double Hung* white vinyl exterior and pre-finished white interior, full *TruScene* insect screen, no grilles.
2. Remove and replace existing refrigerator and range; install water line for ice maker and install *Whirlpool* model# WRS321SDHZ 21 cu.ft side by side stainless steel refrigerator. Replace all existing gas line, install *Whirlpool* model# WFG550S0HV 5.0 cu.ft. gas range stainless steel
3. Remove all existing flooring throughout home, repair or replace where needed deteriorated subfloor. Flash patch where needed and install new *SurePly* whitewood plywood ¼”x4’x8’. Install *Saratoga Hickory Coffee* 7 mm Thick x 7-2/3 in. Wide x 50-5/8 in. laminate flooring.
4. Remove existing tile surround on tub/shower unit approx. 90 sqft. replace with ½” cement backer board and install *Lifeproof Linen Wood* 6 in. x 24 in. Glazed Porcelain Floor and Wall Tile. Remove and replace existing 48” vanity and top. Install *Glacier Bay Lancaster* 49 in. W x 19 in. D Bath Vanity in Pearl Gray with Cultured Marble Vanity Top in White with White Sink with *Moen Adler* 4 in. Centerset 2-Handle Bathroom Faucet in Chrome.
5. Install *Tiger Foam™ E-84 Fast Rise Formula* – 600 Board Foot Spray Foam Insulation Kit on perimeter box sills.
6. Remove all wall paper, prep all walls for primer and paint, prime all interior walls with *Benjamin Moore ULTRA SPEC Prep Coat Hi-Build Interior Primer White*, paint all walls with 2 coats of *Benjamin Moore Ultra Spec 500 Interior Paint Satin Finish*.
7. Replace 9’x7’ exterior wall section that is deteriorated, install conventional 2”x4” studding. Repair wall board
8. Paint all exterior existing wood trim boards and doors with *Benjamin Moore Aura Exterior Paint Semi-Gloss*

Appendix D3: Contractor Cost Savings Estimate_ Sample

The following is an example of using the method of Contractor Cost Savings, researching the HomeWyse.com software for the purchase and rehab component:

<ul style="list-style-type: none"> • Replace 20 windows with double hung replacements and replace all rotted woodwork and wrap all windows: <table border="0" style="margin-left: 20px;"> <tr> <td>Replacement Window Cost Material</td> <td style="text-align: right;">\$ 4,705.00</td> <td></td> </tr> <tr> <td>Replacement Window Labor</td> <td></td> <td style="text-align: right;">\$ 8,295.00</td> </tr> </table> 	Replacement Window Cost Material	\$ 4,705.00		Replacement Window Labor		\$ 8,295.00												
Replacement Window Cost Material	\$ 4,705.00																	
Replacement Window Labor		\$ 8,295.00																
<ul style="list-style-type: none"> • Install Appliances <table border="0" style="margin-left: 20px;"> <tr> <td>Refrigerator Material</td> <td style="text-align: right;">\$ 1,100.00</td> <td></td> </tr> <tr> <td>Installation Labor</td> <td></td> <td style="text-align: right;">\$ 1,163.00</td> </tr> <tr> <td>Range Material</td> <td style="text-align: right;">\$ 900.00</td> <td></td> </tr> <tr> <td>Range Labor</td> <td></td> <td style="text-align: right;">\$ 647.00</td> </tr> </table> 	Refrigerator Material	\$ 1,100.00		Installation Labor		\$ 1,163.00	Range Material	\$ 900.00		Range Labor		\$ 647.00						
Refrigerator Material	\$ 1,100.00																	
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<ul style="list-style-type: none"> • Flooring Replacement <table border="0" style="margin-left: 20px;"> <tr> <td>Flooring Prep (underlay material)</td> <td style="text-align: right;">\$ 1,253.00</td> <td></td> </tr> <tr> <td>Flooring Prep Labor</td> <td></td> <td style="text-align: right;">\$ 3,699.00</td> </tr> <tr> <td>560 sq ft flooring material</td> <td style="text-align: right;">\$ 1,378.00</td> <td></td> </tr> <tr> <td>Install 560 sq ft flooring labor</td> <td></td> <td style="text-align: right;">\$ 4,113.00</td> </tr> </table> 	Flooring Prep (underlay material)	\$ 1,253.00		Flooring Prep Labor		\$ 3,699.00	560 sq ft flooring material	\$ 1,378.00		Install 560 sq ft flooring labor		\$ 4,113.00						
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Install 560 sq ft flooring labor		\$ 4,113.00																
<ul style="list-style-type: none"> • Bathroom Renovation <table border="0" style="margin-left: 20px;"> <tr> <td>Tile Bathtub Materials</td> <td style="text-align: right;">\$ 75.00</td> <td></td> </tr> <tr> <td>Tile Bathtub Labor</td> <td></td> <td style="text-align: right;">\$ 1,710.00</td> </tr> <tr> <td>Install 4' vanity materials</td> <td style="text-align: right;">\$ 606.00</td> <td></td> </tr> <tr> <td>Install 4' vanity labor</td> <td></td> <td style="text-align: right;">\$ 160.00</td> </tr> <tr> <td>Install vanity top materials</td> <td style="text-align: right;">\$ 180.00</td> <td></td> </tr> <tr> <td>Install vanity top Labor</td> <td></td> <td style="text-align: right;">\$ 404.00</td> </tr> </table> 	Tile Bathtub Materials	\$ 75.00		Tile Bathtub Labor		\$ 1,710.00	Install 4' vanity materials	\$ 606.00		Install 4' vanity labor		\$ 160.00	Install vanity top materials	\$ 180.00		Install vanity top Labor		\$ 404.00
Tile Bathtub Materials	\$ 75.00																	
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Install 4' vanity labor		\$ 160.00																
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Install vanity top Labor		\$ 404.00																
<ul style="list-style-type: none"> • Insulation Upgrades <table border="0" style="margin-left: 20px;"> <tr> <td>Install insulation in box sills material</td> <td style="text-align: right;">\$ 100.00</td> <td></td> </tr> <tr> <td>Install insulation in box sills labor</td> <td></td> <td style="text-align: right;">\$ 123.00</td> </tr> </table> 	Install insulation in box sills material	\$ 100.00		Install insulation in box sills labor		\$ 123.00												
Install insulation in box sills material	\$ 100.00																	
Install insulation in box sills labor		\$ 123.00																
<ul style="list-style-type: none"> • Prep & Painting of Interior of Home <table border="0" style="margin-left: 20px;"> <tr> <td>Remove all wallpaper & Dispose Labor</td> <td></td> <td style="text-align: right;">\$ 3,122.00</td> </tr> <tr> <td>Painting of entire interior material</td> <td style="text-align: right;">\$ 1,362.00</td> <td></td> </tr> <tr> <td>Painting of entire interior labor</td> <td></td> <td style="text-align: right;">\$ 4,936.00</td> </tr> </table> 	Remove all wallpaper & Dispose Labor		\$ 3,122.00	Painting of entire interior material	\$ 1,362.00		Painting of entire interior labor		\$ 4,936.00									
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Painting of entire interior material	\$ 1,362.00																	
Painting of entire interior labor		\$ 4,936.00																
<ul style="list-style-type: none"> • Exterior <table border="0" style="margin-left: 20px;"> <tr> <td>Frame 9x7 exterior wall materials</td> <td style="text-align: right;">\$ 85.00</td> <td></td> </tr> <tr> <td>Frame 9x7 exterior wall labor</td> <td></td> <td style="text-align: right;">\$ 218.00</td> </tr> <tr> <td>Painting of exterior of home material</td> <td style="text-align: right;">\$ 645.00</td> <td></td> </tr> <tr> <td>Painting of exterior of home labor</td> <td></td> <td style="text-align: right;">\$ 3,160.00</td> </tr> </table> 	Frame 9x7 exterior wall materials	\$ 85.00		Frame 9x7 exterior wall labor		\$ 218.00	Painting of exterior of home material	\$ 645.00		Painting of exterior of home labor		\$ 3,160.00						
Frame 9x7 exterior wall materials	\$ 85.00																	
Frame 9x7 exterior wall labor		\$ 218.00																
Painting of exterior of home material	\$ 645.00																	
Painting of exterior of home labor		\$ 3,160.00																
Total Material Costs	\$ 12,389.00																	
Total Labor Costs (Family Savings)		\$ 31,750.00																
Total Cost of Rehab		\$44,139.00																

Appendix D4: Notice to Proceed- Sample

NOTICE TO PROCEED

DATE

(Contractor's Name/ Address)

(Project Address)

Dear: (Contractor's Name)

Please consider this your official Notice to Proceed on the project named above. You are hereby authorized to proceed with construction as of (start date). Contract time will begin to be counted on this day. The Work shall be completed within (insert number of calendar days) as specified in the contract documents.

Please ensure that all submittals required by the Contract Documents have been submitted and reviewed by the Owner or Owner's designated representative prior to ordering any related materials or completing any related work. Work cannot begin until all applicable submittals have been reviewed, which means that contract time will be counted but no work will be allowed.

The Homeowner has appointed Grantee as the Owner's Representative who will be your single point of contact. If you have any questions, please contact me at (telephone number).

Sincerely,

Appendix E1: Participation Agreement Acquisition/Rehab_ Sample Purchase/Repair

Homeownership Program Participation and Labor Agreement

This agreement is entered into on the day of _____, 2020, between the Purchase/ Repair Participant, (Name), hereinafter referred to as the "P/R Participant" and **Grantee name** hereinafter referred to as "**Grantee Initials**". The P/R Participant's home address is _____ and is located in _____ County.

Grantee name is an eligible entity, which provides technical assistance and management services for the P/R Participant under the Self-Help Purchase/ Repair Program. **Grantee name** is not acting as a "contractor" on behalf of the P/R PARTICIPANT, but as a Rural Development grant manager and technical advisor. The P/R PARTICIPANT, as a homeowner, is acting as their own general contractor. The P/R PARTICIPANT agrees to hold **Grantee name** harmless for any purchases, even though such purchases may have been made by THDC on behalf of the P/R PARTICIPANT.

The purpose of the Agreement is to foster the smooth accomplishment of the P/R PARTICIPANT's goal of the purchase and repair of their home. The P/R PARTICIPANT understands and agrees with THDC that this Agreement will control the progress of the project. Violation of any portion of this Agreement may result in implementation of Section VII of this Agreement. **Rural Development is not a party to this agreement.**

I. COMMITMENT

Grantee name agrees to provide technical assistance to the undersigned P/R PARTICIPANT as follows:

A. Pre-Construction Services

1. Recruit and determine preliminary eligibility of potential participants.
2. Prepare all loan application documents for submission to Rural Development and work with Rural Development on behalf of the applicants.

3. Arrange and present informational meetings covering homeownership and related subjects. The "Loan Application Meeting" is held after the participant is pre-qualified to purchase a home. The "Pre-Purchase Meeting" is held after the participant receives their Certificate of Eligibility from Rural Development. The "Pre-Repair Meeting" is held very soon after closing on their home.

B. Construction Services

1. Provide all necessary repair paperwork to Rural Development and other lender if there is additional funding sources being used.
2. Direct, control, and implement repairs on the participant's house.
3. Teach tasks to the participants as necessary to repair the house according to the plans and specifications, within the allowed budgets.
4. To initiate contracts in the name of the participant for materials and services to be purchased in accordance with the plans and specifications.
5. Provide bookkeeping services to maintain the participant's accounts, and to pay bills on behalf of the participant from this account.
6. Lease power tools and special equipment as required on the job. (See Section VIII).
7. Present to the P/R PARTICIPANT for approval, bids from outside contractors and suppliers to provide the materials and contracted work necessary to repair the home according to plans and specifications. The selection of a supplier or contractor should be made only on the basis of quality, experience, completeness of bid, price, and past performance. (See Section VIII).

II. P/R PARTICIPANT COMMITMENT

The undersigned P/R PARTICIPANT agrees to the following:

- A. To work to repair their own home in **Grantee name** Purchase/Repair Program, using Rural Development and/or alternative financing.
- B. To use their labor to the extent required and to pay for all materials and contracted labor and services used in the repair of their home, according to the directions of **Grantee name**.

- C. To use their best efforts to meet repair completion goals and objectives established by **Grantee name** in performance of this agreement.
- D. To work at all times in a safe manner, and to follow the Construction Supervisor's instructions in this regard.
- E. To work at any job as required by the Construction Supervisor.
- F. To cooperate with **Grantee name** in the performance of the requirements as set forth in this agreement, and to conduct themselves at all times in a manner that will not disrupt or interrupt their performance of assigned tasks.
- G. To follow the plans, budgets, blueprints, specifications and instructions of **Grantee name** and Rural Development in the repair of their home. Change orders will only be allowed if **Grantee name** and Rural Development approve them.
- H. To allow **Grantee name** to solicit bids.
- I. To provide **Grantee name** written schedules of the hours they are available to work and to work the hours as assigned by the Construction Supervisor.
- J. To review requests for payment as submitted by **Grantee name** and to be available at least once a week during **Grantee name**'s business hours to sign and approve invoices either in person or electronically, acknowledging that if legitimate bills are not paid, property is subject to liens in accordance with state law. (See Section III, A. I 0. following.)
- K. Not to move into the house that will become theirs or move personal property into that house until approved to do so by **Grantee name** and Rural Development and/or other appropriate officials.
- L. To purchase Homeowners Insurance as required by Rural Development, to be in force beginning with the date of loan closing. (See Section XIII following)
- M. To attend all scheduled meetings as directed by **Grantee name**. (See Section V.D.4. following.)
- N. To work as directed by the Construction Supervisor and to keep a written log of time spent on each repair.
- O. To attend all meetings offered by **Grantee name**.
- P. To meet all other requirements as set forth in this agreement.

III. REPAIR RESPONSIBILITIES

A. Labor Exchange Commitment

The P/R Participant agrees to provide work labor in a cooperative manner.

1. I agree to contribute at a minimum 10 hours of labor per \$1,000 of repair costs which are not completed by a sub-contracted on my home and at least 10 hours per week until the required repairs are completed.
2. Once I fail to keep up with my committed hours, as established by the Construction Supervisor, I will be issued a written warning by **Grantee name** and must provide a schedule to make up these delinquent hours.
3. If I become delinquent 15 hours without notification to **Grantee name**, a second written warning will be issued and a meeting will be set up with **Grantee name** staff.
4. **Grantee name** may terminate its agreement to work with me if I fail to put in the required hours and tasks.
5. I further understand that failure to meet the above obligations can result in cessation of work on my home or even the loss of my 502 RD loan. If this agreement gets terminated, I will be required to refund the remaining money on my 502 RD loan.
6. If at any time the Termination Procedure is initiated, all invoices for material and labor will be paid up to date. Termination results in the loss of any rights under the terms of this agreement and the loss of building privileges under **Grantee name** Self-Help Purchase/Repair Program. After termination, Rural Development will determine the member's rights concerning their mortgage.
7. The participant will complete a "Weekly Work Availability" form in which they will plan their weekly minimum hour work schedule at the home. Completed schedules will be given to the Construction Supervisor one week or more in advance and all schedules will be posted at the home. The Construction Supervisor shall specify which of the available hours are required to meet the repair goals for the week. The intent is to have a well-organized flow of work utilizing the best-varied abilities of the participant

in order to assure proper job, contractor and material supplier scheduling. Participant will record their work hours and tasks daily at the home site, under the supervision of the Construction Supervisor, who will maintain records of such hours and jobs. Any conflict over work schedules or hours worked will be resolved by the Construction Supervisor.

8. Each participant agrees to abide by the purchase order system for ordering materials. The only persons authorized to order materials shall be designated by **Grantee name**.
9. If a household becomes 30 days delinquent in approving repair invoices, all work on the house will stop. No additional materials will be ordered until outstanding invoices are paid and **Grantee name** has assurance that delinquencies will not reoccur.

IV. GENERAL RULES

- A. In consideration of safety issues, children under the age of 16 shall not be allowed to participate in the repairs without prior approval of the Construction Supervisor for each individual occurrence.
- B. Each participant agrees that they may not hire or pay anyone to do their work for them.
- C. Hours shall be recorded by the participant with approval of the Construction Supervisor. Any conflict over number of hours worked will be resolved by the Construction Supervisor.
- D. Each participant agrees that they will be responsible for all materials, supplies, and other items purchased for their house regardless of the location of such materials, supplies or other items. Any theft, loss, breakage or damage is the responsibility of the participant and replacement or repair will be made out of their loan funds if the budget allows, otherwise the participant will have to pay out of pocket.
- E. The participant shall pay for all materials and contracted work purchased for benefit of their home, including extra materials or overruns.

V. GRIEVANCE PROCEDURE

- A. Any claim, dispute or question raised by any P/R PARTICIPANT shall be first brought to the attention of the Construction Supervisor.
- B. If no resolution can be accomplished through the Construction Supervisor, the following grievance procedure shall be followed.

- 1. Before and During Construction

- The grievance should be brought to the attention of the President of **Grantee name** in writing. If a resolution is again not reached, then the written grievance shall be referred to **Grantee name**'s Board of Directors for final resolution.

- C. If a claim is brought prior to completion of repairs of the residence by the participant, the foregoing shall be conditions precedent to arbitration. In any event, any claim, dispute, or question arising between **Grantee name** and the participant shall be subject to arbitration at the choice of any party. In the event either party elects arbitration, it shall serve a notice on the other party or parties, stating their grievance and desire to arbitrate, and the parties shall proceed in accordance with state law. A decision of the arbitrator shall be a condition precedent to the right of any other legal action. The cost of the arbitrator shall be born equally by all parties to the dispute.
- D. **Grantee name** has agreed to provide technical assistance to the participant in repair of their home. **Grantee name** does not charge the participant for this service, and in return the participant agrees that **Grantee name** shall have no liability for acts and omissions done in good faith. **Grantee name** shall have no liability of consequential or delay damages resulting from any act, omission, breach of contract, or negligence.

VI. TERMINATION PROCEDURE

Violations of the terms of this agreement will result in all expenditures for materials/labor being immediately halted until a satisfactory resolution is reached. If a satisfactory resolution cannot be reached or the same problem continues, the member's rights concerning their house will be determined by Rural Development. In the event a participant fails to meet the requirements of this agreement, the remedies afforded the P/R PARTICIPANT and Rural Development in this agreement are cumulative, and in addition to any other remedies afforded by law or otherwise.

VII. CONTRACTS AND OBLIGATIONS

The participants are bound by the contracts they enter into, and agree, to the terms thereof. They may not elect to exclude themselves from such contracts but are irrevocably committed to them.

VIII. REPAIR ACCOUNTS AND PAYMENT OBLIGATIONS

The undersigned participant agrees to have their Rural Development loan proceeds for repairs deposited into a bank account which is managed by **Grantee's staff person named**. The participant is authorized to approve of all labor, materials, contracts, sub-contracts, liens, expenses, taxes, and other costs incurred for the repair of their home. Only **Grantee name** may prepare checks for payment of all costs and charges attributable to the repair of the participant's home. After all of the budgeted repairs are completed, participant agrees to have **Grantee name** disburse the remaining balance per USDA's rules: Only out of pocket expenses at settlement can be returned to the participant. Any amount over that goes back to USDA-RD to apply to the participant's mortgage.

IX. INSURANCE

Each participant agrees to purchase Homeowners Insurance as required by Rural Development to be in force from the date of loan closing. This policy shall include sufficient individual liability coverage and **Grantee name** shall be given proof (binder) of insurance.

X. ACCEPTANCE OF HOUSING/RELEASE

At the time of completion of the participant's home repairs they must inspect the home and at that time make any claim against **Grantee name** or waive the right to do so by signing the Release and Hold Harmless Agreement. **Grantee name** will not approve the closing of an account prior to receiving the release. It is agreed that any claims against **Grantee name** will be made at this time, or will be forever barred.

XI. TERMINATION OF AGREEMENT

This agreement shall be terminated with regard to the participant and **Grantee name** by the following conditions:

- A. After the repairs have been completed, received final inspection and approval by Rural Development, all bills and credits have been settled, and the supervised bank accounts are closed.
- B. By signing below, I agree to all conditions of this Membership and Labor Agreement. I also declare that no statements, representatives, or any express or implied warranties of any nature whatsoever have been made to me by **Grantee name**. I further acknowledge that **Grantee name** agrees only to provide technical assistance and construction supervision set forth in this agreement, and shall have no liability for any damage, error or construction defect. In the event that damage or defect must be remedied, the participant agrees to repair the same using their own "self-help" and/or subcontractor labor, and to pay for materials and/or labor as required. I also acknowledge receipt of a copy of said Agreement for my personal files.

Date _____ Participant _____

Date _____ Co-Participant _____

By signing below, **Grantee name** agrees to all conditions of this P/R Participation and Labor Agreement. **Grantee name** also declares that no statements, representations or any express or implied warranties of any nature whatsoever have been made to this participant.

Date _____
_____ Construction Supervisor

Date _____
_____ (President/ Executive Director/ Program Manager)

Appendix E2: Participation Agreement Owner-Occupied Sample

Self-Help Housing Rehabilitation Owner Occupied Labor Agreement

I understand that my participation in the Self Help Housing Rehabilitation (SHR) program requires me to provide the labor for my project. I understand I am required to keep a log of all work hours contributed to my project. I understand that any work required to be completed by a licensed professional will be contracted out. I understand that the Self Help Housing Rehabilitation Representatives are available to provide me with supervision and instruction in completing my project to ensure all work is completed to code standards. I understand the Self Help Housing Rehabilitation Representatives are not required to provide labor for my project. I understand that if I fail to maintain an acceptable level of participation my project may be discontinued. An acceptable level of participation is defined as meeting tasks and completion dates outlined in the Self Help Housing Rehab Phase Work Plan. During the course of my project if I fail to finish tasks assigned to me by the SHR Representative a determination to end the project will be made.

Homeowner signature: _____ Date: _____

Homeowner signature: _____ Date: _____

Any person designated by the homeowner as someone who will volunteer their labor is required to sign below.

_____	_____
_____	_____
_____	_____
_____	_____

SHR Representative Signature: _____ Date: _____

SHR Coordinator Signature: _____ Date: _____

Appendix E3: Biweekly timesheet for Self Help Participants_ Sample

Biweekly Time Sheet

Participant

Street Address _____

Project period start date: 3/5/2020

Address 2 _____

Project period end date: 3/18/2020

City, ST ZIP Code _____

Participant: _____

Participant phone: _____

Constr. Supervisor: _____

Participant e-mail: _____

Day	Date	Project Location	Tasks Completed	Family Hours	Volunteer Hours	Total
Thursday	3/5/2020					
Friday	3/6/2020					
Saturday	3/7/2020					
Sunday	3/8/2020					
Monday	3/9/2020					
Tuesday	3/10/2020					
Wednesday	3/11/2020					
Thursday	3/12/2020					
Friday	3/13/2020					
Saturday	3/14/2020					
Sunday	3/15/2020					
Monday	3/16/2020					
Tuesday	3/17/2020					
Wednesday	3/18/2020					
	Total hours					
	Total Accum.					

Participant signature

Date

Construction Supervisor signature

Date