



Rural Development

PA AN No.1283 (1944-N)
February 7, 2014

State Office

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TO: All Employees
Pennsylvania Rural Development

FROM: Thomas Williams
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Pennsylvania Rural Development

SUBJECT: Clarification of Servicing Issues within the Housing Preservation
Grant Program

Purpose/Intended Outcome:

The purpose of this PA State Administrative Notice (AN) is to provide clarification on servicing issues within the Housing Preservation Grant (HPG) program.

Comparison with Previous AN:

There is no previous PA AN on this subject.

Implementation Responsibilities:

RD personnel responsible for day-to-day operation of the HPG program should be knowledgeable in RD Instruction 1944-N and in particular, Exhibit C.

Post Approval Requirements:

Once funds have been obligated and the Grant Agreement executed by Rural Development, the RD Servicing Official will meet with the grantee to review the requirements of the grant program. At that time, the grantee will be given copies of the following:

1. Executed Grant Agreement
2. Form RD 1940-1, "Request for Obligation of Funds"
3. Form SF 425
4. Exhibit E-1, 1944-N

If grantee is a first time recipient of Agency funds, RD will need to work with them to establish an Electronic Funds Transfer (EFT) account.

EXPIRATION DATE:
February 28, 2015

FILING INSTRUCTIONS:
Preceding RD Instruction 1944-N

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

RECIPIENT FILES:

The HPG grantees will maintain master files for each grant. Filing materials will include, but are not limited to:

- a) A list of documents required to show homeowner eligibility;
- b) The names, racial/ethnic data, and dates of contact for leaders of organizations involved in community outreach activities;
- c) Copies of all advertising in local media, such as, newspapers, including name of the media used and the percentage of its service area by race/ethnic origin; and
- d) Copies of any other advertising or other printed material, including the application form used. The application shall include the wording: "This is an equal opportunity program. Discrimination is prohibited."
- e) Debarment and Suspension: All grantees must obtain a signed certification on Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions," from all persons or entities that the program recipient does business with (excluding homeowner recipients) as a result of the program.
- f) Environmental Requirements: The presence of a signed and executed RD Instruction 1944-N, Exhibit F-2 Form within the Grantee Environmental File is required in order to document that all Grantees have agreed to:
 - screen ultimate recipient properties for floodplains, wetlands, or historic properties; and
 - contact RD for completion of an environmental assessment when floodplains or wetlands are present, or consult with the SHPO if the proposed action does not comply with those actions approved in the SHPO agreement as stated in Exhibit F-2.

INDIVIDUAL HOMEOWNER FILES:

HPG grantees will also maintain individual files for each individual homeowner assisted. Information to be included will be:

- a) photocopies of any instrument that serves as evidence for income eligibility and for proper ownership when using marketable title, divided or undivided property interests, leases, life estates, land assignments, etc.
- b) Description of repairs: Repairs must be completed exactly as described in the construction contract. Therefore, it is important that the description of repairs include and adequately describe ALL work to be performed.
- c) Inspection report: RD Instruction 1944-N, and 7 C.F.R. 1944.665, requires all repairs to be inspected by a qualified disinterested third party, which could be a local building/code enforcement official or a qualified contract/fee inspector.
- d) Flood Insurance Information: All HPG program recipients must include the completed FEMA Form 086-0-32, "Standard Flood Hazard Determination", in each file for properties being repaired. This form identifies and certifies the availability of flood insurance. As required under the National Flood Insurance Act of 1968 as amended by the Flood Disaster Protection Act of 1973, flood insurance must be required under certain circumstances as detailed in RD Instruction 426.2.

- e) Lead-Based Paint (LBP): The Environmental Protection Agency pamphlet entitled "Protect Your Family from Lead in Your Home" should be distributed by the HPG grantee to all prospective ultimate recipients. If any lead-based paint is encountered or disturbed while rehabbing the dwelling, the applicant agrees to comply with Lead Based Paint requirements (40 CFR 745 subpart L), which includes the use of a Lead-Safe Certified Contractor.

Rural Development adopted subparts of the United States Department of Housing and Urban Development's (HUD) LBP Rule which must be followed for any housing rehabilitation or renovation project. Exemptions to HUD's LB requirement are detailed in 24 C.F.R. section 35.115. Recipient files must contain applicable LBP documents including initial inspection reports, risk assessments, and/or clearance inspections reports.

RD STAFF RESPONSIBILITIES:

Once funds have been obligated and the grant agreement executed, Area Office staff will meet with the grantee to go over the requirements of the program. These would include:

a) **Compliance with Civil Rights Laws:**

The policies contained in subpart E of part 1901 apply to grantees. As recipients of Federal financial assistance, HPG grant program recipients are required to comply with the applicable Federal, State and local laws (including collection of data on race, gender, ethnicity). The Fair Housing Act prohibits discrimination by recipients of Federal financial assistance. Grant recipients are required to adhere to specific outreach activities. These outreach activities include, contacting community organizations and leaders that include minority leaders, advertising in local newspapers and other media throughout the entire service area, and including the nondiscrimination statement, "This is an Equal Opportunity Program. Discrimination is prohibited by Federal Law," in methods that may include, but not limited to, advertisements, public broadcasts, printed materials, such as, brochures and pamphlets, and application forms for Fair Housing. These requirements can be found under 7 CFR section 1944.671 (b).

RD staff performing servicing activities will need to complete a pre-award Compliance Review using Form RD 400-8, Compliance Review, during the initial meeting with the recipient.

Post Award Compliance Reviews will be completed at the time of the final draw, or three years following the pre-award review, whichever occurs first.

b) **Reporting Requirements:**

Grantees must submit quarterly reports to RD using SF 425, "Financial Report Form" and Exhibit E-1 from RD Instruction 1944-N. Within 15 days following the end of

each calendar quarter grantee will submit an original and two copies of these forms to RD for review. These reports should relate the activities during the reporting period to the project's objectives and analyze the effectiveness of the program. Refer to RD Instruction 1944-N §1944.683 for reporting requirements (Note: Form SF 425 replaces Forms SF 269 and SF 270 referred to in the instructions).

If quarterly reports are not submitted timely or if the reports indicate that the grantee has made unsatisfactory progress or is not meeting its established objectives, the

RD Servicing Official will recommend appropriate actions to resolve the problem(s) to the State Office.

For grants of \$100,000 or more, Form SF PPR, Performance Progress Report, will also be submitted along with SF 425 on a quarterly basis.

Quarterly reports will continue until all funds have been advanced.

c) Fund Requests:

As needed, but not more frequently than once every 30 calendar days, grantees may request funds. To request funds, they must submit an original and two copies of Forms SF 270 and SF 425. All advances must be in accordance with the applicant's budget and statement of activities, including amendments, as approved by RD. The Servicing Official will not authorize advances of the grantee fails to submit required reports or is in violation of the grant agreement.

Cash advances will be limited to only the amount needed to be expended within the next 30 days. Cash advances made to non-profit organizations and not disbursed must be deposited in an interest bearing account. Any interest earned on an HPG account in an amount of \$100.00 or more per year (unless a public agency) must be remitted to RD.

d) Inspection Requirements:

Grantees are responsible for supervising all rehabilitation and repair work. Once all HPG work has been completed on a dwelling, a final inspection must be done by a disinterested third party, such as a local building and code enforcement officials. If there are no such officials serving the area where the HPG activities will be undertaken or if the grantee would also normally make such inspections, the grantee must use qualified contract or fee inspectors. A certification that the final building inspection reports for each rehab or repair work financed as well as for replacement housing with HPG funds completed for each quarter must be included with the grantees quarterly report.

e) Post Award Servicing Requirements:

Once a grantee has met one-quarter of their goals for intended recipients, Agency staff will visit the grantee to review a sample number of recipient files and do

inspections on individual homes completed. The PA State Office has determined a sampling to be one out of every three recipient dwellings. You may round down, for example, if there are seven dwellings being rehabbed, only two need to be inspected.

f) Close-out Servicing Requirements:

At the time of the final draw, RD will schedule a visit to the grantee's office to perform a final review of their files and complete the post award compliance review.

Within 90 calendar days after the date of their final draw, submit SF 425 and all financial, performance (Exhibit E-1 of 1944-N) and other reports as required as a condition of the grant to the RD Servicing Official for review. The grantee shall account for any property acquired with HPG grant funds or otherwise received from RD.

After the grant closeout, RD retains the right to recover any disallowed costs which may be discovered as a result of the final report.

The RD Servicing Official will review the final report and provide a written narrative along with a copy of the report to the State Office.

An audit may be required per 7 CFR Parts 3015 and 3016 if the Agency finds problems with the final report or there is evidence that the grantee has defaulted under the terms of the grant agreement.

RECYCLING OF HPG FUNDS:

As the purpose of the HPG program is to repair and rehabilitate homes, the grantee may use HPG funds as grants or loans. In accordance with 7 CFR 1944.670(b), "Project Income," the loan funds that are repaid are encouraged to be recycled into the HPG repair and rehabilitation activities. To continue the HPG repair and rehabilitation activities, a separate trust account should be used that is interest bearing. The interest funds that are earned are to go back into the HPG "pot" and the interest earned is to be reported in an audit.

HPG GRANT EXTENSION REQUESTS:

Information covering all requests to extend the HPG funds until the remaining balance has been expended is located in 7 CFR 1944.684. The State Office personnel may grant these requests.

In instances whereby the grant will be expiring and an extension of the HPG funds is necessary for completion of the project, a one-time extension of the expiration date of the award of up to 12 months may be granted unless one or more of the following conditions apply:

- The terms and conditions of award prohibit the extensions;
- The extension requires additional Federal funds;
- The extension involves any change in the approved objectives or scope of the project.

For one-time extensions, the recipient must notify the USDA Rural Development local Servicing Official in writing with the supporting reasons and revised expiration date at least 10 days before the expiration date specified in the award. Servicing Officials will forward all requests for extensions, along with their recommendations, to the State Director for approval. This one-time extension may not be exercised merely for the purpose of using unobligated balances.

Upon the State Office approval, documentation of extending the grant prior to expiration, as well as amendment to the grant agreement extending the completion time of the HPG project(s), should be placed in the HPG file.

HPG GRANT EXPIRATION:

Information covering evaluation, closeout, suspension and termination of the HPG funds is located in 7 CFR 1944.688. It is important that Agency personnel continue to monitor the HPG award recipient files to ensure the funds will be used in order to avoid expiration of the HPG funds.

In instances where the project remains uncompleted and the HPG grant funds have expired (with no request for an extension), no further grant funds will be advanced. In these circumstances, the undisbursed HPG funds must be returned to RD. The HPG funds will be returned to Finance Office using Form RD 451-2, "Schedule of Remittance". Use Miscellaneous Collection Code 17, "Return of unused grant funds." Agency personnel will document the grantee's file to show that the grant has expired as well as information that the grant will not be extended to complete the HPG project(s).

CHECKLISTS:

Attachment A contains a checklist detailing the requirements grantees must maintain in their HPG recipient files.

HOUSING PRESERVATION GRANT RECIPIENT FILE CHECKLIST

Recipient Name: _____ Date: _____

State: _____ County: _____

Grant Amount Request: \$ _____ Fiscal Year: _____

Application Review

_____ Signature of Recipient

_____ Verification of low or very-low income

_____ Verification of homeownership

Environmental Review

_____ Documentation the Environmental Protection Agency pamphlet, "Protect Your Family From Lead in Your Home," should have been provided to Recipient

_____ LBP inspection report, risk assessment, and/or clearance inspection report

_____ Evidence of environmental review of each home per 1944-N, Exhibit C VIII (A)

_____ Evidence that home is not historic/consultation with the SHOP (in accordance with 1944-N, Exhibit F-2)

_____ Completion of FEMA Form 81-93, "Standard Flood Hazard Determination" (only if substantial repairs)

Specification Review

_____ Cost estimate by line item

_____ Accepted contractor's quote

Field Visits by Rural Development

_____ Documentation in file of Field visits to the Recipient's house

Photos

_____ Before _____ After

Final Inspection

_____ Final inspection by disinterested third party certifying that all work has been performed according to plans and specifications