

TO: All State Directors  
Rural Development

ATTENTION: Single Family Housing Program Directors  
Self Help Coordinators

FROM: Richard A. Davis /s/ *Richard A. Davis*  
Acting Administrator  
Rural Housing Service

SUBJECT: Self-Help Technical Assistance Grants  
High Risk Determination

**PURPOSE/INTENDED OUTCOME:**

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

**COMPARISON WITH PREVIOUS AN:**

This AN replaces AN No. 4806 dated June 22, 2016.

**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 to protect the Government's interest and to help Grantee overcome the deficiencies.”

EXPIRATION DATE:  
June 30, 2018

FILING INSTRUCTIONS:  
Preceding RD Instruction 1944-I

## **IMPLEMENTATION RESPONSIBILITIES:**

This policy sets guidelines and standards for making high risk determinations. To assist with administration of the Self-Help program and provide guidance to high risk grantees, the agency has contracted with regional Technical and Management Assistance (T&MA) providers. Single Family Housing Program Directors, Self-Help Coordinators, and RD field staff should be communicating on a regular basis with the T&MA provider in their region to ensure the success of the Self-Help program.

The “high risk” grantee determination can be made 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 defined as any problem that will affect or is affecting the grantee’s ability to meet their grant goals. The grant goals are found in RD Instruction 1944-I, §1944.419(a) as follows:

- (1) Assisting the projected number of families in obtaining adequate housing.
- (2) Meeting 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) Meeting other objectives in the Agreement.

A “high risk” determination is issued in order to address deficiencies early in the grant cycle with the intent of affording additional support to the grantee in achieving success. A high risk determination may be appropriate if the grantee is not making sufficient progress toward their grant goals in relation to the time elapsed and/or funds expended. The agency may request more frequent than quarterly reports to review a grantee’s progress as an initial step prior to issuing a high risk determination. Reasonable consideration should be given to any delays caused by the agency such as lack of funding or longer than anticipated processing times which were beyond the grantee’s control.

### **High Risk Determinations**

If a high risk determination appears appropriate, the RD field staff should document the reason(s) for this action and make a recommendation to the State Director. The State Director will notify the T&MA provider of a possible high risk determination. The T&MA provider will within 30 days of notification provide a high risk assessment, per the requirements of their contract, which will include reasons and 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 entity’s board of directors with a copy to the T&MA contractor so they may provide additional services. 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 and removed from this determination when the grant progress appears to be acceptable. Attachment 2 provides a suggested sample letter notifying the grantee that they have been removed from high risk status. If the grant performance does not improve, State offices should notify the National office 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 grantee 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.

Attachments

{GRANTEE NAME}  
Attn: Executive Director  
{ADDRESS}

RE: 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 & Management Assistance (T&MA) provider, a determination is made by the agency whether the grant is progressing favorably. In the event the grantee does not appear to be performing acceptably, a determination of “high risk” is made which identifies the areas in need of improvement.

Agency officials 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 grantee has been determined 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 families.
  - The program goal to serve very low-income families as a priority with at least 40 percent of the available funds.
  - As of the {DATE} quarterly report, the grantee is serving {PERCENT} very low-income families.
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 EU's 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.

Contact the following offices for assistance with corrective actions:

RD State Office	RD Area Office	T&MA Provider
{ ADDRESS }	{ ADDRESS }	{ ADDRESS }
{ PHONE }	{ PHONE }	{ 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 are required to submit {INSERT FREQUENCY OF REPORTS TO BE REQUIRED} status reports to our office, and we will monitor and assess progress. Progress will be assessed as follows:

- a) If the situation has been corrected or reasonable progress has been made toward correcting the situation, the "high risk" status may be lifted.
- b) 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.
- c) 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 remain a successful Section 523 TA 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}

Sincerely,

{INSERT STATE DIRECTORS NAME}  
State Director

cc: {NATIONAL OFFICE, SPECIAL PROGRAMS BRANCH}  
{T&MA CONTRACTOR}  
{ANY OTHER RD OFFICE AS APPROPRIATE}  
Board of Directors

{GRANTEE NAME}  
Attn: Executive Director  
{ADDRESS}

Subject: Section 523 Technical Assistance Grant  
High Risk Status Determination

Dear Executive Director:

As you know, a technical assistance grantee “high risk” determination was effective {INSERT DATE}. Our agency and Technical and Management Assistance (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 grantee determination is removed effective today.

Thank you for your efforts to improve performance and address the issues of concern. We look forward to working with you in the future, and providing additional opportunities for homeownership. If you have any questions, please contact {NAME} at {INSERT PHONE #}.

Sincerely,

{INSERT STATE DIRECTORS NAME}  
State Director

cc: {NATIONAL OFFICE SPECIAL PROGRAMS BRANCH}  
{T&MA CONTRACTOR}  
{ANY OTHER RD OFFICE AS APPROPRIATE}  
Board of Directors