TO: State Directors
Rural Development

FROM: Tammye H. Treviño
Administrator
Housing and Community Facilities Programs

(Signed by Tammye H. Treviño)

SUBJECT: Clarification of Issues within the Housing Preservation Grant Program

Purpose/Intended Outcome:
The purpose of this Administrative Notice (AN) is to provide clarification on servicing issues within the Housing Preservation Grant (HPG) program.

Comparison With Previous AN:
This AN replaces the RD AN No. 4329 (1944-N) dated January 25, 2008, which expired on February 28, 2009.

Implementation Responsibilities:
State Directors will designate a staff person to be responsible for the training and day-to-day operation of the HPG program. Rural Development personnel should be trained and knowledgeable of RD Instruction 1944-N, particularly Section 1944.661, “Individual Homeowners Eligibility for HPG Assistance;” Section 1944.663, “Ownership Agreement between HPG Grantee and Rental Property Owner or Co-op,” and Section 1944.659, “Replacement Housing,” and Exhibit C to 1944-N.

RECIPIENT FILES:
The regulations at 7 CFR section §1944.661 and 1944.662 sets forth the eligibility requirements for individual homeowners. Section 1944.671 (b) lists the items that the HPG program grantees are to maintain in a filing system for the HPG program. The HPG filing materials will include, but are not limited to: a) in order to show homeowner eligibility, 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) the

EXPIRATION DATE: June 30, 2012
FILING INSTRUCTIONS: Preceding RD Instruction 1944-N
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.”.

**FLOOD INSURANCE INFORMATION:**

All HPG program recipients must include the completed FEMA Form 81-93, “Standard Flood Hazard Determination,” in each file for properties being repaired. 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.

**COMPLIANCE WITH CIVIL RIGHTS LAWS:**

Section 1944.671 states that 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 above mentioned applicable Federal, State and local laws. The Fair Housing Act prohibits discrimination by recipients of Federal financial assistance. In order to comply, recipients are required to adhere to Fair Housing laws by participating in 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 slogan, “This is an Equal Opportunity Program. Discrimination is prohibited by Federal Law,” in methods that may include, but not be limited to, advertisements, public broadcasts, printed materials, such as, brochures and pamphlets, and application forms for Fair Housing. These are required under 7 CFR section 1944.671 (b).

**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. For further guidance refer to RD AN No. 4537 (1924-A), on LBP dated July 26, 2010.

Rural Development adopted subparts of the HUD LBP Rule which must be followed for any housing rehabilitation or renovation project. Exemptions to this requirement are detailed in 24 CFR section 35.115. Recipient files must contain applicable LBP documents including initial inspection reports, risk assessments, and/or clearance inspections reports.

**CHECKLISTS:**

Attachment A contains a checklist detailing the requirements HPG applicants must provide with their HPG preapplications. Attachment B contains a checklist detailing the requirements grantees must maintain in their HPG files. Attachment C contains a checklist detailing the requirements grantees must maintain in their HPG recipient files.
**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 and loans. In accordance with 7 CFR 1944.670(b), “Project Income,” the loan funds that are repaid are encouraged for a continued recycling into the HPG repair and rehabilitation activities. To continue the HPG repair and rehabilitation activities, a separate trust account may 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 are located in 7 CFR 1944.684 “Extending grant agreement and modifying the statement of activities.” 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, refer to the Office of Management and Budget (OMB) Circular A-110, 7 CFR part 3019, Uniform Administrative Requirements For Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, Subpart C – Post Award Requirements, 7 CFR 3019.25, (e) (2), “Revision of Budget and Program Plans.” In accordance with 3019.25(e) (2), it states, “Initiate a one-time extension of the expiration date of the award of up to 12 months unless one or more of the following conditions apply. For one-time extensions, the recipient must notify the Federal awarding agency in writing with the supporting reasons and revised expiration date at least 10 days before the expiration date specified in the award. This one-time extension may not be exercised merely for the purpose of using unobligated balances.” Upon the State Office personnel approval and documentation of extending the grant prior to expiration, as well as, amendment of the grant agreement that will extend the completion time of the HPG project(s), this information is to be placed in the HPG file.

**HPG GRANT EXPIRATION:**

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

In instances whereby the project remains uncompleted and the HPG grant funds have expired, no further grant funds will be advanced as the HPG will be unable to receive an extension. The HPG funds must be returned. The HPG funds will be returned with a Form RD 451-2, Schedule of Remittance. Use a Miscellaneous Collection Code 17, Return of unused grant funds. If the Forms Manual Insert is needed, it can be found at: [http://www.rurdev.usda.gov/regs/fmi/fm0451-02.PDF](http://www.rurdev.usda.gov/regs/fmi/fm0451-02.PDF). Upon the State Office personnel documentation of the expired grant, as well as, information that the grant will not be extended to complete the HPG project(s), this information is to be placed in the HPG file.
SF 425 REPLACES SF 269 AND SF 272:
Effective October 1, 2009, the Office of Management and Budget (OMB) created the Standard Form (SF) 425, “Financial Report Form” (and SF 425A, “Federal Financial Report Attachment”) to take the place of the SF 269, “Financial Status Report” and SF 269A, “Financial Status Report (Short Form)” (plus SF 272, “Federal Cash Transactions Report” and SF 272A, “Federal Cash Transactions Report (Continuation)”). In addition, OMB also created the Performance Progress Report (SF PPR), to standardize the grant progress reporting requirements government wide. Based on information pertaining to the form, a grantee is required to submit the SF 425, until the last advance of funds is made. The SF PPR, “Performance Progress Report,” must be used to report the progress of projects if the grant is $100,000 or more.

Please review this material carefully as it is essential that State Directors ensure that the subject training is provided to all appropriate staff by September 30, 2011. If there are any questions, you may contact Bonnie Edwards-Jackson, Multi-Family Housing Preservation and Direct Loan Division, (202) 690-0759.

Attachment
Housing Preservation Grant
Preapplication Checklist

Name of Reviewer: _______________________________ Date: __________
State: ___________________ Area Office: ___________ Grant Amount: __________
Grantee Name: ___________________________ Project Name: __________
Project Address: _________________________________________________
Fiscal Year: ___ Application Received Date:______ Application Completed Date: _____

Applicant Eligibility

☐ 1 A state, commonwealth, trust territory, other political subdivision, or public nonprofit corporation authorized to receive and administer HPG funds;

☐ 2 An American Indian tribe, band, group, nation, including Alaskan Indians, Aleuts, Eskimos, any Alaskan Native Village, and Federally Recognized Indian Tribes, of the United States, which is considered an eligible recipient under the Indian Self-Determination and Education Assistance Act (Public Law (Pub. L.) 93-638) or under the State and Local Fiscal Assistance Act of 1972 (Pub. L.92-512);

☐ 3 (i) A private nonprofit corporation that is owned and controlled by private persons or interests for purposes other than making gains or profits for the corporation, is legally precluded from distributing any gains or profits to its members, and is authorized to undertake housing development activities; or

☐ 3(ii) A faith based and community organization created as a nonprofit corporation that meets the definition of organization under 7 CFR section 1944.656;

☐ 3(iii) A faith based and community organization, whether or not it is chartered as a non-profit organization, may form a consortium with units of government or other private nonprofit organizations, including other faith-based organizations, to participate in the Housing Preservation Grant Program pursuant to the Organization definition paragraphs of 7 CFR section 1944.656 (see paragraphs 4(i) and (ii) below);

☐ 4 A consortium of units of government and/or private nonprofit organizations which is otherwise eligible to receive and administer HPG funds and which meets the following conditions:

☐ 4(i) Be comprised of units of government and/or private nonprofit corporations that are close together, located in the same state, and serve areas eligible for RHS housing assistance; and

☐ 4(ii) Have executed an agreement among its members designating one participating unit of government or private nonprofit corporation as the applicant or designating a legal entity (such as a Council of Governments) to be the applicant.
Housing Preservation Grant
Preapplication Checklist

☐ Application for Federal Assistance; Standard Form 424 (if paper application)
☐ Statement of Activities
☐ Statement on Experience and Capacity
☐ Evidence of Legal Existence
☐ Financial Statements
☐ Budget
☐ Narrative on Area to be Served
☐ RD Form 1940-20, “Request for Environmental Information” and attachment
☐ Intergovernmental Review correspondence
☐ Evidence of 15-day publishing requirement
☐ Form 400-1, Equal Opportunity Agreement
☐ Form 400-4, Assurance Agreement

The following are forms that must be submitted prior to closing:

☐ Form AD-1047, Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions
☐ Form AD-1048, Certification Regarding Debarment, Suspension, and Ineligibility and Voluntary Exclusion-Lower Tier Covered Transactions
☐ Evidence Agency verification for debarment with use of Excluded Parties List System
☐ Form AD-1049, Certification Regarding Drug-free Workplace Requirements (Grants) Alternative I-Grants Other Individuals

☐ The applicant must demonstrate compliance with other Federal Statutes and Regulations such as:
   Equal Employment Opportunity (see 7 CFR section 1944.671 for requirements)
   Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (see 7 CFR section 1944.667 for requirements)
   Restrictions on Lobbying (see 7 CFR section 1944.657 for guidance.
Housing Preservation Grantee File Checklist

Grantee Name: _______________________________ Date: ___________
Project Name and Address: _________________________________________
State: ___________ Grant Amount: ____________ Fiscal Year: ____________

☐ Civil Rights Compliance Review:

_____ Pre-grant  _____ Post-grant
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 inspections report
   ____ Evidence of environmental review of each home per 1944-N, Exhibit C VIII (A)
   ____ Evidence that the home is not historic / consultation with the SHPO (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.