

January 5, 2007

TO: State Directors
Rural Development

ATTENTION: Housing Program Directors and Staff Involved In The
Section 523 Mutual Self-Help Housing Program

FROM: David J. Villano (*Signed by Cathy Glover*) for
Deputy Administrator
Single Family Housing

SUBJECT: Funding of Section 523 Mutual Self-Help Housing
Grants for Fiscal Year 2007

The purpose of this memorandum is to provide guidance in the processing and funding of Section 523 Mutual Self-Help Housing Grants for Fiscal Year (FY) 2007.

As you are aware, the FY 2007 appropriation bill has not been enacted and we are operating under a Continuing Resolution. Based upon the President's budget request, and action taken by our appropriation committees to date, we anticipate the allocation for Section 523 grants to be approximately \$33.7 million. Based upon results of our survey of funding needs, demand will far exceed available resources. Therefore, in order to effectively manage our limited resources, the following policies and procedures have been implemented for FY 2007:

Existing performing grantees will be limited to a grant in an amount not to exceed 60% of their previous grant. If this amount is less than the grantee anticipated, this will be considered a partial funding of the grant and grantee should be so advised. New grant agreements should also reflect any deviation from a two-year grant cycle.

New grant requests of up to \$250,000 will be considered. These will not be considered partial funding of a larger proposal. Any eligible organization can apply; however, preference will be given to proposals that meet one or more of the following conditions:

EXPIRATION DATE:
September 30, 2007

FILING INSTRUCTIONS:
Housing Programs

- The grantee will serve a state without an active Self-Help housing program;
- The grantee will serve an underserved area, or a county/parish without an active Self-Help housing program;
- The grantee is an organization that is multi-funded;
- The grantee has secured funds that can leverage (reduce the cost) of the Section 523 grant;
- The grantee proposes a realistic and low technical assistance (TA) cost per house;
- The grantee is an existing organization with demonstrated capacity to provide TA to administer a housing program.

Three funding rounds will be held: March 1, June 1, and September 1, with funding of up to \$600,000 to be made available per round. Applications must be submitted to the National Office on or before the above dates to be considered. Applications submitted but not selected for funding will be carried over to the next round for consideration. Unfunded applications will be returned to the States Offices after the final awards are made in September.

Predevelopment grants: Any eligible organization can apply; however, preference will be given to proposals that meet one or more of the following conditions:

- The grantee will serve a state without an active Self-Help housing program;
- The grantee will serve an area with a Presidential emergency declaration that is without an active Self-Help housing program;
- The grantee is an organization that is multi-funded;
- The grantee has secured funds that can leverage (reduce the cost) of the Section 523 grant;
- The grantee proposes a realistic and low TA cost per house;
- The grantee is an existing organization with demonstrated capacity to provide TA to administer a housing program.

Up to \$40,000 will be made available per round (March 1, June 1 and September 1). Predevelopment applications will be handled in the same manner as above.

Subsequent grant requests will not be considered except in rare cases beyond the reasonable control of the grantee. Therefore, it is imperative that budgets and proposals reflect reduced grant amounts or time frames, be well developed and realistic.

States should continue to work with their regional Technical and Management Assistance Contractor and all applications should be carefully reviewed before submission for funding. If you have any questions, please contact Carolyn Bell of the Single Family Housing Direct Loan Division at (202) 720-1532.