

RD AN No. 4806 (1944-I)
June 22, 2016

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Directors
Self Help Coordinators

FROM: Tony Hernandez /s/ *Tony Hernandez*
Administrator
Housing and Community Facilities Programs

SUBJECT: Self-Help Technical Assistance Grants- High Risk Determination

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is issued to provide guidance for Section 523 Mutual Self-Help Grant determinations of high risk in accordance with Rural Development (RD) Instruction 1944-I.

COMPARISON WITH PREVIOUS AN:

There is no previous guidance on this topic.

BACKGROUND:

In accordance with RD Instruction 1944-I, §1944.417 (b) (2), “If the State Director determines the grantee is not performing as expected, the State Director will notify the grantee that it has been classified a “High risk” grantee.” In addition, Exhibit A of RD Instruction 1944-I, ‘Self-Help Technical Assistance Grant Agreement’, item (e)(2) states “When there is reasonable evidence that Grantee has failed to comply with the terms of this Agreement, the State Director may determine Grantee as "high risk". A "high risk" Grantee will be supervised to the extent necessary for protecting the Government's interest and helping the Grantee overcome the deficiencies.”

EXPIRATION DATE:
June 30, 2017

FILING INSTRUCTIONS:
Preceding RD Instruction 1944-I

IMPLEMENTATION RESPONSIBILITIES:

This policy sets guidelines and standards for making high-risk determinations. To assist with high risk grantees, the agency has contracted with Technical and Management Assistant's (T&MA) across the Nation. RD offices are encouraged to work with the T&MA providers to ensure the success of the Mutual Self-Help program.

As noted in regulations cited above, a "High risk" designation can be given at any point in the grant when the agency can show the grantee has already failed or has performance issues that may cause a failure to comply with the grant agreement. Performance issues are any problem that will affect or is affecting the grantees ability to meet their grant goals. The grant goals are as follows and are found in RD Instruction 1944-I, §1944.419(a)-

- “(1) Assisting the projected number of families in obtaining adequate housing.
- (2) Meet the goal of assisting very low-income families.
- (3) Meeting the family labor requirement in §1944.411(h) and Exhibit B-2 of this subpart.
- (4) Keeping costs within the guides set in §1944.407.
- (5) Meet other objectives in the Agreement.”

Should a grantee appear to be making insufficient progress towards their grant goals in relation to the time elapsed and/or draws taken on the grant, monthly reporting and/or a high-risk determination may be appropriate. The RD oversight officials may request more frequent than quarterly reports to review a grantee's progress as an initial step prior to issuing a high-risk determination.

The issuance of a "High risk" status is given in order to address deficiencies early in the grant cycle with the intent of affording additional support to the grantee in achieving the grant goals.

High Risk Determinations

If a high-risk determination appears appropriate, the RD oversight official should document the reason(s) for this action and make recommendation to the State Director. The State Director will notify the T&MA provider of possible high-risk determination. The T&MA provider, will provide a high-risk assessment within 30 days of notification, per the requirements of their contract, which will include reasons for assessment, recommendations and proposed remedies. If the State Director determines the grantee to be high risk, a letter informing the grantee will be issued to the entities Executive Director and Board of Directors with a copy to the T&MA contractor so they may provide additional servicing. Attachment 1 provides a sample high-risk letter, which may be used as a template and should be modified to fit a grantee's specific situation.

High-risk grantees should be evaluated regularly; removed from high-risk status only when the grant progress appears to be acceptable. Attachment 2 provides a sample letter

to be used in notifying the grantee that they have been removed from high-risk status. Should the grant performance not improve, states should notify headquarters to review the continuation of the grant and develop an appropriate course of action.

This AN should be used as a guide for Section 523 Grant high risk determinations. State Offices needing further guidance on this AN should contact Andria Hively, Finance & Loan Analyst for the Single Family Housing Direct Loan Division at (360) 753-7724 or Carolyn Bell, Single Family Housing Branch Chief, at (202) 720-1532.

Attachments:

{DATE}

{GRANTEE NAME}

Attn: Ex Dir

{ADDRESS}

Subject: Section 523 Technical Assistance Grant
High Risk Status Determination

Dear Executive Director:

In accordance with Rural Development (RD) Instruction 1944-I, 1944.417, Section 523 Technical Assistance (TA) grantees are responsible to report quarterly on their progress in all areas related to grant performance. Based on performance, the quarterly report and information from the Technical Assistance provider, a determination is made by the Agency whether the grant is progressing favorably. In the event that the grantee does not appear to be performing acceptably, a notification of "High Risk" status must be made which identifies the areas in need of improvement.

Our Office has been monitoring your grant performance and has recommended that a determination of High Risk status be issued. This letter serves as notification that the grant has been designated as High Risk for the following reasons:

1. Assisting the projected number of families.
 - The grant proposes completion of {#} homes.
 - As of the quarter ending {DATE}, {PERCENT} of the grant period has elapsed; however, {#} homes, representing {PERCENT} of the proposal are complete.
2. Serving very low-income applicants.
 - The grant goal is 40% service to Very Low Income Households.
 - As of the {DATE} quarterly report, the grantee is servicing {PERCENT} very low households.
3. Equivalent unit (EU) Production.
 - With {PERCENT} of the grant period elapsed, only {#} EU's have been completed. This represents {PERCENT} of the proposed goal.
 - Without a significant increase in Equivalent Unit Production, neither the EU, nor the number of homes completed goal will be met.
4. Technical Assistance (TA) cost.
 - The proposed TA cost for the grant is {\$}.
 - As of the quarter ending {DATE}, the actual TA cost is {\$}.
 - Unless the Equivalent Units increase to meet grant goals, it does not appear that the TA Cost goal will be met
5. Labor contributions by the family.
 - The grantee does appear to be meeting this goal with the homes currently in construction.

Based on the identified concerns, the grant will be designated as High Risk as of the date of this letter. You may contact one or both of the following for assistance with corrective actions:

Rural Development Area & State Offices
{ADDRESS}
{PHONE}

or

{TECHNICAL AND MANAGEMENT ASSISTANT NAME}
{ADDRESS}
{PHONE}

Corrective actions may include but are not limited to training for packagers and construction supervisors, assistance with developing and implementing marketing plans to assist very low income households, revisions to the production schedule/grant period, etc. There are many opportunities for assistance in areas that may help you meet your goals within the grant period. We encourage you to work closely with your T&MA provider to identify corrective actions.

You will be required to submit {INSERT FREQUENCY OF REPORTS TO BE REQUIRED} status reports to our Office as we will monitor and assess progress. Progress will be assessed as follows:

(i)If the situation has been corrected or reasonable progress has been made toward correcting the situation, the "High Risk" status may be lifted.

(ii)If the situation has not been corrected but it is correctable if additional time is granted, an extension may be issued for the current grant, or a request for an exception may be made to proceed with the new grant application if adequate steps have been taken to correct the problems.

(iii)If the situation has not been corrected and it is unlikely to be corrected if given additional time, the grant may be terminated under Rural Development Instruction 1944-I, 1944.426(b) (1).

Our goal is to assist you with becoming successful as a Section 523 Technical Assistance provider. To that end, we want to work with you to identify the areas where it does not appear that goals are being met, and implement corrective actions now so that your grant goals are reached and future grants are not jeopardized.

If you have any questions, please contact {INSERT APPROPRIATE RD OFFICIAL AND PHONE NUMBER}

{INSERT STATE DIRECTORS NAME}
State Director

Cc: NATIONAL OFFICE SPECIAL PROGRAM DIVISION
T&MA CONTRACTOR

ANY OTHER RD OFFICE AS APPROPRIATE Board of Directors

{DATE}

{GRANTEE NAME}

Attn: Executive Director

{ADDRESS}

Subject: Section 523 Technical Assistance Grant
High Risk Status

Dear Executive Director:

As you know, your 523 Technical Assistance Grant was placed in a High Risk status on {INSERT DATE}. The Rural Development office and T&MA provider have been working with you closely to monitor your progress in meeting grant goals.

Based on a review of the progress you have made and recommendation of the (Insert as appropriate such as Program Director, Area Director, Self-Help Coordinator) and T&MA provider the High Risk designation is removed effective the date of this letter.

Thank you for your efforts to improve performance and address the issues which were outlined in the High Risk designation. We look forward to working with you in the future, providing additional opportunities for homeownership! If you have any questions, please contact us at {INSERT PHONE #}.

{INSERT STATE DIRECTORS NAME}

State Director

Cc: {NATIONAL OFFICE SPECIAL PROGRAM DIVISION}
{T&MA CONTRACTOR}
{ANY OTHER RD OR OFFICE AS APPROPRIATE }
Board of Directors