Self-Helper

Summer 2016

Volume 130

Inside:

502 Loan Regulation Changes

On April 27, USDA's Single Family Housing (SFH) Direct Division published an update to the Direct Single Family Housing Loans and Grants Field Office Handbook, also known as **Handbook-1-3550**, in a Procedural Notice (PN). All changes in the handbook were effective as of that date. These handbook changes may impact applicants depending on the status of their application and when the PN was released. USDA advised that as of June 1st 2016 **all** field offices must incorporate these changes into their standard business practices.

Major changes that affect Self Help:

- Applicants now have only 15 days to submit information missing in their applications rather than the 30 days previously allowed. If information is not received within those 15 days, RD can withdraw the application and the process must start over again.
- 2 years of tax returns now must be submitted with the application and they need to be signed by the applicant. Also, the need may arise for applicants to sign a release (Form 4506) to be sent to the IRS, authorizing the packager or RD to obtain tax records on behalf of the applicant.
- Applicants now need only (a minimum of) two trade lines, open and active for at least a 12 month period during the last 24 months with a credit score of 640 or above.
- The maximum square feet of living area has been increased from 1800 square feet to 2000 square feet.
- Appraisals can now be ordered without a site visit being conducted first.
- A full house inspection report is now required.
- There have been several changes to types of income being included, excluded or changed,

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USDA Changes to Handbook—1– 3550 *(Continued from Page 1)*

including SNAP benefits (included), Earned Income Tax Credits, etc. Because of the technical nature of these changes, grantees should read the actual manual for changes.

- How student loan repayment is calculated has been changed. The actual monthly payment can be used under certain circumstances.
- How revolving credit repayment is calculated has also been changed to the greater of 5% of the outstanding balance or $10.00.
- There are numerous other more minor changes that cannot be encompassed in this article but that may have an effect on your packaging and preliminary underwriting.

The following is a more detailed look at other significant changes that are reflected in Chapters 3-6.

Chapter 3: Application Processing
- A Determination of Eligibility is no longer required; once an applicant returns the required documents, a credit report should be ordered.
- If funding is available, a Certificate of Eligibility should be issued to the applicant. If funding is not available, advise the applicant and place them on a waiting list.
- Handbook Letter 11 should only be sent to applicants if application information has expired.
  All response requirements are being reduced from 30 days to 15 days to improve the application streamline process

Chapter 4: Borrower Eligibility
- Projected income for the next 12 months-consideration will be based on the type of income rather than the source.
- Retirement assets will not be required as a down payment if an applicant derives income from either retirement assets alone or retirement assets and other retirement income.
- Calculating Income From Assets for Repayment Income-For non-elderly households-maximum amount 15,000; for elderly households-maximum amount 20,000 (this used to be 5,000).
- Conducting Full Review of Credit History-applicants with significant delinquency on their credit report will be subjected to further credit analysis even if the credit score is 640 or higher.
- Student Loans-the actual monthly payment for student loans can be used if the loan is in repayment, the applicant has a reliable credit score of 640 or higher, they have no significant delinquency and the payment shock is not more than 100% or is non-measurable.
- Revolving accounts-payment for a revolving account with an outstanding balance but no specific minimum monthly payment will be calculated at the greater of 5% of the existing balance or 10.00. Accounts with no balance do not require a monthly payment (before these accounts had to be closed).

Chapter 5: Property Requirements
- Identification and Corrections of Deficiencies-if deficiencies are identified that could affect an agency's ability to approve a loan, the loan originator must notify the applicant and give them 15 days to resolve (this used to be 30 days)
- Modest Housing-to be considered modest, the property must be considered modest for the area, cannot exceed market value of applicable area loan limits and must meet the standard square footage consideration.

Chapter 6: Underwriting the Loan
- Fees and Related Costs-the following items have been added: Earnest Money Deposit, Inspection Fees required by the agency and the first year's hazard insurance premium.
- Refinancing Non-Agency Debt-now allows for a Guaranteed Loan to be refinanced with 502 Direct Loans (before this was not permitted).

This article covers some of the significant highlights of the handbook changes; as always you should refer to the UDSA website or subscribe to the Listserv for the most up to date information.

New Income Limits

The income limits for the Single Family Guaranteed Loan Program were published on June 15, 2016 through a special PN. According to USDA, the income eligibility calculator in the eligibility website has been updated to use the new limits.

Find the new limits here. Find the updated calculator here.

USDA Introduces Income Banding Pilot

On June 9th the U.S. Department of Agriculture issued a memorandum announcing a two-tiered income limit pilot for Single Family Housing Programs. Currently, USDA adopts the income limits established by the U.S. Department of Housing and Urban Development each fiscal year. The new limits were recently released, as noted on page 2.

The pilot program implements a two-tier income limit structure (called "banding") for all Single Family Housing Programs. Households with 1-4 persons will be measured using the 4 person income level set by HUD. Households with 5-8 people will be measured using the 8 person income level. This will provide the flexibility already in effect for the guaranteed program for determining eligibility for the direct loan program, and allow more people to qualify. In effect, families made up of one, two, or three people will qualify as long as their income level is below the four person family limit. Similarly, families with five, six, or seven people will qualify as long as their income level is below the eight-person limit. These changes have already been made in the applicable areas income limit sheets.

The pilot is designed to address the disparity created by the use of unmodified HUD income limits for Section 502 direct loans. For example, the memo states that in 16 states/territories the income limit to qualify for a single family housing loan for a 2-person household is less than the household income of two minimum wage earners. USDA has selected 23 states to participate in the pilot, including the 16 states/territories that have the specific income limit issues described above, and others selected to ensure there is reasonable representation among the regions. The following states and territories are included: Arizona, Arkansas, California, Florida, Georgia, Indiana, Kentucky, Michigan, Mississippi, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oregon, Pennsylvania, Puerto Rico, Tennessee, Utah, Washington, Vermont, West Virginia, and the Virgin Islands.

The pilot program applies to very-low, low- and moderate- income, 38 year term, and adjusted median income. However, it will not apply to new or existing Section 502 direct loans that close using Payment Assistance Method 1 or Interest Credit. All new borrowers and other eligible applicants receive payment assistance method 2, and will be covered by the pilot. To read the announcement memo from USDA, click here.

Upcoming HAC Conference to Include Self-Help Track

Join hundreds of your friends and colleagues for the **2016 HAC Rural Housing Conference.** More than just a collection of workshops and plenaries, the conference is about coming together to share collective experiences and build expertise. A Self-Help Housing track is being planned. The expense for attending this conference is an allowable 523 charge.

HAC's 2016 conference is being held in Washington, DC at the Renaissance Hotel on November 30-December 2. Preconference activities are planned for November 29, including the National Rural Self-Help Housing Association's Annual Meeting.

New Loan Limits Published

In early May, USDA Rural Development published new loan limits. These numbers may have gone up, gone down or stayed the same. Check out the new limits at http://www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap_0.pdf

FY 17 Budget News

The Obama Administration released it's budget request for FY 17 in early February. Since then, both the House and Senate have been working on their mark ups. The results are listed below. Both the House and Senate bills are improvements over the FY 2017 USDA Budget.

According to the National Rural Housing Coalition (NRHC), it is unlikely that Congress will complete actions on appropriations until a lame duck session after the election.

Until that time, a continuing resolution is likely.

Visit the NRHC website at www.ruralhousingcoalition.org for more information.

USDA Rural Development Program (dollars in millions)	FY 15 Final	FY 16 Final	FY 17 Budget Proposal	FY 17 House	FY 17 Senate
Loans					
502 Single Fam. Direct	$900	$900	$900	$1,000	$900
502 Single Family Guar.	24,000	24,000	24,000	24,000	24,000
504 Very Low-Inc. Repair	26.3	26.3	26.3	26.3	26.3
514 Farm Labor Hsg.	23.9	23.9	23.9	23.9	23.9
515 Rental Hsg. Direct	28.4	28.4	33.1	35	40
538 Rental Housing Guaranteed	150	150	230	200	230
Grants & Payments					
504 Very Low-Inc. Repair	28.7	28.7	28.7	28.7	28.7
516 Farm Labor Hsg.	8.3	8.3	8.3	8.3	8.3
523 Self-Help TA	27.5	27.5	18.5	30	27.5
533 Hsg. Prsrv. Grants	3.5	3.5	0	5	3.5
521 Rental Assistance	1,089	1,390	1,405	1,405	1,405
RCDI	4	4	4	4	4
HUD Program (dollars in millions)	FY 15 Final	FY 16 Final	FY 17 Proposal	FY 17 House	FY 17 Senate
CDBG	$3,000	$2,800	$2,800	3,000	3,000
HOME	900	950	950	950	950
SHOP	10	10	10*	10	10
Housing Counseling	47	47	47	55	47
Homeless Assistance Grants**	2,135	2,250	2,664	2,487	2,330
Choice Neighborhood Initiative	80	125	200	100	80

*The FY 17 Budget proposal suggests that SHOP be a setaside in HOME. Congress has previously rejected this proposal.
**Includes the Rural Housing Stability Program, which is not yet operational.

10 Dynamics of Creating High Performance Build Teams

Team dynamics are defined as the motivating and driving forces that propel a team toward its goal and mission.

1. **Identify yourself as the <u>leader</u>** – A common mistake to make is the failure to recognize that any team endeavor requires a leader which must either be identified or emerge. The leader does not have be totalitarian. The leader is there to guide the process, ensure resources are supplied and coordinate efforts.

2. **Establish roles & responsibilities and discuss what each person "brings to the table"** – Understanding the various roles & responsibilities of the team is critical to success. Taking time to know expertise & special interests of each team member will allow people to be matched to their capacity to complete the task.

3. **Establish a set of goals & objectives** – With any team project, identifying and understanding the goal is paramount. Set long and short term goals that are realistic and achievable. Homeownership is the **ULTIMATE** goal!

4. **Establish a schedule for managing time to complete the tasks/meetings** – Effective scheduling is not about getting a large quantity of work completed. You can get a lot of work done and still have an ineffective day; if that work is not important to your objectives.

Effective scheduling is about making sure that you identify <u>your most important task for each day</u> and that you get that task completed. Schedules should be reviewed daily and revised as needed.

5. **Establish ground rules for meetings and the job site** – "*An ounce of prevention is worth a pound of cure.*" As it relates to teams, no truer words apply. When families meet and work together, there should be a set of standards that establish how family members will behave toward one another. This is not just a way to ensure courtesy to one another, but also that the team's time together ends up being used effectively and efficiently.

6. **Creating a safe work environment**– Educate families in proper safety procedures, how to avoid hazardous conditions on the build site, inspect all equipment to be sure it is in working condition, and be prepared for any emergency.

7. **Disruptive behaviors are properly dealt with immediately and have consequences** – No matter how well a team prepares for maladaptive behavior and attempts to prevent it, such behavior will occur. This is especially true with teams! When these behaviors are ignored and left to fester, they will certainly drag a team down.

8. **Ability to get started on time & productive time usage** – Teams can waste a lot of time. For starters have them show up on

the site ready to work and dressed appropriately. Getting started on time and using all hours on the job site productively will help to ensure that the build is completed in a timely manner.

9. **Ability to state what is working and how to improve** – Teams need to recognize what is working and what isn't. The team needs be able to adapt to changing circumstances, such as weather, personality differences, and work schedules. Enhance what is working. Teams must quickly acknowledge if a problem exists and determine what it will take to resolve the issue.

10. **Establish a method to determine how they will reach an agreement** if a disagreement arises– Everyday people make decisions quickly from what to wear to what to have for breakfast. Individuals use rational (and sometimes irrational) methods to make a decision. Decide ahead of time how conflicts will be resolved.

Regional Conference Call Planned

NCALL will be hosting another regional conference call on **Thursday, July 28th at 10:00 a.m.** for an open discussion. Please join us and be prepared to share your thoughts and questions. More information will be coming out soon.

Are You Using Credit Karma?

The maze of sites offering free credit reports and scores can be daunting for your clients. As you know, many sites offering *free* credit reports are not really free and can lure and trap the unsuspecting user into monthly payments for a credit reporting service. Credit Karma, on the other hand is different. The site is user-friendly, completely free and actually notifies you of your credit score on a regular basis.

How does it work? Credit Karma analyzes a user's financial information to make offers for loans, credit cards, mortgages and products. If a user chooses one of the products offered, the business pays Credit Karma a "finder's fee". However, a user can continue to use Credit Karma indefinitely, never buying a product offered and still get regular reports and scores. Credit Karma utilizes both Transunion and Equifax for their scores and reports. Reports and scores are updated weekly and CK sends monthly updates to users as well. In addition, if changes occur within Transunion credit records for a user, CK sends alerts to the user notifying him or her of the changes.

Credit Karma also publishes useful articles on financial matters and offers various financial calculators on their website.

A user only has to open their CK email to see their monthly scores and accessing their credit reports is simply a matter of signing into the website and clicking on the "report" button.

There is no downside that we are aware of and it seems to be a win-win situation for you and your client. You can access credit reports for potential applicants by simply having them set up a free account and sharing that information with you, avoiding wasted time in pursuing a loan for a client who's not yet eligible, and it is a learning and informational tool for your client to help him or her track progress as they work at improving their credit.

Facebook Advertising 101: How to Boost a Facebook Post

When you hear the words "advertise on Facebook" you might picture a complex, technical, expensive process, definitely out of your comfort zone and budget. The truth is, Facebook advertising is a lot easier than you might think, and its targeting and demographic features make it effective at reaching your demographic.

To advertise on Facebook, you must first have administrative rights. Someone in your organization will have them and can either do the advertising or give you administrative access too. The person handling advertising should have the Facebook app installed on their phone and be prepared to check it throughout the time the ad is running because readers will likely comment or ask questions and you will want to provide a timely response. All questions and comments are viewable to anyone who sees the post.

The first step is to create a post with the message you want to promote, for example if you wanted to gain awareness in your community about Self-Help Housing, you could post that that your group has broken ground and will start building. Then, link to a page on your website about Self-Help Housing or your page on the Self-Help Housing Spotlight website (selfhelphousingspotlight.org) to provide more information and possibly get future applicants. If you wanted to get more families you could create a Facebook event for an upcoming community meeting, which you can also boost. The event will let you provide more information such as location, time, and much more space to write about the program.

Post the Facebook post or event and you will see it appear on your page with a blue button that says "Boost Post." This is the easiest way to advertise on Facebook. Select "Create a new audience" and give it a name. Something simple will do fine. Select that you want to target Cities (States and countries is too broad). You then will have the option to extend +10, +20 or more

Facebook Advertising 101 *(Continued from Page 6)*

miles, and that distance is up to you. You should stick to areas in a reasonable proximity to your build. Select the age range you want to target (between 25-45 is a good choice). Select that you would like to target either male or female, or both. Then, enter your budget and the duration you want to run this ad. Facebook will divide your budget across the timeframe. Then,

add your payment method and select "Boost."

You can monitor your spend and the engagements on the post under the "manage ads" option in the drop down menu at the top right. You will want to have Facebook on your phone as well to keep an eye on notifications. If you are sharing pictures of participants be sure to

have their permission in writing before posting.

If you have any questions or to receive a guided tour on Boosting a Facebook Page please contact Kristina Naylor, NCALL's Self-Help Housing Program Analyst, at (302) 678-9400 or email knaylor@ncall.org.

The Self-Help Housing Spotlight—Use It For All It's Worth!

The Self-Help Housing Spotlight website (www.selfhelphousing spotlight.org) was created in 2011 as a regional website meant to help grantees with marketing and showcase economic impact. During the 50years/50khomes campaign in 2015, the website was redesigned and became a national website with two purposes: to connect organizations across the county and to expand the online presence of the Mutual Self-Help Housing Program.

Each organization is provided its own page where they can explain the program in their own words, share up to three pictures, share contact and social media information, and receive emails from potential applicants. Each organization page has a short URL, typically www.selfhelphousing spotlight.org/organization-name,

making it easy to share on promotional materials like emails, business cards, publications, social media, and newsletters. This format also helps search engines rank the page for the organization's name and appear in search results. When visitors land on the Spotlight website they will be able to navigate a wealth of information and stories to help explain the program.

A new committee was formed in recent months to continue developing the website and adding new content. The Spotlight has already seen 8,000 visitors over the past year and continued development will mean we continue the growth of our audience. The committee is currently requesting success stories from organizations which will be categorized under a future menu item. If you have a great story you want published on the website, please email Kristina Naylor at knaylor@ncall.org. To make changes to your page or to request one please download and

complete this form and email to Kristina Naylor. Continue checking the website in the next few months to see new updates including family success stories, information about the program, and new menu items.