ACQUISITION
AND
OWNER OCCUPIED
REHABILITATION
HANDBOOK

July 2025 v4

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

Disclaimer

A handbook for grantees of the United States Department of Agriculture (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)*
- *LIFT Community Action Agency, Inc. (LIFTCAA)*
- *NeighborGood Partners*
- *Rural Community Assistance Corporation (RCAC)*

Funded by: *United States Department of Agriculture, Rural Development*

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Region I	**Region II**
Florida Non-Profit Housing, Inc.	LIFT Community Action Agency, Inc.
P.O. Box 1987	209 North 4th Street
Sebring, Florida 33871-1987	Hugo, Oklahoma 74743
(863) 385-2519	(580) 326-5165
www.fnph.org	www.liftca.org
Region III	**Region IV**
NeighborGood Partners	Rural Community Assistance Corporation
363 Saulsbury Road	3120 Freeboard Drive, Suite 201
Dover, Delaware 19904	West Sacramento, California 95619
(302) 678-9400	(916) 447-2854
www.neighborgoodpartners.org	www.rcac.org

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INTRODUCTION

The Self-Help Housing Program

Self-help housing is just as it sounds, participants working to build or repair their own homes. This program is a direct application of the barn raising traditions of pioneering rural Americans. The Self-Help Program began as the Mutual Self-Help Housing method, where 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. The program authority also allows for two additional methods of home repair (owner-occupied and acquisition rehab).

Regardless of the method selected, the participants must be low or very low income. At least 40% of the total participants served should be in the very low-income category. The remaining participants must be in the low-income category (see income map for details: https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf).

Mutual Self-Help Method: With the assistance of skilled staff, a group of generally 4 to 10 households is formed. The regulation requires a minimum of 4 households; we encourage a group of at least 5 households as this makes for a better program. The participants typically select lots, house plans, 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 mortgage loans are closed, 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; usually the more technical work such as electrical, plumbing and HVAC is subcontracted out. The construction stage typically lasts from 8 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.

Self-Help Rehab Method Options:

Acquisition Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they purchase. The participant applies for a loan and/or grant and once qualified, they enter into a contract to purchase a property. The property is inspected, and a scope of work is developed. This information is submitted to Rural Development for approval. Once the loan is approved and closed, the participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, more technical work such as electrical, plumbing and HVAC is subcontracted out.

Owner-Occupied Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they already own and reside in. The participant applies to be in the program and then they may need to apply for a loan and/or grant. Once qualified, they provide proof of ownership and residency. The property is inspected, and a scope of work is developed. This information is submitted to Rural Development for approval. The participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, more technical work such as electrical, plumbing and HVAC is subcontracted out.

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, and supporting economic and community development with information and technical assistance.

Rural Development has been providing funds for the Self-Help Housing Program since the late 1960s. They provide Section 523 Self-Help Housing Technical Assistance grants to eligible entities to start and implement the program. Rural Development thoroughly reviews the self-help application before a grant is awarded and 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 to permanent financing at favorable interest rates in the form of a Single-Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions, and the financing is directly between Rural Development and the borrower. 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 operates from three levels: national, state, area /local. The 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, interacts with Congress for legislation, managing program funding, and much more. They also obligate and monitor all Section 523 self-help grants, maintain reports and statistics on operating self-help organizations and project needs for funding. At the national level, USDA has a separate Appeals Division that hears appeals on actions unresolved at the state level.

Rural Development State Office

Section 502 home loan funds are allocated on a state-by-state basis and obligated at the State Office level. Each state receives 502 funds based on a formula allocation calculated by the National Office. A Funding Unnumbered Letter is released annually specifying the fiscal year allocations for each housing program, set-asides, and state allocations, etc. Staff members who are key to the operation of a self-help program located in the State Offices are the:

- Rural Development State Director – Has the authority to sign grant agreements.

- Rural Housing Program Director – Typically oversees the self-help program.
- Rural Development Housing Specialist – Reviews and approves the 502 direct loans and 504 grant/loans, also approves building sites, and completes environmental reviews.

Rural Development Area/Local Offices

In most states grant monitoring has been retained at the State Office level with the Single-Family Housing Program Director, but in some cases, it has been assigned to the Area/Local Office. In any case, the Rural Development grant manager is responsible for ensuring that the grant is operated effectively and in accordance with the regulations. At this level of Rural Development, the Loan Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. They will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's Supervised Bank Accounts and will process the construction draws. They are also the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

Rural Development Section 502 Single Family Direct Home Loan

Most 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 (https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd). 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 a mortgage from other sources. The income limits, developed in consultation with the U.S. Department of Housing and Urban Development, are subject to local variation and are published annually. Current information on income limits and eligibility requirements for Section 502 loans is available at RD local offices or online (links above).

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 payment is either determined based on 24% of their monthly income or the loan at a 1% interest rate, whichever is the higher of the two, but can never be higher than the loan at full note rate. 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. This process is called subsidy recapture.

Some other benefits of a 502 loan are that there is no requirement for a down payment, closing costs can be included in the loan (up to the appraised value with authorized exceptions to include the tax service fee, homeownership education fee, appraisal fee, and any required contribution to an escrow account for taxes and insurance (excluding the first-year insurance premium)) and there is no requirement for private mortgage insurance. Rural

Development can offer a moratorium on loan payments for up to two years if a borrower's income decreases by at least 20% by no fault of their own.

During 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. This funding can be used for either new construction, acquisition rehab and in certain circumstances, owner-occupied.

Rural Development Section 504 Single Family Housing Repair Loan & Grant

Also known as the Section 504 Home Repair program, this provides loans to very-low-income homeowners to repair, improve or modernize their homes or grants to elderly (62 or older) very-low-income homeowners to remove health and safety hazards or remodel a dwelling to make them accessible to a household member with a disability. The maximum loan is $40,000 and the maximum grant amount is $10,000. This funding could be used with the owner-occupied rehab program, or other funding could be sought.

The 523 Self-Help Housing Technical Assistance Grant

For organizations to operate a self-help housing program, Rural Development provides technical assistance (TA) grants. The TA grant is for a period of up to two years, and is available to 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 or repair in a grant period. For new construction programs, an organization can receive up to 15% of the average cost of a similar new home in their area, for every home they are planning to build. Check with your Contractor for other methods of determining grant amounts for repair programs.

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; obtain or create Rural Development-approved house plans and help 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 2 CFR 200 subpart F.

Regulations

The main regulation that governs the Self-Help Housing Program, RD Instruction 1944-I, can be downloaded from the following web-link: https://www.rd.usda.gov/files/1944i.pdf. Additionally, USDA Rural Development provides an overview and guidance for the Self-Help Housing Program in the USDA RD Handbook 3550 Appendix 13. Appendix 13 guidance includes an overview of the following:

- Overview of Self-Help Housing
- Application Processing Priority
- Self-Help Loan Application Packaging
- Environmental Reviews
- Appraisals
- Loan Approval and Closing
- Selecting a Contractor
- Construction Documents
- Sub-Contracts
- Administering Construction Funds
- Self-Help Inspections
- Post Closing Leveraged Loans/Grants
- Participant Withdrawal
- Construction Closeout
- Self-Help Take-out Loans
- Other Loan Financing
- Rural Eligibility Reviews

The T&MA Contractors

Rural Development contracts with four Technical and Management Assistance (T&MA) Contractors to assist operating and potential self-help housing grantees. This assistance ranges from staff and board training, grant management, and development of applications to 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.
- LIFT CAA fka Little Dixie CAA – covering Region II, the South-Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, and WY.
- NeighborGood Partners fka NCALL – 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, and 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.

- Accounting for Individual Borrower 502 Loan Accounts Handbook
- Acquisition and Owner-Occupied Rehab Handbook
- Board of Directors Governance Guide
- Construction Supervisor Handbook
- Custodial Accounting for Mutual Self-Help
- Feasibility Handbook
- Financial Management Handbook for Federally Funded Organizations
- Group Coordinator Handbook
- Orientation Handbook
- Orientation for Grantees PowerPoint
- Pre-Construction Meeting Handbook
- Program Director Handbook
- Section 523 Self-Help Housing Application Training PowerPoint
- Section 523 Technical Assistance Grant Application Handbook
- Self-Help 502 Loans Guidebook

- SHARES 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 the 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 AN 4831 also suggests an hour labor requirement in relation to dollars spent.

Administrative Notice 4831 is now 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 to establish an appropriate Technical Assistance (TA) fee. An average projected minimum 'cost-savings' for 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 to establish an appropriate Technical Assistance (TA) fee. An average projected minimum 'cost-savings' for 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

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 are to 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 recent AN gives direction on this:

Program participants should realize an adequate cost-savings, as defined above, from family labor participation 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 the home and compares 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
Purchase Price (loan amount)	$114,500.00
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 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. 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 for 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 removes 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 but are not a fee for service—or a measurement of actual expenses. They should be used to assess the 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 EUs 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, that is 50% or below median income. 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. The appraisal fee, tax-servicing fee, and the initial contribution to the escrow account are the exceptions when a loan can exceed this limit, if approved by the State Director.
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 adequate housing. The State Director can approve increases of $10,000 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. A 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 cost

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, maintaining and balancing the family's accounts, and generating 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 good partners 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.

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 RD AN 4831 (1944-I), Attachment 2, Evaluation Report of Rehab 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 including 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 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 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 sq. ft. nor be designed for income producing activities. Families should also avoid homes that contain environmental hazards such as asbestos, lead and mold. These hazards 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 agency's decent, safe, and sanitary requirements.

Another potential option for families is purchasing a Manufactured Home, though under current guidelines only new manufactured homes are eligible for financing through USDA/Rural Development. Rural Development has adopted an Existing Manufactured Housing Pilot program which allows for financing through 502 Direct Loan Program if you live in one of the 17 participating states; Colorado, Iowa, Louisiana, Nevada, New Hampshire, New York, North Dakota, Ohio, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

The unit must have been constructed on or after January 1, 2006, in conformance with the Federal Manufactured Home Construction and Safety Standards, as evidence by an affixed HUD Certification label.

The unit inspection is required using one of two methods:
Form HUD-309, " HUD Manufactured Home Installation Certification and Verification Report" completed in accordance with 24 CFR 3286.511 by a qualified party as follows:

1. A manufactured home or residential building inspector employed by the local authority having jurisdiction over the site of the home, provided that the jurisdiction has a residential code enforcement program; a professional engineer; a registered architect; HUD- accepted Production Inspection Primary Inspection Agency or a Design Approval Primary Inspection Agency; or an International Code Council certified inspector.
2. Obtain a certification that the foundation design meets HUD Handbook 4930.3 "Permanent Foundations Guide for Manufactured Housing (PFGMH)." The foundation certification must be from a licensed professional engineer, or registered architect, who is licensed and registered in the state where the manufactured home is located and must attest to current guidelines of PFGMH. The certification must be site specific and contain the engineer's or registered architect's signature, seal and/ or license/certification number. This certification can take the place of Form HUD 309. The unit must not have had any alterations or modifications to it since the factory, except for porches, decks or other structures which were built to engineered designs or were approved and inspected by local code officials.

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 possesses 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 the 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 & descriptions of materials
- Development Plan Cost Breakdown- rehab costs, purchase price and closing cost (if applicable)
- Projected Cost Savings
- Construction schedule for project – including 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) states whether the property and any existing structures are located in a Special Flood Hazard Area (SFHA), as identified and delineated by FEMA, and, if the property is within the SFHA, states the availability of flood insurance for this property through FEMA's National Flood Insurance Program (NFIP).

Except for loans and grants with an original principal balance of $5,000 or less, for which flood insurance is not required, a dwelling in a SFHA is not eligible for federal financial assistance unless flood insurance through the NFIP is available. The information on 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 a 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 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 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 of the labor contribution agreement. This is also the basis for establishing 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 a 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 paint 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 since 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 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 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, be sure to 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, most 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 a firsthand look at 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 on 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 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. **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 and 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 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 an amount 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 for managing 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 will become 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, please contact your T&MA provider for assistance to 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 time lines. 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 to help 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 the 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 the electrician after lunch. But 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:** 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 delays.

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 the 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 families 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, which is the basis for the cost savings the family will receive for the 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 keep the participants' 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 must 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 in 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 AN

Main website for regulations, ANs, forms, Handbooks, and Unnumbered letters:
https://www.rd.usda.gov/publications/regulations-guidelines

Instructions
Self-Help Technical Assistance Grants Instructions 1944.I:
https://www.rd.usda.gov/files/1944i.pdf

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/publications/regulations-guidelines/administrative-notices
Self-Help Housing Administrative Notices

- Self-Help Technical Assistance Grant Extensions and Final Evaluation AN 4827
  https://www.rd.usda.gov/files/an4827.pdf

- Self-Help Technical Assistance Grant Application Processing AN 4828
  https://www.rd.usda.gov/files/an4828.pdf
- Section 523 Self-Help Rehabilitation Program Guidance Acquisition and Owner-Occupied Rehabilitation Projects AN 4831
  https://www.rd.usda.gov/files/an4831.pdf
- Supervised and Bank Accounts and Custodial Accounts Used in Conjunction with Self-Help Technical Assistance Grants AN4840
  https://www.rd.usda.gov/files/an4840.pdf

- Self-Help Technical Assistance Grants High Risk Determination
  https://www.rd.usda.gov/files/ann4842.pdf

- Self-Help Technical Assistance Grant Servicing AN4845
  https://www.rd.usda.gov/files/an4845.pdf

Rural Development Fact Sheets

502 Direct Loan Program Fact Sheet: https://www.rd.usda.gov/files/fact-sheet/RD-FactSheet-RHS-SFH502Direct.pdf

504 Loan and Grant Fact Sheet: http://www.rd.usda.gov/files/fact-sheet/RD-FactSheet-RHS-SFH504.pdf

Handbooks

HB-1-3550 Direct and Single Family Housing Loans and Grants
https://www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13550

Direct Loan and Grant Income Limits (In HB-1-3550 Handbook):
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.rurdev.usda.gov/	for USDA-Rural Development Home Page
http://www.rdinit.usda.gov/regs/	for USDA-Rural Development Regulations
http://www.policyworks.gov/	for GSA Office of Government wide Policy
http://www.bocai.org/	BOCA Building Codes, ICC, International mechanical codes, statewide building codes
http://www.icbo.org/	Your source for the International Building Code
http://www.sbcci.org/	Southern Building Code Congress International, Inc.
http://www.intlcode.org/	International Code Council (CABO has merged with INTLCODE)
www.fnph.org	Florida Non-Profit Housing, Inc.
www.littledixie.org	Little Dixie Community Action Agency, Inc.
www.ncall.org	NCALL Research, Inc.
www.rcac.org	Rural Community Assistance Corporation
www.hudclips.org	HUDCLIPs - Standard Forms and other HUD forms
www.hometime.com	Home Time - Lots of good tips, safety, etc.
www.residentialsteel.com	Residential Steel Construction Services
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
www.nws.noaa.gov	National Weather Service
www.owenscorning.com	Owens Corning - vast array of building products

Appendix B1: Equivalent Unit Tracker Sample

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**SELF HELP EU CALCULATOR**				**Self-Help Housing Rehab QUARTERLY REPORTING**										
2	INSTRUCTIONS: Enter points for each family in red and when each items is earned change font to black and color code the quarter. Tasks can be subdivided 20/80 for long term projects.														
3	**PRE-DEVELOPMENT**	**EU POINTS**	**Family 1**	**Family 2**	**Family 3**	**Family 4**	**Family 5**	**Family 6**	**Family 7**	**Family 8**	**Family 9**	**Family 10**	**TOTAL**		
4	**AND CONSTRUCTION TASKS**		Name	Name	Name	Name	Name	Name	Name	Name	Name	Name			
5	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
6	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
7	Demolition		0.15	0.15	0.15	0	0	0	0	0	0	0	**0.45**	3rd Quarter	.45
8	Roof Repair		0.2	0.2	0	0	0	0	0	0	0	0	**0.4**	3rd Quarter	1.0
9	Bathroom Repair and ADA remodel		0.15	0.2	0.2	0	0	0	0	0	0	0	**0.55**	4th Quarter	1.43
10	New Flooring	0.8	0.1	0.1	0.2	0	0	0	0	0	0	0	**0.4**		3.2
11	Interior Painting		0.05	0.025	0.2	0	0	0	0	0	0	0	**0.275**		
12	Exterior Painting		0.05	0.05	0	0	0	0	0	0	0	0	**0.1**		
13	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	
14	Completion and Inspections		0.025	0.025	0.025										
15	**TOTAL EU'S to Date**		**1**	**0.85**	**0.95**	**0.2**	**0.2**	**0**	**0**	**0**	**0**	**0**	**3.255**		
16	Planned EU's per job	1	1	1	1										
17															
18															
19															
20	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/ ELIGIBILTY

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.

All dwellings must have a whole house inspection conducted by a State-licensed inspector, they must certify that the dwelling meets the Agency's standards with respect to: (1) termites and other pest (this may be separate from the whole house inspection); (2) plumbing, water and sewage; (3) heating and cooling; (4) electrical systems; (5) structural soundness; (6) Identify any potential hazardous materials such as lead, mold and asbestos, extreme consideration should be given to avoid homes that may contain such materials mentioned due to the additional expense of remediation.

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 to be 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 in 21 states as part of a pilot to $10,000.00***). 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 in 21 states as part of a pilot to $40,000.00***).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 years. 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 Reporing

Grantee Name: _____ **Evaluation for QTR Ending:** _____

Address: _____

_____ **Grant Cycle:** _____

Areas Serving: _____ **# 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 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

Date	Area Office Representative	Comments

STATE RD OFFICE REVIEW

Date	State Office Representative	Comments

REHAB HOUSEHOLD #2

Family:	
Address:	
Household Size:	
VLI/LI?	
Owner Occupied or Acquisition Rehab?	

Sales Price:	
Appraised Value:	
502 Funding Amt for Acquisition:	
Other Funding Amt for Acquisition:	
504 Funding Amt for Rehab Activities:	
Other Funding Amt for Rehab Activities:	
Downpayment Assistance Amt Provided:	
Total Funding:	$0.00
Cost Savings Based on Appraised Value:	$0.00

Contractor Rehab Cost:	
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
			0
			0
Hourly Rate of Labor Contribution Cost Savings			0

EU Description	EU Earned	Month/Year Earned
Acquisition (**Disregard if Owner Occupied Rehab**)	0.00	
Preconstruction	0.00	
Construction	0.00	
Completion	0.00	
Total EUs Earned	0.00	

Description of Acquisition/Preconstruction Activities:
Contractor Rehab Activities:
Family Rehab Activities:
Other/Intrinsic Cost Savings Realized by Family:

Date in Preconstruction:	
Date Loan Closed:	
Start Date Rehab Construction:	
Completion Date:	
Days in Construction:	
Number of Labor Hours Contributed by Family:	

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

CHECKLIST FOR INITIAL ASSESSMENT OF EXISTING HOUSING
HB-1-3550 ATTTACHMENT 5-A

SINGLE FAMILY HOUSING SITE CHECKLIST
HB-1-3550 ATTTACHMENT 5-B

CHECKLIST FOR EVALUATION OF EXISTING HOUSING
HB-1-3550 ATTTACHMENT 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

INSPECTION REPORT
RD 1924-12
https://www.rd.usda.gov/files/

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: 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:

- **Replace 20 windows with double hung replacements and replace all rotted woodwork and wrap all windows:**

Replacement Window Cost Material	$ 4,705.00	
Replacement Window Labor		$ 8,295.00

- **Install Appliances**

Refrigerator Material	$ 1,100.00	
Installation Labor		$ 1,163.00
Range Material	$ 900.00	
Range Labor		$ 647.00

- **Flooring Replacement**

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

- **Bathroom Renovation**

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

- **Insulation Upgrades**

Install insulation in box sills material	$ 100.00	
Install insulation in box sills labor		$ 123.00

- **Prep & Painting of Interior of Home**

Remove all wallpaper & Dispose Labor		$ 3,122.00
Painting of entire interior material	$ 1,362.00	
Painting of entire interior labor		$ 4,936.00

- **Exterior**

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 PROGRAM PARTICIPATION AND LABOR AGREEMENT

This agreement is entered into on the_____ day of _____, 20____, between the Purchase/Repair Participant, Participant Name(s), hereinafter referred to as the "P/R Participant" and (INSERT ORGANIZATION NAME) hereinafter referred to as "__." The location of the P/R participant's home is_____ _____(Include Address, City/Town/County, State).

(INSERT ORGANIZATION NAME) is an eligible entity, which provides technical assistance and management services for the P/R Participant under the Self-Help Purchase/Repair Program. ((INSERT ORGANIZATION NAME) is not acting as a "contractor" on behalf of the P/R PARTICIPANT, but as an authorized agent on behalf of P/R Participant, and as a United States Department of Agriculture 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 (INSERT ORGANIZATION NAME) harmless for any purchases, even though such purchases may have been made by (INSERT ORGANIZATIONNAME) on behalf of the P/R PARTICIPANT.

The following repairs will be completed to the Participants home:

It is anticipated that the cost savings will be _____ for the above-mentioned repairs.

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 (INSERT ORGANIZATION NAME) that this Agreement will control the progress of the project. Violation of any portion of this Agreement may result in implementation of Section VI of this Agreement. **USDA Rural Development is not a party to this agreement.**

I. COMMITMENT

_____(INSERT ORGANIZATION 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 in accordance with Handbook-1-3550 and specifically in Attachment 3-A for submission to USDA Rural Development and work with USDA Rural Development on behalf of the applicants.
3. Arrange and present a series of informational meetings covering homeownership and related subjects. This series is normally referred to as the "Pre-Construction" meetings.

B. Construction Services

1. Provide all necessary repair paperwork to USDA Rural Development.
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. Provide or lease power tools and special equipment as required on the job.
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.

II. P/R PARTICIPANT COMMITMENT

The undersigned P/R PARTICIPANT agrees to the following:

A. To work to repair their own home in (INSERT ORGANIZATION NAME)'s Purchase/Repair Program, using USDA 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 (INSERT ORGANIZATION NAME).

C. To use their best efforts to meet construction goals and objectives established by ((INSERT ORGANIZATION 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 ((INSERT ORGANIZATION 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 ((INSERT ORGANIZATION NAME) and USDA Rural Development in the repair of their house. (Change orders will only be allowed in accordance with Handbook 3550-1, Chapter 5, Section 5.24 D.

H. To allow (INSERT ORGANIZATION NAME) to solicit bids and initiate subcontracts.

I. To provide (INSERT ORGANIZATION 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 (INSERT ORGANIZATION NAME)

and to sign checks for payment, acknowledging that if legitimate bills are not paid, property is subject to liens in accordance with state law.

K. Not to move into or move personal property into the house until approved to do so by (INSERT ORGANIZATION NAME) and USDA Rural Development and/or other appropriate officials.

L. To purchase Homeowners Insurance as required by USDA Rural Development, to be in force beginning with the date of loan closing.

M. To attend all scheduled meetings as directed by (INSERT ORGANIZATION NAME) .

N. To work as directed by the Construction Supervisor.

O. To attend all pre-construction training meetings offered by ((INSERT ORGANIZATION NAME) .

P. To convert their loan account within (30) days of final inspection by USDA Rural Development, unless otherwise extended by USDA Rural Development.

Q. To meet all other requirements as set forth in this agreement.

III. CONSTRUCTION RESPONSIBILITIES

A. Labor Exchange Commitment

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

1. I/We agree to contribute labor on my/our home. My total labor will be a minimum of _____ hours per week to complete the required repairs. There is no maximum limit to the number of hours worked per week.
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 (INSERT ORGANIZATION NAME) and must provide a schedule to make up these delinquent hours.
3. If I become delinquent 20 (suggested # of hours) hours without notification to (INSERT ORGANIZATION NAME) , a second written warning will be

issued, and a meeting will be set up with ___(INSERT ORGANIZATION NAME) staff.

4. (INSERT ORGANIZATION 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.
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 __(INSERT ORGANIZATION NAME) Self-Help Purchase/Repair Program. After termination, the participant must work with USDA Rural Development to determine the what options are available to them regarding their loan/grant.
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 construction goals for the week. The intent is to have a well-organized flow of work utilizing the best-varied abilities of the participant(s) in order to ensure proper job, contractor and material supplier scheduling. Participant(s) 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 _____(INSERT ORGANIZATION NAME).

9. If a household becomes ____7 (*suggested # of days*)_____days delinquent in approving construction invoices, all work on the house will stop. No additional materials will be ordered until outstanding invoices are paid and __((INSERT ORGANIZATION NAME) has assurance that delinquencies will not reoccur.

IV. GENERAL RULES

A. In consideration of safety issues, children under the age of sixteen 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. While performing scheduled repairs under this agreement, being under the influence of alcohol or illegal drugs will not be tolerated. Any incident involving alcohol or illegal drugs on the job is cause for automatic expulsion of the participant by the Program Director and termination of this agreement.

E. The 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 paid out of participant construction funds if not covered by insurance.

F. The participants shall pay for all materials and contracted work purchased for the 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 Program Manager of _____(INSERT ORGANIZATION NAME)_ _ in writing. If a resolution is again

not reached, then the written grievance shall be referred to (INSERT ORGANIZATION NAME) 's Board of Directors for final resolution.

C. If a claim is brought prior to completion of construction and occupancy of the residence by the participant, the foregoing shall be conditions precedent to arbitration. In any event, any claim, dispute, or question arising between (INSERT ORGANIZATION NAME) and the participant(s) 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 shared equally by all parties to the dispute.

D. (INSERT ORGANIZATION NAME) has agreed to provide technical assistance to the participant in repair of their home. XX does not charge participants for this service, and in return the participants agree that (INSERT ORGANIZATION NAME) shall have no liability for acts and omissions done in good faith. (INSERT ORGANIZATION NAME) shall have no liability of consequential or delay damages resulting from any act, omission, breach of contract, or negligence.

VI. TERMINATION PROCEDURE

Prior to termination, the following items will be reviewed and verified as part of the process. These steps are to be taken to provide justification as well as fairness.

- Timesheets - Verify hours worked during construction.
- Meetings – Verify attendance/participation in group meetings with other participants, both prior to and during construction.
- Workout Plan – If a Workout Plan was developed, review for completion and fulfilment of the obligation.
- Note/Memos – Review and present any notes from staff or other correspondence regarding the issues surrounding the termination.

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, expulsion from the program

will be determined by (INSERT ORGANIZATION NAME). Expulsion results in the loss of any rights under the terms of this agreement and the loss of building privileges under (INSERT ORGANIZATION NAME)'s Self-Help Purchase-Repair program. After expulsion, the member's rights concerning their house will be determined by USDA Rural Development. In the event a participant fails to meet the requirements of this agreement, the remedies afforded the P/R PARTICIPANT 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. SUPERVISION OF ACCOUNTS AND PAYMENT OBLIGATIONS

The undersigned participant family agrees to place their USDA Rural Development loan proceeds for repairs into a supervised bank account which is managed by (INSERT ORGANIZATION NAME) . The participant is authorized to approve of all labor, materials, contracts, subcontracts, liens, expenses, taxes, and other costs incurred for the repair of their home. Only (INSERT ORGANIZATION NAME) may request draws on the participant's supervised bank account and prepare checks for payment of all costs and charges attributable to the repair of the participant's home. All checks shall be included on a Bill Pay Coversheet. The coversheet will provide an at-a-glance summarized list of all checks to be signed. These payments are to be authorized by the participant and USDA Rural Development with supporting documentation provided by (INSERT ORGANIZATION NAME) . The participant agrees to execute and deliver to (INSERT ORGANIZATION NAME) any other document necessary to implement this agreement.

IX. SUCCESSORS AND ASSIGNEES, JOINT AND SEVERAL LIABILITIES

The parties bind themselves, their spouses, successors, assignees, partners, and representatives to this agreement. The undersigned members agree that this agreement is jointly and severally binding upon them, and that any liabilities and obligation, rights and duties created hereunder shall be joint and severely to each signatory.

The undersigned person(s) agrees to make repairs according to decisions made by and specifications provided by (INSERT ORGANIZATION NAME) and approved by USDA Rural Development. No change will be made in these plans without prior approval of USDA Rural Development. Change order approval by participant requesting the same hereby holds harmless its agents, employees and officers for any liability resulting there from.

X. INSURANCE

Each participant agrees to purchase Homeowners Insurance as required by USDA Rural Development to be in force from the date of loan closing. This policy shall include sufficient individual liability coverage in an amount not less than _____. However, (INSERT ORGANIZATION NAME) may require a higher amount if it determines that this is necessary. (INSERT ORGANIZATION NAME) shall be given proof (binder) of insurance.

XI. ACCEPTANCE OF HOUSING/RELEASE

At the time of completion of the participant's home repairs, the head-of-household must inspect the home and at that time make any claim against (INSERT ORGANIZATION NAME) or waive the right to do so by signing the Release and Hold Harmless Agreement attached to this agreement. Addendum #1(INSERT ORGANIZATION NAME) will not approve the closing of an account prior to receiving the release. It is agreed that any claims against (INSERT ORGANIZATION NAME) will be made at this time or will be forever barred.

XII. TERMINATION OF AGREEMENT

This agreement shall be terminated with regard to the participant and (INSERT ORGANIZATION 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 Participant 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 (INSERT ORGANIZATION NAME) . I further acknowledge that (INSERT ORGANIZATION 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 _____ Borrower _____

Date _____ Co-Borrower_____

By signing below, (INSERT ORGANIZATION NAME) agrees to all conditions of this P/R Participation and Labor Agreement. (INSERT ORGANIZATION 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 _____ _____

Program Director

Appendix E2: Participation Agreement Owner-Occupied_ Sample

OWNER OCCUPIED REHABILITATION PARTICIPATION AND LABOR AGREEMENT

This agreement is entered into on the_____ day of _____, 20_____, between the Owner Occupied/Participant, Participant Name(s), hereinafter referred to as the "O/O Participant" and (INSERT ORGANIZATION NAME) hereinafter referred to as "___." The location of the O/O participant's home is_____ _____(Include Address, City/Town/County, State).

Owner: Owner is a qualified low or very low-income homeowner and entitled to assistance in the rehabilitation of their home.

Project: Owner's home is located at (Insert address) and is described as a _____ bedroom, _____ bathroom home of approximately _____square feet herein after referred to as "Project".

Owner's Obligations: Owner agrees and understands that this is a United States Department of Agriculture Rural Development program operated by (INSERT ORGANIZATION NAME) which will supply materials, technical assistance, supervision in the obtaining of permits, adhering to regulations, and supplying voluntary support in the rehabilitation project.

As a qualified participant of this program, Owner agrees to perform that portion of the work as outlined using the Form RD 1924-1, Development Plan or another similar form of the attached list of activities and schedule. If necessary, Owner shall obtain substitute assistance as approved by USDA Rural Development.

(substitute) 's Participation: (INSERT ORGANIZATION NAME) will provide technical assistance, advice, supervision, and voluntary or contract services to assist in the completion of the project.

Insurance and Indemnity. Owner will be responsible for obtaining and maintaining homeowner's liability insurance during the period of construction. Owner will indemnify and hold (INSERT ORGANIZATION NAME) harmless against and from all claims arising from Owner's activities andparties related thereto or hired thereby arising out of the Project.

Waiver: Owner agrees to waive all claims against (INSERT ORGANIZATION NAME) for any damage to person, property, or other person or property during the course of

construction arising out of theconstruction.

Licenses: Owner will be responsible for the payment of all permits and licenses for the Project including licenses of contractors hired by Owner for the purposes of fulfilling Owner's obligations under this Agreement. The grantee will provide guidance in this process.

Work and Material Schedules: Attached as an Addendum #4 and made a part hereof are the following schedules:

1) Itemization of the work to be performed and the cost savings on the Project by the Owner; and

2) Materials and supplies necessary for the completion of the Project: (INSERT ORGANIZATION NAME) is not a contractor or builder, but acts as an agent of the Participants and a technical assistance provider. (INSERT ORGANIZATION NAME) makes no warranties with regard to the Project, the material used, or labor performed.

Grievance Procedure:

A. Any claim, dispute or question raised by any 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 Program Manager of (INSERT ORGANIZATION NAME) in writing. If a resolution is again not reached, then the written grievance shall be referred to the Executive Director of (INSERT ORGANIZATION NAME) . If a resolution is again not reached, then the written shall be referred to (INSERT ORGANIZATION NAME) 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 (INSERT ORGANIZATION 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. (INSERT ORGANIZATION NAME) has agreed to provide technical assistance to the participant in repair of their home. (INSERT ORGANIZATION NAME) does not charge the participant for this service, and in return the participant agrees that (INSERT ORGANIZATION NAME) shall have no liability for acts and omissions done in good faith. (INSERT ORGANIZATION NAME) shall have no liability of consequential or delay or damages resulting from any act, omission, breach of contract, or negligence.

E. Termination:

Prior to termination, the following items will be reviewed and verified as part of the process. These steps are to be taken to provide justification as well as fairness.

- Timesheets - Verify hours worked during construction.
- Meetings – Verify attendance/participation in group meetings with other participants, both prior to and during construction.
- Workout Plan – If a Workout Plan was developed, review for completion and fulfilment of the obligation.
- Note/Memos – Review and present any notes from staff or other correspondence regarding the issues surrounding the termination.

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, expulsion from the program will be determined by (INSERT ORGANIZATION NAME) . Expulsion results in the loss of any rights under the terms of this agreement and the loss of building privileges under (INSERT ORGANIZATION NAME)'s Self-Help program. After expulsion, the

participant's rights concerning their funding will be determined by RD (or other funding source if applicable). In the event a participant fails to meet the requirements of this agreement, the remedies afforded the PARTICIPANT and RD (or other funding source if applicable) in this agreement are cumulative, and in addition to any other remedies afforded by law or otherwise.

Assignment: Neither party may assign their interest in this Agreement without the consent of the other.

Governing Law: This Agreement shall be governed by the laws of any city, county, and the State of_____, or other governmental authority.

Complete Agreement: This Agreement and all other agreements, exhibits, and schedules referred to in this Agreement constitute the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement and supersede all prior and contemporaneous understandings or agreements of the parties. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty outside those expressly set forth in this Agreement.

Time of Performance: Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a party of the benefits of any grace or use period allowed in this Agreement.

Dated: _____ Dated:_____

"Owner" "Agency Representative"

_____ _____

Appendix E3: Biweekly timesheet for Self Help Participants_ Sample

Biweekly Time Sheet

Participant

Street Address _____
Address 2 _____
City, ST ZIP Code _____

Project period start date: 3/5/2020
Project period end date: 3/18/2020

Partcipant: _____
Constr. Supervisor: _____

Participant phone: _____
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 _____