

PART 1944 - HOUSING

Subpart N - Housing Preservation Grants

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EXHIBITS

- Exhibit A Housing Preservation Grant Agreement.
- Exhibit B Amendment to Housing Preservation Grant Agreement.
- Exhibit C Administrative Instructions for Rural Development Field Offices
Regarding Their Responsibilities in the Administration of
the Housing Preservation Grant (HPG) Program.
- Exhibit D Project Selection Criteria - Outline Rating.
- Exhibit E-1 Quarterly (and Final) Performance Report.
- Exhibit E-2 Quarterly (and Final) Performance Report
[example and explanation].
- Exhibit F-1 Guide for Completing Form RD 1940-20, "Request for
Environmental Information" for a Preapplication for Housing
Preservation Grant (HPG).
- Exhibit F-2 Guide: Grantee's Process for Identifying Properties
Requiring RD Environmental Assessments
- Exhibit G Housing Preservation Grant Program
State Office Listing of Preapplications
- Exhibit H Housing Preservation Grant (HPG) Program: Guidelines to HPG
Grantees on the use of Recipient Application Forms and
Appeal Rights

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PART 1944 - HOUSING

Subpart N - Housing Preservation Grants

§ 1944.651 General.

(a) This subpart sets forth the policies and procedures for making grants under Section 533 of the Housing Act of 1949, 42 U.S.C. 1490(m), to provide funds to eligible applicants (hereafter also referred to as grantee(s)) to conduct housing preservation programs benefiting very low- and low-income rural residents. Program funds cover part or all of the grantee's cost of providing loans, grants, interest reduction payments or other assistance to eligible homeowners, owners of single or multiple unit rental properties or for the benefit of owners (as occupants) of consumer cooperative housing projects (hereafter also referred to as co-ops). Such assistance will be used to reduce the cost of repair and rehabilitation, to remove or correct health or safety hazards, to comply with applicable development standards or codes, or to make needed repairs to improve the general living conditions of the residents, including improved accessibility by persons with a disability. Individual housing that is owner occupied may qualify for replacement housing when it is determined by the grantee that the housing is not economically feasible for repair or rehabilitation. (Revised 06-12-97, SPECIAL PN.)

(b) The Rural Housing Service (RHS) will provide Housing Preservation Grant (HPG) assistance to grantees who are responsible for providing assistance to eligible persons without discrimination because of race, color, religion, sex, national origin, age, familial status, or disability. (Revised 06-12-97, SPECIAL PN.)

(c) The preapplication must only address a proposal to finance repairs and rehabilitation activities to individual housing or rental properties or co-ops. Any combination proposal will not be accepted.

(d) Any processing or servicing activity conducted pursuant to this subpart involving authorized assistance to RHS employees, members of their families, known close relatives, or business or close personal associates, is subject to the provisions of Subpart D of Part 1900 of this chapter. Applicants for this assistance are required to identify any known relationship or association with an RHS employee.

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Loan and Grant Making
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§ 1944.652 Policy. (Revised 06-12-97, SPECIAL PN.)

(a) The policy of RHS is to provide HPG's to grantees to operate a program which finances repair and rehabilitation activities to individual housing, rental properties, or co-ops for very low- and low-income persons. Individual housing that is owner occupied may qualify for replacement housing when it is determined by the grantee that the housing is not economically feasible for repair or rehabilitation. Grantees are expected to:

(1) Coordinate and leverage funding for repair and rehabilitation activities, as well as replacement, with housing and community development organizations or activities operating in the same geographic area; and

(2) Focus the program on rural areas and smaller communities so that it serves very low- and low-income persons.

(b) RHS intends to permit grantees considerable latitude in program design and administration. The forms or types of assistance must provide the greatest long term benefit to the greatest number of persons residing in individual housing, rental properties, or co-ops needing repair and rehabilitation or replacement of individual housing.

(c) Repairs and rehabilitation or replacement activities affecting properties on or eligible for listing on the National Register of Historic Places will be accomplished in a manner that supports national historic preservation objectives as specified in § 1944.673 of this subpart.

§ 1944.653 Objective.

The objective of the HPG program is to repair or rehabilitate individual housing, rental properties, or co-ops owned and/or occupied by very low- and low-income rural persons. Grantees will provide eligible homeowners, owners of rental properties, and owners of co-ops with financial assistance through loans, grants, interest reduction payments or other comparable financial assistance for necessary repairs and rehabilitation. Further, individual housing that is owner occupied may qualify for replacement housing when it is determined by the grantee that the housing is not economically feasible for repair or rehabilitation, except as specified in § 1944.659 of this subpart. (Revised 06-12-97, SPECIAL PN.)

§ 1944.654 Debarment and suspension -- drug-free workplace.

(a) For purposes of this subpart, Exhibit A of RD Instruction 1940-M requires all RHS applicants for an HPG to sign and submit with their preapplication, Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions," which basically states that the applicant has not been debarred or suspended from Government assistance. Further, all grantees after receiving a HPG must obtain a signed certification (Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions") from all persons or entities (excluding homeowner recipients) that the grantee does business with as a result of the HPG. Grantees are responsible for informing these persons or entities of the provisions of Exhibit A of RD Instruction 1940-M and of maintaining Form AD-1048 in the grantee's office.

(b) Grantees must also be made aware of the Drug-free Workplace Act of 1988 requirements found in Exhibit A of RD Instruction 1940-M. For this subpart, a grantee is defined as any organization who applies for or receives a direct grant from RHS. All preapplications must include a signed Form AD-1049, "Certification Regarding Drug-free Workplace Requirements (Grants) Alternative I - Grantees Other Than Individuals."

§ 1944.655 [Reserved] (Revised 06-12-97, SPECIAL PN.)

§ 1944.656 Definitions.

References in this subpart to District, State, National and Finance Offices, and to District Director, State Director, and Administrator refer to Rural Development offices and officials and should be read as prefaced by Rural Development. Terms used in this subpart have the following meanings:

Adjusted income. As defined in 7 CFR 3550.54 (c). (Added 06-12-97, SPECIAL PN.)

Applicant or grantee. Any eligible organization which applies for or receives HPG funds under a grant agreement.

Cooperative (co-op). For the purposes of the HPG program, a cooperative (co-op) is one which:

- (1) Is a corporation organized as a consumer cooperative;
- (2) Will operate the housing on a nonprofit basis solely for the benefit of the occupants; and
- (3) Is legally precluded from distributing, for a minimum period of 5 years from the date of HPG assistance from the grantee, any gains or profits from operation of the co-op. For this purpose, any patronage refunds to occupants of the co-op would not be considered gains or profits. A co-op may accept non-members as well as members for occupancy in the project.

Grant agreement. The contract between RHS and the grantee which sets forth the terms and conditions under which HPG funds will be made available. (See Exhibit A of this subpart.)

Homeowner. For the purposes of the HPG program, a homeowner is one who can meet the conditions of income and ownership under § 1944.661 of this subpart.

Household. For the purposes of the HPG program, a household is defined as all persons living all or part of the next 12 months in a unit or dwelling assisted with HPG funds.

Housing preservation. The repair and rehabilitation activities that contribute to the health, safety, and well-being of the occupant, and contribute to the structural integrity or long-term preservation of the unit. As a result of these activities, the overall condition of the unit or dwelling must be raised to meet RHS Thermal Standards for existing structures and applicable development standards for existing housing recognized by RHS in subpart A of part 1924 or standards contained in any of the voluntary national model codes acceptable upon review by RHS. Properties included on or eligible for inclusion on the National Register of Historic Places are subject to the standards and conditions of § 1944.673 of this subpart. The term "housing preservation" does not apply to replacement housing. (Revised 06-12-97, SPECIAL PN.)

HPG. HPG means Housing Preservation Grant (see section 1944.652). (Added 06-12-97, SPECIAL PN.)

§ 1944.656 (Con.)

Low-income. An adjusted annual income that does not exceed the "lower" income limit according to size of household as established by the United States Department of Housing and Urban Development (HUD) for the county or Metropolitan Statistical Area (MSA) where the property is located. Maximum low-income limits are set forth in Appendix 9 of HB-1-3550 (available in any Rural Development Office). (Revised 01-23-03, SPECIAL PN)

Organization. An organization is defined as one of the following:

- (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 and any Alaskan Native Village, 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) 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
- (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:
 - (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
 - (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.

Overcrowding. The following guidelines are designed to assist grantees in implementing occupancy standards. Paragraph VI D 2 of Exhibit B of subpart C of part 1930 gives further guidance. These guidelines should result in an ideal range of persons per housing unit. (Revised 06-12-97, SPECIAL PN.)

<u>Number of Bedrooms</u>	<u>Ideal Number of Persons</u>
0	2
1	2
2	4
3	6
4	8
5	10

Rental properties. Rental properties are defined as single-unit or multi-unit dwellings used for occupancy by tenants, owners, or members of an owner's immediate family.

Replacement housing. The replacement of existing, individual owner occupied housing where repair and rehabilitation assistance is not economically feasible or practical. The term replacement housing does not apply to housing preservation. The overall condition of the unit or dwelling must meet RHS Thermal Standards for new or existing structures and applicable development standards for new or existing housing recognized by RHS in subpart A of part 1924 or standards contained in any of the voluntary national model codes acceptable upon review by RHS. Properties included on or eligible for inclusion on the National Register of Historic Places are subject to the standards and conditions of § 1944.673 of this subpart prior to replacement. (Added 06-12-97, SPECIAL PN.)

RHS. RHS means the Rural Housing Service, or a successor agency.

Rural area. The definition in 7 CFR part 3550 applies.

Tenant. Any person who resides in a single- or multi-unit rental property.

Very low-income. An adjusted annual income that does not exceed the very low-income limit according to size of household as established by HUD for the county or MSA where the property is located. Maximum very low-income limits are set forth in 7 CFR part 3550.

§ 1944.657 Restrictions on lobbying.

All applicants must comply with RD Instruction 1940-Q which prohibits applicants of Federal grants from using appropriated funds for lobbying the Federal Government in connection with a specific grant.

§ 1944.658 Applicant eligibility.

(a) To be eligible to receive a grant, the applicant must:

- (1) Be an organization as defined in § 1944.656 of this subpart;

§ 1944.658(a) (Con.)

(2) Have the necessary background and experience on the part of its staff or governing body with proven ability to perform responsibly in the field of low-income rural housing development, repair and rehabilitation or have other business management or administrative experience which indicates an ability to operate a program providing repair and rehabilitation financial assistance as well as for replacement housing; (Revised 06-12-97, SPECIAL PN.)

(3) Legally obligate itself to administer HPG funds, provide an adequate accounting of the expenditure of such funds in compliance with the terms of this regulation, the grant agreement, and 7 CFR parts 3015 or 3016, as appropriate, and comply with the grant agreement and RHS regulations; and

(4) If the applicant is engaged in or plans to become engaged in any other activities, provide sufficient evidence and documentation that they have adequate resources, including financial resources, to carry on any other programs or activities to which they are committed without jeopardizing the success and effectiveness of the HPG project.

(b) An applicant will not be considered eligible if it is a nonprofit entity and its proposal is based solely on an identity of interest, as defined in § 1924.4 (i) of subpart A of part 1924, between the applicant and the owner(s) of the proposed dwelling or co-op to be rehabilitated or repaired.

§ 1944.659 Replacement housing. (Added 06-12-97, SPECIAL PN.)

Replacement housing applies only to existing, individual owner occupied housing. Replacement housing does not apply to rental properties (single-unit or multiple-unit) or to cooperative housing projects. The grantee is responsible for determining the extent of the repairs and rehabilitation prior to any assistance given to an individual homeowner. If the cost of such repairs and rehabilitation is not economically feasible or practical, then the grantee may consider replacing the existing housing with replacement housing, subject to the following:

(a) The HPG grantee:

(1) Shall document the total costs for all repairs and rehabilitation on the existing housing; and

RD Instruction 1944-N
§ 1944.659(a) (Con.)

- (2) Shall document the basis for the determination that the costs for all repairs and rehabilitation for the existing housing are not economically feasible or practical.
- (b) The individual homeowner:
- (1) Must meet all requirements of § 1944.661;
 - (2) Must lack the income and repayment ability to replace their existing home without the assistance of the HPG grantee;
 - (3) Must have been determined by the HPG grantee and RHS to be unable to afford a loan under Section 502 for replacement housing; and
 - (4) Must be able to afford the replacement housing on terms set forth by the HPG grantee.
- (c) The existing home:
- (1) Must be demolished as part of the process of providing replacement housing. It will be determined by the grantee and individual homeowner when is the best time for demolition; and
 - (2) May not be sold to make way for the replacement housing.
- (d) The replacement housing:
- (1) May be either new housing or a dwelling brought onto the site of the existing housing;
 - (2) May use no more than \$15,000 in HPG funds;
 - (3) Must meet all applicable requirements of 7 CFR 3550.57 (c); and
 - (4) May not be sold within 5 years of completion of the project.
- (e) Any moneys received by the homeowner from selling salvaged material after demolishing the existing home must be used towards the replacement housing.

§ 1944.660 Authorized representative of the HPG applicant and RHS point of contact.

- (a) RHS will deal only with authorized representatives designated by the HPG applicant.

§ 1944.660 (Con.)

(b) The State Director will designate either the State Office and/or the District Office as the processing office and/or the servicing office for the HPG program. The State Director's selection may be based on staffing, total program size, number of preapplications anticipated, type of applicants, or similar criteria. The State Director must publish this designation each year at the time the Federal Register is published informing the public of the open period for acceptance of preapplications as outlined in § 1944.678 of this subpart.

§ 1944.661 Individual homeowners - eligibility for HPG assistance.

The individual homeowners assisted must have income that meets the very low- or low-income definitions, be the owner of an individual dwelling at least 1 year prior to the time of assistance, and be the intended occupant of the dwelling subsequent to the time of assistance. The dwelling must be located in a rural area and be in need of housing preservation assistance. Each homeowner is required to submit evidence of income and ownership for retention in the grantee's files.

(a) Income. Determination of income will be made in accordance with 7 CFR 3550.54 (c). All members of the household, as defined in § 1944.656 of this subpart, must be included when determining income. Grantees must use certifications, may require additional information from the homeowner, and should seek advice from their attorney.
(Revised 06-12-97, SPECIAL PN.)

(b) Ownership. Evidence of ownership may be a photostatic copy of the instrument evidencing ownership. Methods for assuring the intention of the homeowner to continue to occupy the dwelling after assistance will be established by the grantee. Any of the following will satisfy or fulfill this requirement of ownership:

(1) Full marketable title.

(2) An undivided or divided interest in the property to be repaired, rehabilitated or replaced when not all of the owners are occupying the property. HPG assistance may be made in such cases when: (Revised 06-12-97, SPECIAL PN.)

(i) The occupant has been living in the house for at least 1 year prior to the date of requesting assistance;

(ii) The grantee has no reason to believe the occupant's position of owner occupant will be jeopardized as a result of the improvements to be made with HPG funds; and

(iii) In the case of a loan, and to the extent possible, the co-owner(s) should also sign the security instrument.

(3) A leasehold interest in the property to be repaired, rehabilitated or replaced. When the potential HPG recipient's "ownership" interest in the property is based on a leasehold interest, the lease must be in writing and a copy must be included in the grantee's file. The unexpired portion of the lease must not be less than 5 years and must permit the recipient to make modifications to the structure without increasing the recipient's lease cost. (Revised 06-12-97, SPECIAL PN.)

(4) A life estate, with the right of present possession, control, and beneficial use of the property.

(5) Land assignments may be accepted as evidence of ownership only for American Indians living on a reservation, when historically the permits have been used by the tribe and have had the comparable effect of a life estate.

(c) Other evidence of ownership. The following items may be accepted as evidence of ownership if a recorded deed cannot be provided:

(1) Any legal instrument, whether or not recorded, which is commonly considered evidence of ownership.

(2) Evidence that the person(s) receiving assistance from the HPG grantee is listed as the owner of the property by the local taxing authority and is responsible for any real estate taxes.

(3) Affidavits by others in the community that the person(s) receiving assistance from the HPG grantee has occupied the property as the apparent owner for a period of not less than 10 years, and is generally believed to be the owner.

§ 1944.662 Eligibility of HPG assistance on rental properties or co-ops.

(a) Ownership. The owner(s) of rental properties or co-ops must own the dwelling at the time of receiving assistance from the HPG grantee. The dwelling must be located in a rural area and be in need of housing preservation assistance. Evidence of ownership may be a photostatic copy of the instrument evidencing ownership. Owners of rental properties and co-ops are required to submit evidence of ownership for retention in the grantee's files. Any of the following will satisfy or fulfill this requirement of ownership:

§ 1944.662(a) (Con.)

- (1) Full marketable title.
- (2) An undivided or divided interest in the property to be repaired or rehabilitated.
- (3) A leasehold interest in the property to be repaired or rehabilitated. Ownership interest in the property is based on a leasehold interest. The lease must be in writing and a copy must be included in the grantee's file. The unexpired portion of the lease must not be less than 5 years and must permit the recipient to make modifications to the structure without increasing the recipient's lease cost.
- (4) Land assignments may be accepted as evidence of ownership only for American Indians living on a reservation, when historically the permits have been used by the tribe and have had the comparable effect of a life estate.

(b) Tenant eligibility. The following requirements must be met in order for a unit within a rental property or co-op to be assisted with HPG funds:

- (1) The tenant must have income that meets the very low- or low-income definition.
- (2) The tenant must be the intended occupant of the unit, but is not required to have resided previously in the dwelling.
- (3) Any owner(s) who receives assistance from an HPG grantee or a member of the immediate family of the owner(s), who also resides in a unit within the dwelling to be repaired or rehabilitated is eligible to have their unit repaired or rehabilitated, if they are income eligible and meet all other requirements.

(c) Identity of interest. When an identity of interest, as defined in § 1924.4 (i) of subpart A of part 1924, exists between a nonprofit entity and the owner(s) of a dwelling, the property is not eligible for assistance.

§1944.663 Ownership agreement between HPG grantee and rental property owner or co-op.

HPG assistance may be provided by a grantee with respect to rental properties or co-ops only if the following conditions are met by the rental property owner(s) or by the co-op during a minimum 5 year restrictive period beginning on the date agreed upon in the agreement between the grantee and the rental property owner (or co-op). The HPG grantee is responsible for preparing, executing, and monitoring for compliance, the ownership agreement with the owner(s) of the rental property or the co-op. The rental property owner(s) or the co-ops are required to enter into an ownership agreement with the grantee to assure compliance with the requirements of this section.

(a) Ownership agreement. At a minimum, the ownership agreement must include the following clauses:

(1) The owner(s) agrees to make the units repaired or rehabilitated available for occupancy to very low- or low-income persons for a period of not less than 5 years, such restrictive period beginning on the date agreed upon in the agreement between the grantee and the rental property owner(s) or co-op.

(2) The owner(s) agrees to pass on to the tenants any reduction in the debt service payments resulting from the HPG assistance provided by the HPG grantee to the owner(s).

(3) The owner(s) of rental properties agrees not to convert the units to condominium ownership. In the case of co-ops, the owner(s) agrees not to convert the dwelling(s) to condominium ownership or any form of cooperative ownership not eligible under this section. This paragraph is subject to the restrictive period noted in paragraph (a)(1) of this section.

(4) The owner(s) agrees not to refuse to rent a unit to any person solely because the person is receiving or is eligible to receive assistance under any Federal, State, or local housing assistance program.

(5) The owner(s) agrees that the units repaired or rehabilitated will be occupied or available for occupancy by persons of very low- or low-income.

(6) The owner(s) agrees to enter into and abide by written leases with the tenants and that such leases shall provide that the tenants may be evicted only for good cause.

(7) The owner(s) agrees that, in the event the owner(s) or the owner's successors in interest fail to carry out the requirements of this section during the applicable period, they shall make a payment to Rural Development in an amount that equals the total amount of assistance provided by the grantee plus interest thereon (without compounding) for each year and any fraction thereof that the assistance was outstanding. The interest rate shall be that as determined by Rural Development at the time of infraction taking into account the average yield on outstanding marketable long-term obligations of the United States during the month preceding the date on which the assistance was initially made available.

(8) The owner(s) agrees that, notwithstanding any other provisions of law, the HPG assistance provided to the owner(s) shall constitute a debt which is payable in the case of any failure of this section and shall be secured by a security instrument provided by the owner(s) or co-op to the grantee, that provides for Rural Development to take such action upon incapacity or dissolution of the grantee.

(9) The owner(s) agrees and certifies that the assistance is being made available in conformity with Pub. L. 88-352, the "Civil Rights Act of 1964," and Pub. L. 90-284, the "Civil Rights Act of 1968."

(b) Responsibilities of the grantee. The grantee is responsible for insuring through verification and monitoring that the areas listed below are in compliance:

(1) That HPG funds used for loans, grants, or interest reduction payments providing repair or rehabilitation assistance to owners of rental properties or co-ops are not in excess of 75 percent of the total cost of all repairs and rehabilitation activities eligible for HPG assistance.

(2) That the owner(s) is not repairing and/or rehabilitating any unit unless it meets the requirements of §1944.662 (b)(3) of this subpart.

§ 1944.663(b) (Con.)

(3) That rental property units being repaired and/or rehabilitated and occupied by owners or members of the owner's immediate family meet all other requirements of this subpart.

(4) That, for multi-units not considered eligible as a result of paragraph (b)(2) or (b)(3) of this section, the grantee and owner(s) shall agree on a method, if any is needed, of determining the prorata share of repairs and rehabilitation activities to the dwelling, based on a percentage of the ineligible units to the total dwelling.

§ 1944.664 Housing preservation and replacement housing assistance.

(Revised 06-12-97, SPECIAL PN.)

(a) Grantees are responsible for providing loans, grants, or other comparable assistance to homeowners, owners of rental properties, or co-ops for housing preservation or for replacement housing as described in § 1944.656 of this subpart.

(b) HPG funds used for loans, grants, or interest reduction payments to provide rental repair and/or rehabilitation assistance to owners of rental properties or co-ops shall not exceed the requirement noted in § 1944.663 (b)(1) of this subpart.

(c) Authorized housing preservation assistance includes, but is not limited to, cost of labor and materials for:

(1) Installation and/or repair of sanitary water and waste disposal systems, together with related plumbing and fixtures, which will meet local health department requirements;

(2) Energy conservation measures such as:

(i) Insulation; and

(ii) Combination screen-storm windows and doors;

(3) Repair or replacement of the heating system including the installation of alternative systems such as woodburning stoves or space heaters, when appropriate and if local codes permit;

(4) Electrical wiring;

(5) Repair of, or provision for, structural supports and foundations;

- (6) Repair or replacement of the roof;
 - (7) Replacement of severely deteriorated siding, porches or stoops;
 - (8) Alterations of the unit's interior or exterior to provide greater accessibility for any handicapped person;
 - (9) For properties listed on or eligible for the National Register of Historic Places, activities associated with conforming repair and rehabilitation activities to the standards and/or design comments resulting from the consultation process contained in §1944.673 of this subpart;
 - (10) Necessary repairs to manufactured housing provided:
 - (i) For homeowners only, the recipient owns the home and the site on which the home is situated and the homeowner has occupied that home on that site for at least 1 year prior to receiving HPG assistance; and
 - (ii) For homeowners, owners of single- or multiple- unit rental properties, and co-ops, the manufactured housing is on a permanent foundation or will be put on a permanent foundation with HPG funds. Advice on the requirements for a permanent foundation is available from RHS. Guidance may be found in § 1944.223 (e) of subpart E of this part and in exhibit J of subpart A of part 1924;
 - (11) Additions to any dwelling (conventional or manufactured) only when it is clearly necessary to alleviate overcrowding or to remove health hazards to the occupants; or
 - (12) Relocation costs either permanent or temporary for assistance to rental properties or co-ops, as noted in §1944.667 of this subpart.
- (d) Authorized replacement housing assistance includes, but is not limited to:
- (1) Building a dwelling and providing related facilities for use by the individual homeowner as a permanent resident;
 - (2) Providing a safe and sanitary water and waste disposal system, together with related plumbing and fixtures, which will meet local health department requirements;

§ 1944.664(d) (Con.)

- (3) Providing minimum site preparation and other on-site improvement including grading, foundation plantings, minimal landscaping, and other on-site improvements required by local jurisdictions;
- (4) Providing special design features or equipment when necessary because of physical handicap or disability of the HPG recipient or member of the household;
- (5) Purchasing and installing approved energy saving measures and approved furnaces and space heaters which use a type of fuel that is commonly used, and is economical and dependably available;
- (6) Providing storm cellars and similar protective structures, if typical for the area;
- (7) Paying real estate taxes which are due and payable on the existing dwelling or site at the time of closing, if this amount is not a substantial part of the HPG assistance;
- (8) Providing living area for the HPG recipient and all members of the household as specified in 7 CFR 3550.54 (c); and
- (9) Moving a dwelling onto the site of the demolished, previously existing housing and meeting all HPG housing preservation requirements for repair and rehabilitation;
- (10) Providing funds for demolishing the existing housing; and
- (11) Any other cost that is reasonable and justifiable directly related to replacement activities.

(e) HPG funds may be used for payment of incidental expenses directly related to accomplishing authorized activities such as fees for connection of utilities (water, sewer, gas, electric), credit reports, surveys, title clearance, loan closing, inspections, and architectural or other technical services. All fees will be in accordance with local prevailing rates and so documented.

(f) HPG funds may be used where they do not contribute to the health, safety and well being of the occupant or do not materially contribute to the structural integrity or long-term preservation of the unit. The percentage of the funds to be used for such purposes must not exceed 20 percent of the total funding for the unit(s) and/or dwelling, and such

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work must be combined with improvements listed as eligible under paragraph (c) of this section. These improvements may include, but are not limited to the following:

- (1) Painting;
- (2) Paneling;
- (3) Floor covering, including carpeting;
- (4) Improving clothes closets or shelving;
- (5) Improving kitchen cabinets;
- (6) Air conditioning; or
- (7) Landscape plantings.

(g) Under the following conditions, HPG funds may be used to reimburse the grantee for authorized housing preservation or replacement housing activities performed by employees of the grantee where the grantee acts as a construction contractor and furnishes construction services:

- (1) The grantee must demonstrate that such work performed by the grantee results in cost savings in terms of time and labor over cost for such work prevailing in the area;
- (2) The grantee has established a process for third party review of all performance by a local government, building inspector or other independent party;
- (3) The grantee has established or makes available a process that provides for consumer protection to the individual homeowner, owner of a rental property, or co-op assisted; and
- (4) The grantee's accounting system provides a clear delineation between administrative costs and construction contractor (non-administrative) costs.

(h) HPG funds may not be used to:

- (1) Assist in the construction or completion of an addition (excluding paragraph (c)(11) of this section) or a new dwelling. This paragraph does not apply to replacement housing.
- (2) Refinance any debt or obligation of the grantee, the individual homeowner, owners of a rental property, or co-ops other than

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obligations incurred for eligible items covered by this section entered into after the date of agreement with the HPG grantee.

(3) Repair or rehabilitate as well as replace any property located in the Coastal Barrier Resources System.

§ 1944.665 Supervision and inspection of work. (Revised 06-12-97, SPECIAL PN.)

Grantees are responsible for supervising all rehabilitation and repair work, as well as replacement housing financed with HPG assistance. After all HPG work has been completed, a final inspection must be done by a disinterested third party, such as local building and code enforcement officials. If there are no such officials serving the area where HPG activities will be undertaken, or if the grantee would also normally make such inspections, the grantee must use qualified contract or fee inspectors.

§ 1944.666 Administrative activities and policies.

Grant funds are to be used primarily for housing repair and rehabilitation activities. Use of grant funds for direct and indirect administrative costs is a secondary purpose and must not exceed 20 percent of the HPG funds awarded to the grantee.

(a) Administrative expenses may include:

(1) Payment of reasonable salaries or contracts for professional, technical, and clerical staff actively assisting in the delivery of the HPG project.

(2) Payment of necessary and reasonable office expenses such as office rental, supplies, utilities, telephone services, and equipment. (Any item of nonexpendable personal property having a unit value of \$1,000 or more, acquired with HPG funds, will be specifically identified to RHS in writing.)

(3) Payment of necessary and reasonable administrative costs such as workers' compensation, liability insurance, and the employer's share of Social Security and health benefits. Payments to private retirement funds are permitted if the grantee already has such a fund established and ongoing.

(4) Payment of reasonable fees for necessary training of grantee personnel.

(5) Payment of necessary and reasonable costs for an audit upon expiration of the grant agreement.

(6) Other reasonable travel and miscellaneous expenses necessary to accomplish the objectives of the specific HPG grant which were anticipated in the individual HPG grant proposal and which have been approved as eligible expenses at the time of grant approval.

(b) HPG administrative funds may not be used for:

(1) Preparing housing development plans and strategies except as necessary to accomplish the specific objectives of the HPG project.

(2) Substitution of any financial support previously provided or currently available from any other source.

(3) Reimbursing personnel to perform construction related to housing preservation assistance. Non-administrative funds may be used if construction is for housing preservation assistance under the provisions of § 1944.664 (g) of this subpart.
(Revised 06-12-97, SPECIAL PN.)

(4) Buying property of any kind from persons receiving assistance from the grantee under the terms of the HPG agreement.

(5) Paying for or reimbursing the grantee for any expense or debts incurred before RHS executes the grant agreement.

(6) Paying any debts, expenses, or costs which should be the responsibility of the individual homeowner, owner, tenant or household member of a rental property, or owner (member) or non-member of a co-op receiving HPG assistance outside the costs of repair and rehabilitation as well as for replacement housing (individual homeowners only). (Revised 06-12-97, SPECIAL PN.)

(7) Any type of political activities prohibited by the Office of Management and Budget (OMB) Circular A-122.

(8) Other costs including contributions and donations, entertainment, fines and penalties, interest and other financial costs unrelated to the HPG assistance to be provided, legislative expenses, and any excess of cost from other grant agreements.

(9) Paying added salaries for employees paid by other sources, i.e., public agencies who pay employees to handle grants.

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(c) Advice concerning ineligible costs may be obtained from RHS as part of the HPG preapplication review or when a proposed cost appears ineligible.

(d) The grantee may not charge fees or accept any compensation or gratuities from HPG recipients for the grantee's technical or administrative services under this program. Where the grantee performs as a construction contractor, the grantee may be paid such compensation directly related to construction services provided and limited to authorized housing preservation activities.

(e) The policies, guidelines and requirements of 7 CFR parts 3015 and 3016 apply to the acceptance and use of HPG funds.

§ 1944.667 Relocation and displacement.

(a) Relocation. Public bodies and agencies must comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970. The grantee must provide assistance for permanent or temporary relocation of displaced persons for units repaired or rehabilitated or for individual homes replaced with HPG assistance. HPG funds may be used to cover costs incurred in the relocation of displaced persons. The applicant shall include in its statement of activities, a statement concerning the temporary relocation of homeowners and/or tenants during the period of repairs and/or rehabilitation to the units or dwellings. Any contract or agreement between the homeowner and the grantee, as well as between the grantee and the owner(s) of rental properties and co-ops shall include a statement covering at a minimum: (Revised 06-12-97, SPECIAL PN.)

- (1) The period of relocation (if any);
- (2) The name(s) of the party (or parties) who shall bear the cost of temporarily relocating; and
- (3) The name(s) of the party (or parties) who shall bear the cost of permanent relocation; and
- (4) If paragraphs (a) (2) or (3) of this section is the grantee, the maximum amount of temporary or permanent relocation costs proposed to be allowed.

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(b) Displacement. The applicant shall include in its statement of activities, a statement as to how its proposed HPG financial assistance program shall keep to a minimum the displacement of homeowners and/or tenants.

§ 1944.668 Term of grant.

HPG projects may be funded under the terms of a grant agreement for a period of up to 2 years commencing on the date of execution of the grant agreement by the RHS approval official. Term of the project will be based upon HPG resources available for the proposed project and the accomplishability of the applicant's proposal within 1 or 2 years. Applicants requesting a 2-year term may be asked to develop a feasible 1-year program if sufficient funds are not available for a 2 year program.

§ 1944.669 [Reserved]

§ 1944.670 Project income.

(a) Project income during the grant period from loans made to homeowners, owners of rental properties, and co-ops is governed by 7 CFR parts 3015 and 3016. All income during the grant period, including amounts recovered by the grantee due to breach of agreements between the grantee and the HPG recipient, must be used under (and in accordance with) the requirements of the HPG program.

(b) Grantees are encouraged to establish a program which reuses income from loans after the grant period for continuing repair and rehabilitation activities, as well as for individual housing replaced.
(Revised 06-12-97, SPECIAL PN.)

§ 1944.671 Equal opportunity requirements and outreach efforts.

The policies and regulations contained in subpart E of part 1901 apply to grantees under this subpart.

(a) Fair housing. The Fair Housing Act prohibits any person or entity whose business includes engaging in residential real estate-related transactions to discriminate against any person in making loans, grants, or other financial assistance for a unit or dwelling, or which will be secured by a unit or dwelling, because of race, color, religion, sex, national origin, age, familial status, or handicap/disability. Prohibited practices under this section include:
(Revised 06-12-97, SPECIAL PN.)

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(1) Failing to provide any person in connection with a residential real estate-related transaction, information regarding the availability of loans, grants, or other financial assistance, or providing information that is inaccurate or different from that provided others; and

(2) The term "residential real estate-related transaction" includes the making or purchasing of loans, grants, or other financial assistance for purchasing, constructing, improving, repairing, or rehabilitating a unit or dwelling, as well as for replacement housing for individual homeowners. (Revised 06-12-97, SPECIAL PN.)

(b) Outreach. In addition, the HPG grantee is required to address an outreach effort in their program. The amount of outreach should sufficiently reach the entire service area. As a measure of compliance, the percentages of the individuals served by the HPG grantee should be in proportion to the percentages of the population of the service area by race/national origin. If the percentages are not proportional, then adequate justification is to be made. Exhibit E-1 of this subpart will be used to monitor these requirements. (Further explanation and guidance of Exhibit E-1 can be found in Exhibit E-2 of this subpart.) A separate file will be maintained by the grantee that will include the following outreach activities:

(1) Community contacts to community organizations, community leaders, including minority leaders, by name, race, and date contacted;

(2) Copies of all advertising in local newspapers, and through other media. Any advertising must reach the entire service area. RHS encourages the use of minority-owned radio stations and other types of media, if available, in the service area. The grantee's file shall also include the name of the media used, and the percentage of its patronage by race/national origin; and

(3) Copies of any other advertising or other printed material, including the application form used. The application form shall include the nondiscrimination slogan: "This is an equal opportunity program. Discrimination is prohibited by Federal Law."

(c) Additional requirements. In order to meet the Fair Housing requirements and the nondiscrimination requirements of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975, the HPG grantee will need to adhere to the recommendations of Exhibit H of this subpart.

§ 1944.672 Environmental requirements.

Subpart G of part 1940 will be followed regarding environmental requirements. The following is additional information on how to approach HPG projects under those requirements:

(a) The approval of an HPG grant for the repair, rehabilitation, or replacement of dwellings shall be a Class I action. As part of their preapplication materials, applicants shall submit Form RD 1940-20, "Request for Environmental Information," for the geographical areas proposed to be served by the program. The applicant shall refer to Exhibit F-1 of this subpart when completing Form RD 1940-20. Further guidance on completing this form is available from the Agency office servicing the program. (Revised 06-12-97, SPECIAL PN.)

(b) The use of HPG funds by the grantee to repair, rehabilitate, or replace on the same site specific dwellings is generally exempt from an RHS environmental review. However, if such dwellings are located in a floodplain, wetland, or the proposed work is not concurred in by the Advisory Council on Historic Preservation under the requirements of § 1944.673 of this subpart, an RHS environmental review is required. Dwellings within the Coastal Barrier Resources System are not eligible for HPG assistance. Applicants must include in their preapplication a process for identifying dwellings that may receive housing preservation or replacement housing assistance that will require an environmental assessment. This may be accomplished by adoption of Exhibit F-2 of this subpart or another process supplying similar information acceptable to RHS. (Revised 06-12-97, SPECIAL PN.)

(c) If a specific dwelling is not located in a floodplain, wetland, or the proposed work is concurred in by the Advisory Council on Historic Preservation under the requirements of §1944.673 of this subpart, no environmental review is required by RHS. The grantee only needs to indicate its review and compliance with this subpart, indicating such in each recipient's file in accordance with paragraph (e) of this section.

(d) When a dwelling requiring an environmental assessment is proposed for HPG assistance, the grantee will immediately contact the RHS office designated to service the HPG grant. Prior to approval of HPG assistance to the recipient by the grantee, RHS will prepare the environmental assessment in accordance with subpart G of part 1940 with the assistance of the grantee, as necessary. Paragraph VIII of Exhibit C of this subpart provides further guidance in this area. (Revised 06-12-97, SPECIAL PN.)

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(e) If RHS is required to make an environmental assessment, the grantee will be provided with a copy of the assessment which will be made part of the recipient's file. The grantee must also include in each recipient's file:

(1) Documentation on how the process for historic preservation review under § 1944.673 of this subpart has been complied with, including all relevant reviews and correspondence; and

(2) Determination as to whether the unit is located in a 100-year floodplain or a wetland.

(3) Documentation of this review. Suggested language is: "We have considered this dwelling under RHS's environmental and historic preservation requirements for a HPG (§§ 1944.672 and 1944.673 of this subpart) and an environmental assessment is not required. The review was completed in accordance with the process to identify properties requiring an RHS environmental assessment approved with our statement of activities."

(f) Proposed use of funds by an applicant to use moneys for additions under § 1944.664 (c)(11) of this subpart must be addressed in the statement of activities.

(g) Grantees must contact RHS prior to actual usage of funds by the grantees under § 1944.664 (c)(11) of this subpart. RHS must complete the appropriate level of environmental review in accordance with subpart G of part 1940.

§ 1944.673 Historic preservation and replacement housing requirements and procedures. (Revised 06-12-97, SPECIAL PN.)

(a) RHS has entered into a Programmatic Memorandum of Agreement (PMOA) with the National Conference of State Historic Preservation Officers (SHPO) and the Advisory Council on Historic Preservation in order to implement the specific requirements regarding historic preservation contained in Section 533 of the Housing Act of 1949, 42 U.S.C. 1490(m) of the enabling legislation. The PMOA, with attachments, can be found in RD Instruction 2000-FF. A copy of the PMOA will be provided to each applicant for a HPG as part of the preapplication package specified in paragraph II of Exhibit C of this subpart.

(b) Accordingly, each applicant for a HPG grant will provide, as part of its preapplication documentation submitted to RHS, a description of its proposed process for assisting very low- and low-income persons owning historic properties needing rehabilitation, repair, or replacement. "Historic properties" are defined as properties that are listed or eligible for listing on the National Register of Historic Places. Each HPG proposal shall comply with the provisions of Stipulation I, A-G of the PMOA (RD Instruction 2000-FF). Should RHS be required to assume responsibility for compliance with 36 CFR part 800 in accordance with Stipulation III of the PMOA, the grantee will assist RHS in preparing an environmental assessment. RHS will work with the grantee to develop alternative actions or mitigation measures, as appropriate. (Revised 06-12-97, SPECIAL PN.)

(c) Such assumption of responsibility by RHS on a particular property shall not preclude the grantee from carrying out the requirements of 36 CFR part 800 on other properties as though it were a Federal agency, but no work may be commenced on any unit or dwelling in controversy until and unless so advised by RHS.

§ 1944.674 Public participation and intergovernmental review.

(a) In preparing its statement of activities, the applicant is responsible for consulting with leaders from the county, parish and/or township governments of the area where HPG activities will take place for the purpose of assuring that the proposed HPG program is beneficial and does not duplicate current activities. American Indian nonprofit organization applicants should obtain the written concurrence of the tribal governing body in lieu of consulting with the county governments when the program is operated only on tribal land.

(b) The applicant must also make its statement of activities available to the public for comment. The applicant must announce the availability of its statement of activities for review in a newspaper of general circulation in the project area and allow at least 15 days for public comment. The start of this 15-day period must occur no later than 16 days prior to the last day for acceptance of preapplications by RHS.

(c) The HPG program is subject to the provisions of Executive Order 12372, which requires intergovernmental consultation with State and local officials. Under RD Instruction 1940-J, prospective applicants for HPG grants must submit its statement of activities to the State single point of contact prior to submitting their preapplication to RHS. Evidence of submittal of the statement of activities to the State single point of contact is to be submitted with a preapplication. Comments and recommendations made through the intergovernmental review process are for the purpose of assuring consideration of State and local government

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views. The name of the State single point of contact is available from any Rural Development office. This section does not apply to American Indian tribes, bands, groups, etc., as noted in §1944.656 of this subpart.

§ 1944.675 Allocation of HPG funds to States and unused HPG funds.

The allocation and distribution of HPG funds is found in § 1940.578 of subpart L of part 1940.

§1944.676 Preapplication procedures.

(a) All applicants will file an original and two copies of Standard Form (SF) 424.1, "Application For Federal Assistance (For Nonconstruction)," and supporting information with the appropriate Rural Development office. A preapplication package, including SF-424.1, is available in any Rural Development Office.

(b) All preapplications shall be accompanied by the following information which Rural Development will use to determine the applicant's eligibility to undertake the HPG program and to evaluate the preapplication under the project selection criteria of §1944.679 of this subpart.

(1) A statement of activities proposed by the applicant for its HPG program as appropriate to the type of assistance the applicant is proposing, including:

(i) A complete discussion of the type of and conditions for financial assistance for housing preservation, including whether the request for assistance is for a homeowner assistance program, a rental property assistance program, or a co-op assistance program;

(ii) The process for selecting recipients for HPG assistance, determining housing preservation needs of the dwelling, performing the necessary work, and monitoring/inspecting work performed;

(iii) A description of the process for identifying potential environmental impacts in accordance with §1944.672 of this subpart, and the provisions for compliance with Stipulation I, A-G of the PMOA (RD Instruction 2000-FF available in any Rural Development office) in accordance with §1944.673 (b) of this subpart. With the exception of Stipulation I, D of the PMOA, this may be accomplished by adoption of Exhibit F-2 of this subpart (available in any Rural Development office), or another process supplying similar information acceptable to Rural Development;

(iv) The development standard(s) the applicant will use for the housing preservation work; and, if not the Rural Development standards for existing dwellings, the evidence of its acceptance by the jurisdiction where the grant will be implemented;

- (v) The time schedule for completing the program;
- (vi) The staffing required to complete the program;
- (vii) The estimated number of very low- and low-income minority and nonminority persons the grantee will assist with HPG funds; and, if a rental property or co-op assistance program, the number of units and the term of restrictive covenants on their use for very low- and low-income;
- (viii) The geographical area(s) to be served by the HPG program;
- (ix) The annual estimated budget for the program period based on the financial needs to accomplish the objectives outlined in the proposal. The budget should include proposed direct and indirect administrative costs, such as personnel, fringe benefits, travel, equipment, supplies, contracts, and other cost categories, detailing those costs for which the grantee proposes to use the HPG grant separately from non-HPG resources, if any. The applicant budget should also include a schedule (with amounts) of how the applicant proposes to draw HPG grant funds, i.e., monthly, quarterly, lump sum for program activities, etc.;
- (x) A copy of a indirect cost proposal as required in 7 CFR Parts 3015 and 3016, when the applicant has another source of federal funding in addition to the Rural Development HPG program;
- (xi) A brief description of the accounting system to be used;
- (xii) The method of evaluation to be used by the applicant to determine the effectiveness of its program which encompasses the requirements for quarterly reports to Rural Development in accordance with §1944.683 (b) of this subpart and the monitoring plan for rental properties and co-ops (when applicable) according to §1944.689 of this subpart;

(xiii) The source and estimated amount of other financial resources to be obtained and used by the applicant for both HPG activities and housing development and/or supporting activities;

(xiv) The use of program income, if any, and the tracking system used for monitoring same;

(xv) The applicant's plan for disposition of any security instruments held by them as a result of its HPG activities in the event of its loss of legal status;

(xvi) Any other information necessary to explain the proposed HPG program; and

(xvii) The outreach efforts outlined in §1944.671 (b) of this subpart.

(2) Complete information about the applicant's experience and capacity to carry out the objectives of the proposed HPG program.

(3) Evidence of the applicant's legal existence, including, in the case of a private nonprofit organization, a copy of, or an accurate reference to, the specific provisions of State law under which the applicant is organized; a certified copy of the applicant's Articles of Incorporation and Bylaws or other evidence of corporate existence; certificate of incorporation for other than public bodies; evidence of good standing from the State when the corporation has been in existence 1 year or more; and, the names and addresses of the applicant's members, directors and officers. If other organizations are members of the applicant-organization, or the applicant is a consortium, preapplications should be accompanied by the names, addresses, and principal purpose of the other organizations. If the applicant is a consortium, documentation showing compliance with §1944.656 of this subpart will also be included.

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- (4) For a private nonprofit entity, the most recent audited statement and a current financial statement dated and signed by an authorized officer of the entity showing the amounts and specific nature of assets and liabilities together with information on the repayment schedule and status of any debt(s) owed by the applicant. If the applicant is an organization being assisted by another private nonprofit organization, the same type of financial statement should also be provided by that organization.
 - (5) A brief narrative statement which includes information about the area to be served and the need for improved housing (including both percentage and actual number of both low-income and low-income minority households and substandard housing), the need for the type of housing preservation assistance being proposed, the anticipated use of HPG resources for historic properties, the method of evaluation to be used by the applicant in determining the effectiveness of its efforts (according to paragraph (b)(1)(xii) of this section).
 - (6) A statement containing the component for alleviating overcrowding as defined by §1944.656 of this subpart.
 - (7) A list of other activities the applicant is engaged in and expects to continue, a statement as to any other funding, and whether it will have sufficient funds to assure continued operation of the other activities for at least the period of the HPG grant agreement.
 - (8) Any other information necessary that specifically addresses the selection criteria in §1944.679 of this subpart.
- (c) The applicant must submit an original and one copy of Form RD 1940-20 prepared in accordance with Exhibit F-1 of this subpart (available in any Rural Development office).
- (d) The applicant must submit a description of its process for:
- (1) Identifying and rehabilitating properties that are listed on or eligible for listing on the National Register of Historic Places.
 - (2) Identifying properties that are located in a floodplain or wetland.

(3) Identifying properties located within the Coastal Barrier Resources System.

(4) Coordinating with other public and private organizations and programs that provide assistance in the rehabilitation of historic properties (Stipulation I, D, of the PMOA, RD Instruction 2000-FF, available in any Rural Development office).

(5) Paragraphs (d)(1), (2), and (3) of this section may be accomplished by adoption of Exhibit F-2 of this subpart (available in any Rural Development office), or another process supplying similar information acceptable to Rural Development.

(e) The applicant must submit evidence of SHPO concurrence in the proposal, or in the event of nonconcurrence, a copy of SHPO's comments together with evidence that the applicant has sought the Advisory Council on Historic Preservation's advice as to how the disagreement might be resolved, and a copy of any advice provided by the Council.

(f) The applicant must submit written statements and related correspondence reflecting compliance with §1944.674 (a) and (c) of this subpart regarding consultation with local government leaders in the preparation of its program and the consultation with local and state government pursuant to the provisions of Executive Order 12372.

(g) The applicant is to make its statement of activities available to the public for comment prior to submission to Rural Development pursuant to §1944.674 (b) of this subpart. The application must contain a description of how the comments (if any were received) were addressed.

(h) The applicant must submit an original and one copy of Form RD 400-1, "Equal Opportunity Agreement," and Form RD 400-4, "Assurance Agreement," in accordance with §1944.674 (c) of this subpart.

§1944.677 [Reserved]

§1944.678 Preapplication submission deadline.

Dates governing the invitation and review of HPG preapplications will be published annually in the Federal Register and may be obtained from Rural Development offices processing HPG preapplications. Preapplications received after the date specified in the Federal Register will not be considered for funding in that fiscal year and will be returned.

§1944.679 Project selection criteria.

(a) Applicants must meet all of the following threshold criteria:

(1) Provide a financially feasible program of housing preservation assistance. "Financially feasible" is defined as proposed assistance which will be affordable to the intended recipient or result in affordable housing for very low- and low-income persons;

(2) Serve eligible rural areas with a concentration of substandard housing for households with very low- and low-income;

(3) Be an eligible applicant entity as defined in §1944.658 of this subpart;

(4) Meet the requirements of consultation and public comment in accordance with §1944.674 of this subpart; and

(5) Submit a complete preapplication as outlined in §1944.676 of this subpart.

(b) For applicants meeting all of the requirements listed in paragraph (a) of this section, Rural Development will use the weighted criteria in this paragraph in the selection of grant recipients. Each preapplication and its accompanying statement of activities will be evaluated and, based solely on the information contained in the preapplication, the applicant's proposal will be numerically rated on each criteria within the range provided. The highest ranking applicant(s) will be selected based on allocation of funds available to the State. Exhibit D of this subpart (available in any Rural Development office) will be used to document the rating.

(1) Points are awarded based on the percentage of very low-income persons that the applicant proposes to assist, using the following scale:

- (i) More than 80%: 20 points.
- (ii) 61% to 80%: 15 points.
- (iii) 41% to 60%: 10 points.
- (iv) 20% to 40%: 5 points.
- (v) Less than 20%: 0 points.

(2) The applicant's proposal may be expected to result in the following percentage of HPG fund use (excluding administrative costs) to total cost of unit preservation. This percentage reflects maximum repair or rehabilitation with the least possible HPG funds due to leveraging, innovative financial assistance, owner's contribution or other specified approaches. Points are awarded based on the following percentage of HPG funds (excluding administrative costs) to total funds:

- (i) 50% or less: 20 points.
- (ii) 51% to 65%: 15 points.
- (iii) 66% to 80%: 10 points.
- (iv) 81% to 95%: 5 points.
- (v) 96% to 100%: 0 points.

(3) The applicant has demonstrated its administrative capacity in assisting very low- and low-income persons to obtain adequate housing based on the following:

- (i) The organization or a member of its staff has 2 or more years experience successfully managing and operating a rehabilitation or weatherization type program, including Rural Development's HPG program: 10 points.
- (ii) The organization or a member of its staff has 2 or more years experience successfully managing and operating a program assisting very low- and low-income persons obtain housing assistance: 10 points.

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(iii) If the organization has administered grant programs, there are no outstanding or unresolved audit or investigative findings which might impair carrying out the proposal: 10 points.

(4) The proposed program will be undertaken entirely in rural areas outside MSAs identified by Rural Development as having populations below 10,000 or in remote parts of other rural areas (i.e., rural areas contained in MSAs with less than 5,000 population) as defined in §1944.656 of this subpart: 10 points.

(5) The program will use less than 20 percent of HPG funds for administration purposes:

- (i) More than 20%: Not Eligible.
- (ii) 20%: 0 points.
- (iii) 19%: 1 point.
- (iv) 18%: 2 points.
- (v) 17%: 3 points.
- (vi) 16%: 4 points.
- (vii) 15% or less: 5 points.

(6) The proposed program contains a component for alleviating overcrowding as defined in §1944.656 of this subpart: 5 points.

(c) In the event more than one preapplication receives the same amount of points, those preapplications will then be ranked based on the actual percentage figure used for determining the points under paragraph (b)(1) of this section. Further, in the event that preapplications are still tied, then those preapplications still tied will be ranked based on the percentage figures used (low to high) in paragraph (b)(2) of this section. Further, for applications where assistance to rental properties or co-ops is proposed, those still tied will be further ranked based on the number of years the units are available for occupancy under the program (a minimum of 5 years is required). For this part, ranking will be based from most to least number of years. Finally, if there is still a tie, then a "lottery" system will be used.

§1944.680 Limitation on grantee selection.

After all preapplications have been reviewed under the selection criteria and if more than one preapplication has met the criteria of §1944.679 (a) of this subpart, the State Director or approval official may not approve more than 50 percent of the State's allocation to a single entity.

§1944.681 Application submission.

Applicants selected by Rural Development will be advised to submit a full application in an original and two copies of SF 424.1, and are to include any condition or amendments that must be incorporated into the statement of activities prior to submitting a full application. Instructions on submission and timing will be provided by Rural Development.

§1944.682 Preapplication/application review, grant approval, and requesting HPG funds.

The Rural Development offices processing HPG preapplications/applications will review the preapplications and applications submitted. Further review and actions will be taken by Rural Development personnel in accordance with Exhibit C of this subpart (available in any Rural Development office). Exhibit G of this subpart (available in any Rural Development office) will be used by the State Office to notify the National Office of preapplications received, eligibility, ranking, number of proposed units, amount requested by applicants, and amount recommended by State Office. Preapplications determined not eligible and/or not meeting the selection criteria will be notified in the manner prescribed in Exhibit C of this subpart (available in any Rural Development office). In addition, Rural Development will document its findings and advise the applicant of its review rights or appeal rights (if applicable) under Subpart B of Part 1900 of this chapter. Applications determined not eligible will be handled in the same manner. The preapplications or applications determined incomplete will be notified in the manner prescribed in Exhibit C of this subpart (available in any Rural Development office) and will not be given appeal rights. The State Director is authorized to approve an HPG in accordance with this subpart and Subpart A of Part 1901 of this chapter. The State Director may delegate this authority in writing to designated State Office personnel and District Directors. Further:

RD Instruction 1944-N
§1944.682 (Con.)

(a) Grant approval is the process by which Rural Development determines that all applicable administrative and legal conditions for making a grant have been met, the grant agreement is signed, and funds have been obligated for the HPG project. If acceptable, the approval official will inform the applicant of approval, having the applicant sign Form RD 1940-1, "Request for Obligation of Funds," and Exhibit A of this subpart (available in any Rural Development office). The applicant will be sent a copy of the executed grant agreement and Form RD 1940-1. Should any conditions be attached to the grant agreement that must be satisfied prior to the applicant receiving any HPG funds, the grant agreement and the conditions will be returned to the applicant for acceptance and acknowledgement on the grant agreement prior to execution by the approval official.

(b) The application may be disapproved before execution of the grant agreement if the applicant is no longer eligible, the proposal is no longer feasible, or the applicant requests cancellation of its project. Except when the applicant requests cancellation, Rural Development will document its findings and advise the applicant of its appeal rights under Subpart B of Part 1900 of this chapter.

(c) With the executed grant agreement and Form RD 1940-1, Rural Development will send the approved applicant (now the "grantee") copies of SF-270, "Request for Advance or Reimbursement". The grantee must submit an original and two copies of SF-270 to the Rural Development office servicing the project. In addition, the grantee must submit SF-272, "Federal Cash Transactions Report," each time an advance of funds is made. This report shall be used by Rural Development to monitor cash advances made to the grantee. Advances or reimbursements must be in accordance with the grantee's budget and statement of activities, including any amendments, prior approved by Rural Development. Requests for reimbursement or advances must be at least 30 calendar days apart.

(d) If the grantee fails to submit required reports pursuant to §1944.683 of this subpart or is in violation of the grant agreement, Rural Development may suspend HPG reimbursements and advances or terminate the grant in accordance with §1944.688 of this subpart and the grant agreement.

§ 1944.683 Reporting requirements.

(a) SF-269, "Financial Status Report," is required of all grantees on a quarterly basis. Grantees shall submit an original and two copies of the report to the designated Rural Development servicing office. When preparing the Financial Status Report, the total program outlays (Item 10, g, of SF-269) should be less any rebates, refunds, or other discounts. Reports must be submitted no later than 15 days after the end of each calendar quarter.

(b) Quarterly performance reports shall be submitted by grantees with SF-269, in an original and two copies (see Exhibit E-1 of this subpart). The quarterly report should relate the activities during the report period to the project's objectives and analyze the effectiveness of the program. As part of the grantee's preapplication submission, as required by §1944.676 (b) of this subpart, the grantee establishes its objectives for the HPG program, including its method of evaluation to determine its effectiveness. Accordingly, the report must include, but need not be limited to, the following:

(1) Use of HPG funds for administration and housing preservation activities.

(2) The following specific information for each unit or dwelling assisted:

(i) Name(s), address, and income(s) of each homeowner assisted or the name and address of the owner(s) or co-op for each rental property (single or multi-unit) or co-op assisted;

(ii) Total cost of repair/rehabilitation, a list of major repairs made, amount financed by HPG, and amount financed from which other sources;

(iii) Type of assistance provided (interest subsidy, loan, grant, etc.); and

(iv) Results of implementing the environmental process contained in § 1944.672 of this subpart and the historic preservation process contained in § 1944.673 of this subpart.

- (3) The use of HPG and any other funds for replacement housing.
(Added 06-12-97, SPECIAL PN.)
 - (4) A comparison of actual accomplishments to the objectives set for that period, including: (Renumbered 06-12-97, SPECIAL PN.)
 - (i) The number of very low- and low-income, minority and nonminority persons assisted in obtaining adequate housing by the HPG program through repair, rehabilitation as well as for replacement housing; and (Revised 06-12-97, SPECIAL PN.)
 - (ii) The average cost of assistance provided to each household.
 - (5) Reasons why, if established objectives are not met.
(Renumbered 06-12-97, SPECIAL PN.)
 - (6) Problems, delays, or adverse conditions which will materially affect attainment of the HPG grant objectives, prevent the meeting of time schedules or objectives, or preclude the attainment of program work elements during established time periods. This disclosure shall be accompanied by a statement of the action taken or contemplated and any Federal or other assistance needed to relieve the situation. (Renumbered 06-12-97, SPECIAL PN.)
 - (7) Objectives established for the next reporting period, sufficiently detailed to identify the type of assistance to be provided, the number and type of households to be assisted, etc.
(Renumbered 06-12-97, SPECIAL PN.)
 - (8) A certification that the final building inspection reports for each rehabilitation or repair work financed as well as for replacement housing with HPG funds for that quarter is on file.
(Revised and renumbered 06-12-97, SPECIAL PN.)
- (c) The grantee should be prepared to meet with the Rural Development office servicing the project to discuss its quarterly report shortly after submission.
- (d) If the reports are not submitted in a timely manner or if the reports indicate that the grantee has made unsatisfactory progress or the grantee is not meeting its established objectives, the RHS official servicing the grant will recommend to the State Director appropriate action to resolve the indicated problem(s). If appropriate corrective action is not taken by the grantee, the State Director has the discretion to not authorize further advances by suspending the project in accordance with §1944.688 of this subpart and the grant agreement.

§1944.684 Extending grant agreement and modifying the statement of activities.

(a) All requests extending the original grant agreement or modifying the HPG program's statement of activities must be in writing. Such requests will be processed through the designated Rural Development office servicing the project. The approval official will respond to the applicant within 30 days of receipt of the request.

(b) A grantee may request an extension of the grant agreement prior to the end of the project term specified in the grant agreement if the grantee anticipates that there will be grant funds remaining and the grantee has demonstrated its ability to conduct its program in a manner satisfactory to Rural Development. The approval official may approve an extension when:

(1) The grantee is likely to complete or exceed the goals outlined in the approved statement of activities; and

(2) The Rural Development office responsible for servicing the grant recommends continuation of the grant until the grantee has expended all of the remaining grant funds.

(c) Modifications to the statement of activities, such as revising the processes the grantee follows in operating the HPG program, may be approved by the approval official when the modifications are for eligible purposes in accordance with §§1944.664 and 1944.666 of this subpart, meet any applicable review and process requirements of this subpart, and the program will continue to serve the geographic area originally approved. The grantee will submit its proposed revisions together with the necessary supporting information to Rural Development prior to modifying its operation from the approved statement of activities.

(d) Exhibit B of this subpart (available in any Rural Development office) will be used for all extensions on and modifications to the grant agreement.

§1944.685 [Reserved]

§1944.686 Additional grants.

An additional HPG grant may be made when the grantee has achieved or nearly achieved the goals established for the previous or existing grant. The grantee must file a preapplication for the current fiscal year which will be processed and compared under the project selection criteria to others submitted at that time.

§1944.687 [Reserved]

§1944.688 Grant evaluation, closeout, suspension and termination.

(a) Grant evaluation will be an on-going activity performed by both the grantee and Rural Development. The grantee will perform self-evaluations by preparing quarterly performance reports in accordance with §1944.683 of this subpart. Rural Development will also review all reports prepared and submitted by the grantee in accordance with the grant agreement and this subpart.

(b) The grant can be suspended or terminated before the grant ending date for the causes specified in the grant agreement. No further grant funds will be advanced when grant suspension or termination procedures have been initiated in accordance with the grant agreement. Grantees may be reimbursed for eligible costs incurred prior to the effective date of the suspension or termination. Grantees are prohibited from incurring additional obligations of funds after notification, pending corrective action by the grantee. Rural Development may allow necessary and proper costs that the grantee could not reasonably avoid during the period of suspension provided they are for eligible HPG purposes. In the event of termination, Rural Development may allow necessary and reasonable costs for an audit.

(c) Grantees will have the opportunity to appeal a suspension or termination under Rural Development's appeal procedures under Subpart B of Part 1900 of this chapter.

(d) The grantee will complete the closeout procedures as specified in the grant agreement.

(e) The grantee will have an audit performed upon termination or completion of the project in accordance with 7 CFR Parts 3015 and 3016, as applicable. As part of its final report, the grantee will address and resolve all audit findings.

§1944.689 Long-term monitoring by grantee.

(a) The grantee is required to perform long-term monitoring on any housing preservation program involving rental properties and co-ops. This monitoring shall be at least on an annual basis and shall consist of, at a minimum, the following:

§1944.689(a) (Con.)

- (1) All requirements noted in §1944.663 of this subpart;
- (2) All requirements of the "ownership agreement" executed between the grantee and the rental property owner or co-op; and
- (3) All requirements noted in 7 CFR Parts 3015 and 3016 during the effective period of the grant agreement.

(b) The grantee is required to make available to Rural Development any such information as requested by Rural Development concerning the above. The grantee shall submit to the Rural Development servicing office an annual report every year while the ownership agreement is in effect. This report shall be submitted within 15 days after the anniversary date or end of the grant agreement. At a minimum, the report will consist of a statement that the grantee is in compliance with this subpart.

(c) All files pertaining to such rental property owner or co-op shall be kept separate and shall be maintained for a period of 3 years after the termination date of the ownership agreement.

§1944.690 Exception authority.

The Administrator of Rural Development may, in individual cases, make an exception to any requirements of this subpart not required by the authorizing statute if the Administrator finds that application of such requirement would adversely affect the interest of the Government, or adversely affect the accomplishment of the purposes of the HPG program, or result in undue hardship by applying the requirement. The Administrator or the Assistant Administrator for Housing may exercise this exception authority at the request of the State Director. The request must be supported by information demonstrating the adverse impact, citing the particular requirement involved, recommending proper alternative course(s) of action, and outlining how the adverse impact could be mitigated. Exception to any requirement may also be initiated by the Assistant Administrator for Housing.

§§1944.691 - 1944.699 [Reserved]

RD Instruction 1944-N

§ 1944.700 OMB Control Number.

According to the Paperwork Reduction Act of 1995, no; persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0115.

Attachments: Exhibits A, B, C, D, E-1, E-2, F-1, F-2, G, and H

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HOUSING PRESERVATION GRANT AGREEMENT

This agreement dated _____, is between _____ (name), _____ (address), the grantee, organized and operating under _____ (authorizing State statute), and the United States of America acting through the Rural Development. Rural Development agrees to grant a sum not to exceed \$ _____, subject to the terms and conditions of this agreement; provided, however, that the grant funds actually advanced and not needed for grant purposes shall be returned immediately to Rural Development. The Housing Preservation Grant (HPG) statement of activities approved by Rural Development, is attached, and shall commence within 10 days of the date of execution of this agreement by Rural Development and be completed by _____ (date). Rural Development may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of this grant agreement or Rural Development regulations related hereto. The grantee may appeal adverse decisions in accordance with Rural Development's appeal procedures contained in Subpart B of Part 1900 of this chapter.

In consideration of said grant by Rural Development to the grantee, to be made pursuant to Section 533 of the Housing Act of 1949, HPG program, the grantee will provide such a program in accordance with the terms of this grant agreement and applicable Rural Development regulations.

PART A Definitions.

1. "Beginning date" means the date this agreement is executed by Rural Development and costs can be incurred.
2. "Ending date" means the date this agreement is scheduled to be completed. It is also the latest date grant funds will be provided under this agreement, without an approved extension.
3. "Disallowed costs" are those charges to a grant which Rural Development determines cannot be authorized in accordance with applicable Federal cost principles contained in 7 CFR Parts 3015 and 3016, as appropriate.
4. "Grant closeout" is the process by which the grant operation is concluded at the expiration of the grant period or following a decision to terminate the grant.

5. "Termination" of the grant means the cancellation of Federal assistance, in whole or in part, at any time before the date of completion.

PART B Terms of agreement.

Rural Development and the grantee agree that:

1. All grant activities shall be limited to those authorized in this subpart.

2. This agreement shall be effective when executed by both parties.

3. The HPG activities approved by Rural Development shall commence and be completed by the date indicated above, unless earlier terminated under paragraph B, 18, of this grant agreement, or extended.

4. The grantee shall carry out the HPG activities and processes as described in the approved statement of activities which is made a part of this grant agreement. Grantee will be bound by the activities and processes set forth in the statement of activities and the further conditions set forth in this grant agreement. If the statement of activities is inconsistent with this grant agreement, then the latter will govern. A change of any activities and processes must be in writing and must be signed by the approval official.

5. The grantee shall use grant funds only for the purposes and activities approved by Rural Development in the HPG budget. Any uses not provided for in the approved budget must be approved in writing by Rural Development in advance.

6. If the grantee is a private nonprofit corporation, expenses charged for travel or per diem will not exceed the rates paid to Federal employees or (if lower) an amount authorized by the grantee for similar purposes. If the grantee is a public body, the rates will be those that are allowable under the customary practice in the government of which the grantee is a party; if none are customary, the Rural Development rates will be the maximum allowed.

7. Grant funds will not be used for any of the following:
- (a) To pay obligations incurred before the beginning date or after the ending date of this agreement;
 - (b) For any entertainment purposes;
 - (c) To pay for any capital assets, the purchase of real estate or vehicles, the improvement or renovation of the grantee's office space, or for the repair or maintenance of privately owned vehicles;
 - (d) Any other purpose specified in §1944.664 (g) or §1944.666 (b) of this subpart; or
 - (e) For administrative expenses exceeding 20 percent of the HPG grant funds.
8. The grant funds shall not be used to substitute for any financial support previously provided and currently available or assured from any other source.
9. The dispersal of grants will be governed as follows:
- (a) In accordance with Treasury Circular 1075 (fourth revision) Part 205, Chapter II of Title 31 of the Code of Federal Regulations, grant funds will be provided by Rural Development as cash advances on an as needed basis not to exceed one advance every 30 days. The advance will be made by direct Treasury check to the grantee. In addition, the grantee must submit Standard Form (SF) 272, "Federal Cash Transactions Report," each time an advance of funds is made. This report shall be used by Rural Development to monitor cash advances made to the grantee. The financial management system of the recipient organization shall provide for effective control over and accountability for all Federal funds as stated in 7 CFR Parts 3015 and 3016.

(b) Cash advances to the grantee shall be limited to the minimum amounts needed and shall be timed to be in accord only with the actual, immediate cash requirements of the grantee in carrying out the purpose of the planned project. The timing and amount of cash advances shall be as close as administratively feasible to the actual disbursements by the grantee for direct program costs (as identified in the grantee's statement of activities and budget and fund use plan) and proportionate share of any allowable indirect costs.

(c) Grant funds should be promptly refunded to the Rural Development and redrawn when needed if the funds are erroneously drawn in excess of immediate disbursement needs. The only exceptions to the requirement for prompt refunding are when the funds involved:

(i) Will be disbursed by the recipient organization within 7 calendar days from the date of the Treasury check; or

(ii) Are less than \$10,000 and will be disbursed within 30 calendar days from the date of the Treasury check.

(d) Grantee shall provide satisfactory evidence to Rural Development that all officers of the grantees' organization authorized to receive and/or disburse Federal funds are covered by fidelity bonds in an amount not to exceed the grant amount to protect Rural Development's interests.

10. The grantee will submit performance, financial, and annual reports as indicated in this subpart to the appropriate Rural Development office. These reports must be reconciled to the grantees' accounting records, especially on the final report.

(a) As needed, but not more frequently than once every 30 calendar days, submit an original and two copies of SF-270, "Request for Advance or Reimbursement." In addition, the grantee must submit an SF-272, each time an advance of funds is made. This report shall be used by Rural Development to monitor cash advances made to the grantee.

(b) Quarterly reports will be submitted within 15 days, but no later than 45 days after the end of each calendar quarter. An original and one copy of SF-269, "Financial Status Report," and a quarterly performance report in accordance with §1944.683 of this subpart. Item 10, g (total program outlays) of SF-269, should be less any rebates, refunds, or other discounts.

(c) Within 90 days after the termination or expiration of the grant agreement, an original and two copies of SF-269, and a final performance report which will include a summary of the project's accomplishments, problems, and planned future activities of the grantee for HPG. Final reports may serve as the last quarterly report.

(d) Rural Development may require performance reports more frequently if deemed necessary.

11. In accordance with Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State and Local Governments" (available in any Rural Development office), compensation for employees will be considered reasonable to the extent that such compensation is consistent with that paid for similar work in other activities of the State or local government.

12. If the grant exceeds \$100,000, cumulative transfers among direct cost budget categories totaling more than 5 percent of the total budget must have prior written approval by Rural Development.

13. The results of the program assisted by grant funds may be published by the grantee without prior review by Rural Development, provided that such publications acknowledge the support provided by funds pursuant to the provisions of Title V of the Housing Act of 1949, as amended, and that five copies of each such publications are furnished to Rural Development.

14. The grantee certifies that no person or organization has been employed or retained to solicit or secure this grant for a commission, percentage, brokerage, or contingent fee.

15. No person in the United States shall, on the grounds of race, religion, color, sex, familial status, age, national origin, or handicap, be excluded from participating in, be denied the proceeds of, or be subject to discrimination in connection with the use of grant funds. Grantee will comply with the nondiscrimination regulations of Rural Development contained in Subpart E of Part 1901 of this chapter.

16. In all hiring or employment made possible by or resulting from this grant, the grantee:

(a) Will not discriminate against any employee or applicant for employment because of race, religion, color, sex, familial status, age, national origin, or handicap, and

(b) Will take affirmative action to insure that employees are treated during employment without regard to their race, religion, color, sex, familial status, age, national origin, or handicap. This requirement shall apply to, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship.

(c) In the event grantee signs a contract related to this grant which would be covered by any Executive Order, law, or regulation prohibiting discrimination, grantee shall include in the contract the "Equal Employment Clause" as specified by Form RD 400-1, "Equal Opportunity Agreement."

17. The grantee accepts responsibility for accomplishing the HPG program as submitted and included in its preapplication, application, including its statement of activities. The grantee shall also:

(a) Endeavor to coordinate and provide liaison with State and local housing organizations, where they exist.

(b) Provide continuing information to Rural Development on the status of grantee HPG programs, projects, related activities, and problems.

(c) Inform Rural Development
as soon as the following types of conditions become known:

(i) Problems, delays, or adverse conditions which materially affect the ability to attain program objectives, prevent the meeting of time schedules or goals, or preclude the attainment of project work units by established time periods. This disclosure shall be accompanied by a statement of the action taken or contemplated, new time schedules required and any Rural Development assistance needed to resolve the situation.

(ii) Favorable developments or events which enable meeting time schedules and goals sooner than anticipated or producing more work units than originally projected.

18. The grant closeout and termination procedures will be as follows:

(a) Promptly after the date of completion or a decision to terminate a grant, grant closeout actions are to be taken to allow the orderly discontinuation of grantee activity.

(i) The grantee shall immediately refund to Rural Development any uncommitted balance of grant funds.

(ii) The grantee will furnish to Rural Development within 90 calendar days after the date of completion of the grant, SF-269 and all financial, performance, and other reports required as a condition of the grant, including a final audit report, as required by 7 CFR Parts 3015 and 3016.

(iii) The grantee shall account for any property acquired with HPG grant funds or otherwise received from Rural Development.

(iv) After the grant closeout, Rural Development retains the right to recover any disallowed costs which may be discovered as a result of an audit.

(b) When there is reasonable evidence that the grantee has failed to comply with the terms of this grant agreement, the State Director can, on reasonable notice, suspend the grant pending corrective action or terminate the grant in accordance with paragraph B, 18 (c) of this grant agreement. In such instances, Rural Development may reimburse the grantee for eligible costs incurred prior to the effective date of the suspension or termination and may allow all necessary and proper costs which the grantee could not reasonably avoid. Rural Development will withhold further advances and grantees are prohibited from further use of grant funds, pending corrective action.

(c) Grant termination will be based on the following:

(i) Termination for cause. This grant may be terminated in whole, or in part, at any time before the date of completion, whenever Rural Development determines that the grantee has failed to comply with the terms of this agreement. The reasons for termination may include, but are not limited to, such problems as:

(A) Failure to make reasonable and satisfactory progress in attaining grant objectives.

(B) Failure of grantee to use grant funds only for authorized purposes.

(C) Failure of grantee to submit adequate and timely reports of its operation.

(D) Violation of any of the provisions of any laws administered by Rural Development or any regulation issued thereunder.

(E) Violation of any nondiscrimination or equal opportunity requirement administered by Rural Development in connection with any Rural Development programs.

(F) Failure to maintain an accounting system acceptable to Rural Development.

(ii) Termination for convenience. Rural Development or the grantee may terminate the grant in whole, or in part, when both parties agree that the continuation of the project would not produce beneficial results commensurate with the further expenditure of funds. The two parties shall agree upon the termination conditions, including the effective date and, in case of partial termination, the portion to be terminated.

(d) Rural Development shall notify the grantee in writing of the determination and the reasons for and the effective date of the suspension or termination. Except for termination for convenience, grantees have the opportunity to appeal a suspension or termination under Rural Development's appeal procedure, Subpart B of Part 1900 of this chapter.

19. Upon any default under its representatives or agreements set forth in this instrument, the grantee, at the option and demand of Rural Development, will, to the extent legally permissible, repay to Rural Development forthwith the grant funds received with interest at the rate of 5 percent per annum from the date of the default. The provisions of this grant agreement may be enforced by Rural Development, at its options and without regard to prior waivers by it or previous defaults of the grantee, by judicial proceedings to require specific performance of the terms of this grant agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Rural Development to assure compliance with the provisions of this grant agreement and the laws and regulations under which this grant is made.

20. Extension of this grant agreement, modifications of the statement of activities, or changes in the grantee's budget may be approved by Rural Development provided, in Rural Development's opinion, the extension or modification is justified and there is a likelihood that the grantee can accomplish the goals set out and approved in the statement of activities during the period of the extension and/or modifications as specified in §1944.684 of this subpart.

PART C Grantee agrees:

1. To comply with property management standards for expendable and nonexpendable personal property established by 7 CFR Parts 3015 and 3016.
2. To provide a financial management system which will include:
 - (a) Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on a cash basis. The financial management system shall include a tracking system to insure that all program income, including loan repayments, are used properly.
 - (b) Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
 - (c) Effecting control over and accountability for all funds, property, and other assets. Grantee shall adequately safeguard all such assets and shall assure that they are solely for authorized purposes.
 - (d) Accounting records supported by source documentation.
3. To retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least 3 years after the submission of the final performance report, in accordance with paragraph B 10 (c) of this grant agreement, except in the following situations:
 - (a) If any litigation, claim, audit, or investigation is commenced before the expiration of the 3-year period, the records shall be retained until all litigations, claims, audit, or investigative findings involving the records have been resolved.
 - (b) Records for nonexpendable property acquired by Rural Development, the 3-year retention requirement is not applicable.

(c) When records are transferred to or maintained by Rural Development, the 3-year retention requirement is not applicable.

(d) Microfilm copies may be substituted in lieu of original records. Rural Development and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the grantee which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts, and transcripts.

4. To provide information as requested by Rural Development concerning the grantee's actions in soliciting citizen participation in the applications process, including published notices of public meetings, actual public meetings held, and content of written comments received.

5. Not to encumber, transfer, or dispose of the property or any part thereof, furnished by Rural Development or acquired wholly or in part with HPG funds without the written consent of Rural Development.

6. To provide Rural Development with such periodic reports of grantee operations as may be required by authorized representatives of Rural Development.

7. To execute Form RD 400-1, and to execute any other agreements required by Rural Development to implement the civil rights requirements.

8. To include in all contracts in excess of \$100,000, a provision for compliance with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act, 42 U.S.C. §1875C-9, as amended. Violations shall be reported to Rural Development and the Regional Office of the Environmental Protection Agency.

9. That no member of Congress shall be admitted to any share or part of this grant or any benefit that may arise therefrom, but this provision shall not be construed to bar as a contractor under the grant a public-held corporation whose ownership might include a member of Congress.

10. That all nonconfidential information resulting from its activities shall be made available to the general public on an equal basis.

11. That the purpose for which this grant is made may complement, but shall not duplicate programs for which monies have been received, are committed, or are applied for from other sources, public and private.

12. That the grantee shall relinquish any and all copyrights and/or privileges to the materials developed under this grant, such material being the sole property of the Federal Government. In the event anything developed under this grant is published in whole or in part, the material shall contain a notice and be identified by language to the following effect: "The material is the result of tax-supported research and as such is not copyrightable. It may be freely reprinted with the customary crediting of the source."

13. That the grantee shall abide by the policies promulgated in 7 CFR Parts 3015 or 3016, as applicable, which provides standards for use by grantees in establishing procedures for the procurement of supplies, equipment, and other services with Federal grant funds.

14. That it is understood and agreed that any assistance granted under this grant agreement will be administered subject to the limitations of Title V of the Housing Act of 1949, as amended, 42 U.S.C 1471, et. seq., and related regulations, and that all rights granted to Rural Development herein or elsewhere may be exercised by it in its sole discretion to carry out the purposes of the assistance, and protect Rural Development's financial interest.

15. That the grantee will adopt a standard of conduct that provides that, if an employee, officer, or agency of the grantee, or such person's immediate family members conducts business with the grantee, the grantee must not:

(a) Participate in the selection, award, or administration of a contract to such persons for which Federal funds are used;

(b) Knowingly permit the award or administration of the contract to be delivered to such persons or other immediate family members or to any entity (i.e., partnerships, corporations, etc.) in which such persons or their immediate family members have an ownership interest; or

(c) Permit such person to solicit or accept gratuities, favors, or anything of monetary value from landlords or developers of rental or ownership housing projects or any other person receiving HPG assistance.

16. That the grantee will be in compliance with and provide the necessary forms concerning the Debarment and Suspension and the Drug-free Workplace requirements found in §1944.654 of this subpart.

17. That the grantee will comply with the requirements in respect to rental properties and cooperatives (co-ops) and will execute an agreement with the owners or co-op as found in §§1944.662 and 1944.663 of this subpart, specifically:

(a) If the co-op or rental property owner(s) or their successors in interest fail to carry out the requirements of this grant agreement, the ownership agreement, or any requirements noted in this subpart during the applicable period, they shall make a payment to Rural Development in an amount that equals the total amount of the assistance provided by the grantee plus interest thereon (without compounding) for each year and any fraction thereof that the assistance was outstanding. The interest rate shall be that as determined by Rural Development at the time of infraction taking into account the average yield on outstanding marketable long-term obligations of the United States during the month preceding the date on which the assistance was initially made available.

(b) Notwithstanding any other provision of law, any assistance provided shall constitute a debt, which is payable in the case of any failure to carry out the agreement between the grantee and the rental property owner(s) or co-op and shall be secured by the security instruments provided by them to Rural Development.

18. That all requirements of this subpart concerning HPG's will be followed.

PART D Rural Development agrees:

1. That it will assist the grantee, within available appropriations, with such technical and management assistance as needed in coordinating the statement of activities with local officials, comprehensive plans, and any State or area plans for improving housing for very low- and low-income households in the area in which the project or program is located.

2. That at its sole discretion, Rural Development may at any time give any consent, deferment, subordination, release, satisfaction, or termination of any or all of the grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as the grantor may determine to be:

(a) Advisable to further the purposes of the grant or to protect Rural Development's financial interests therein; and

(b) Consistent with the statutory purposes of the grant and the limitations of the statutory authority under which it is made and Rural Development's regulations.

PART E Attachments:

The statement of activities is attached to and made a part of this grant agreement.

This grant agreement is subject to current Rural Development regulations and any future regulations not inconsistent with the express terms hereof.

Grantee has caused this grant agreement to be executed by its duly authorized _____,

properly attested to and its corporate seal affixed by its duly authorized _____.

Attest:

Grantee:

By: _____

(Title)

Date of Execution of Grant Agreement by Grantee:

United States Of America
Rural Development

By: _____

(Title)

Date of Execution of Grant Agreement by Rural Development:

oOo

AMENDMENT
TO
HOUSING PRESERVATION GRANT AGREEMENT

This amendment between _____,
herein called the "Grantee," and the United States of America acting through
the Rural Development, Department of Agriculture, herein called "Rural
Development," hereby amends the Housing Preservation Grant Agreement
originally executed by said parties on _____.

Said grant agreement is amended by extending the ending date of the grant
agreement to _____, and/or by making the following changes
noted in the attachments hereto (list and identify proposal(s) and any other
documents pertinent to the grant agreement which are attached to this
amendments).

The grantee has caused this "Amendment To Housing Preservation Grant
Agreement" to be executed by its duly authorized _____,
properly attested to and its corporate seal affixed by its duly authorized
_____.

Attest:

Grantee:

By: _____

(Title)

Date of Execution of Amendment to Grant
Agreement by Grantee:

United States of America
Rural Development:

By: _____

(Title)

Date of Execution of Amendment to Grant
Agreement by Rural Development:

oOo

ADMINISTRATIVE INSTRUCTIONS FOR RURAL DEVELOPMENT FIELD OFFICES
REGARDING THEIR RESPONSIBILITIES IN THE ADMINISTRATION
OF THE HOUSING PRESERVATION GRANT (HPG) PROGRAM

I. Overall guidance.

This exhibit is intended for use by Rural Development personnel and applicants. It is to be used as a guide to this subpart to detail the duties of Rural Development personnel, reinforce specific Rural Developments, and further explain areas which have in the past been confusing.

II. Preapplications.

The State Director will designate the office for the processing (and servicing) of HPG preapplications in accordance with §1944.660 of this subpart.

Upon receiving the Federal Register and/or Administrative Notice (Processing), the State Office should notify all field offices and have a notice published in the local media. At a minimum, this notice should include the field office where a preapplication package may be obtained, questions answered, and a preapplication submitted; the open dates that preapplications may be received; and the amount of initial allocation received by the State and that "No entity can receive more than 50 percent of the State's allocation."

All requests for assistance in completing the preapplication will be forwarded to the appropriate Rural Development office. When District Offices are the processing office, the State Office is responsible for monitoring the District Office. The preapplication must be submitted to the processing office serving the area in which the applicant proposes to operate the HPG program. If the applicant proposes to operate in more than one District office area, the State Director will designate a specific office to process the application.

(A) Preapplication package. The State and District Offices will maintain for distribution to potential applicants, upon request, a supply of preapplication packets consisting of:

- (1) Standard Form (SF) 424.1, "Application for Federal Assistance (for Non-construction)";
- (2) Form RD 400-1, "Equal Opportunity Agreement";

- (3) Form RD 400-4, "Assurance Agreement";
- (4) Form RD 1940-20, "Request for Environmental Information" (The attached instructions to the form for preparing the form should be discarded in lieu of Exhibit F-1 of this subpart);
- (5) Exhibit F-1 of this subpart;
- (6) Exhibit F-2 of this subpart;
- (7) A copy of RD Instruction 2000-FF;
- (8) Forms AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions," AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," and AD-1049, "Certification Regarding Drug-free Workplace Requirements (Grants) Alternative I - for Grantees Other Than Individuals";
- (9) RD Instruction 1944-N.
- (10) This exhibit.

(B) Preapplication review.

The Rural Development official with whom the preapplication is filed will review the preapplication (SF 424.1) and other supporting information from the applicant pursuant to § 1944.676 of this subpart. The reviewing official will prepare a written narrative of the preapplication. These comments will, at a minimum, address the following items:

- (1) Whether the area to be covered by the project is a "rural area," as defined in 7 CFR part 3550. (Revised 01-23-03, SPECIAL PN.)
- (2) The need for the proposed activity and its relationship to Rural Development housing activities anticipated in the area to be served.
- (3) A statement that the applicant was made aware of the Drug-free Workplace Act of 1988 requirements (§ 1944.654(b)), the debarment requirements (§ 1944.654) and a review of the debarment list by the Agency. (Revised 07-31-96, PN 264.)

(4) That all of the requirements of §1944.658 of this subpart are or will be met.

(5) The extent of citizen involvement in the development of the preapplication, particularly the involvement of minority and/or low-income groups.

(6) A general statement that the applicant is (or is not) eligible and the application is (or is not) feasible, and the amount of funds recommended for approval (if applicable).

(7) Any other comments deemed necessary or applicable.

Preapplications which meet the project selection criteria outlined in §1944.679 (a) of this subpart will then be further reviewed and rated as outlined in §1944.679 (b) of this subpart. Exhibit D of this subpart will be used to summarize the ratings.

Upon completion of the rating (Exhibit D of this subpart), the preapplication, all supporting material, together with the reviewer's written comments, and recommendations will be forwarded to the State Director within 15 calendar days from the final date for receipt of completed preapplications.

(C) Review and ranking by State Office.

The State Office will re-evaluate all preapplications for completeness and accuracy. In addition, the State Office should also:

(1) Have the State Office architect review the preapplications as to the adequacy of the development standards to be used and any other construction related technical matters associated with the preapplication.

(2) Review Exhibit D of this subpart for all preapplications to assure that the rating was done in accordance with §1944.679 of this subpart.

(3) Complete Exhibit G (ranking) of this subpart listing all preapplications and submit a copy to: Multi-Family Housing Processing Division, Special Authorities Branch, National Office. States may request additional funds from the National Office reserve in accordance with a current Administrative Notice covering funding.

(4) Submit, for all preapplications meeting the criteria of §1944.679 (a) of this subpart, a copy of the organizations' legal documentation to the Office of General Counsel (OGC) for a review and opinion prior to obligation of any Rural Development funds. The State Office will review the opinion from OGC on the applicant's legal existence and authority to conduct the proposed program for all preapplications determined eligible. This review must be done prior to obligation of funds.

(5) Notify the applicants for all preapplications not meeting the criteria of §1944.679 (a) of this subpart. Those preapplications which do not meet Rural Development's requirements will be notified in accordance with §1944.682 of this subpart. A copy will be retained in the State Office.

(D) reallocation. National Office

The National Office will review within 45 days after the final date for submitting the preapplications, review Exhibit G of this subpart received from all State Offices and determine a reallocation of funds including all reserve funds in accordance with the current Administrative Notice (Processing). State Offices will be notified accordingly.

III. Applications.

Upon notification from the National Office of the reallocation of funds and those applications that are to be funded, the State Director will:

(A) For preapplications for which there are not sufficient funds, return the preapplications to the processing office with reasons noted. The Rural Development official will notify those applicants of the reason(s) that their preapplication was not selected using Form AD-622, "Notice of Preapplication Review Action" and advise them of their appeal rights under Subpart B of Part 1900 of this chapter, if applicable.

(B) For those preapplications which are selected and for which funds have been set aside, advise the processing office to issue Form AD-622 and request the applicant to submit an application (SF 424.1) for submission to the processing office. The request will include:

(1) Instructions to the applicant for preparation of the full application;

(2) Any conditions or amendments that must be incorporated into the statement of activities or budget; and

(3) The following statement on Form AD-622: "You are advised against taking any actions or incurring any obligations which would either limit the range of alternatives to be considered, or which would have an adverse effect on the environment. Satisfactory completion of the environmental review process must occur prior to grant approval or obligation of funds, whichever occurs first."

(C) For those preapplications which are selected and for which funds have been set aside, the processing office will complete Form RD 1940-21, "Environmental Assessment for Class I Action," in accordance with Subpart G of Part 1940 of this chapter.

(1) The State environmental coordinator will review these preapplications for compliance with §§1944.672 and 1944.673 of this subpart and, review Form RD 1940-21 for compliance with subpart G of Part 1940 of this chapter.

(2) The approval official will execute Exhibit I of Subpart G of Part 1940 of this chapter.

These requirements will be met prior to grant approval or obligation, whichever occurs first.

(D) After receipt of Form AD-622, the applicant will submit an application (SF-424.1) in an original and two copies and provide whatever additional information is requested to the processing office within 30 calendar days.

(E) The processing office will review the application upon return from the applicant and determine if it complies with all regulations, is consistent with the information, and that supporting documents required to be submitted are complete. If major problems occur during the development of the application, notify the State Office (or National Office) for assistance.

(F) The approval official will review the docket for compliance with all requirements, including the assurance that paragraph II (C) (4) of this exhibit has been fulfilled.

IV. Obligations.

When funding has been authorized, the application is complete, and the approval official has determined that all requirements have been met:

(A) Complete Form RD 1940-1, "Request for Obligation of Funds" and the grant agreement (Exhibit A of this subpart) and forward both to the applicant for signature as authorized in its authorizing resolution. (NOTE: It is recommended that the grantee meet with the Rural Development approval official and sign the items.) The actual date of applicant notification will be entered on the original of Form RD 1940-1 and the original of the form will be included as a permanent part of the file.

(B) Process the signed Form RD 1940-1 and the grant agreement in accordance with this section.

(1) The approval official will sign Section 45 of Form RD 1940-1 and authorize the request for obligation of HPG funds through the Rural Development terminal system.

(2) Record the date and time of the request.

(3) Verify the obligation date by use of the Automated Discrepancy Processing System (ADPS) status inquiry function (Option 3 on the ADPS Menu Screen). If funds are not available for the project, immediately advise the State Director.

(4) Do not submit Form RD 440-57, "Acknowledgement of Obligated Funds/Check Request," to the Finance Office for HPG grants.

(5) Do not mail Form RD 1940-1 to the Finance Office.

(6) The State Office will provide a completed Exhibit A of RD Instruction 2015-C to the Director of Legislative Affairs and Public Information Staff, in the National Office, and recommend that the project announcement be released under RD Instruction 2015-C. The State Office will also send a copy to: Multi-Family Housing Processing Division, Special Authorities Branch, National Office. A copy will also be maintained in the State Office.

(C) When the approval official determines that the applicable administrative actions have been completed, the signed grant agreement (Exhibit A of this subpart) executed by the approval official and executed Form RD 1940-1 will be sent to the grantee. In addition:

(1) SF-270, "Request for Advance or Reimbursement," will also be sent to the applicant for completion and return to Rural Development.

(2) Upon receipt from the grantee of a properly completed SF-270, Form RD 440-57 will be completed by the approval official who will request the check through the Rural Development terminal system.

(D) If the approval official disapproves the project at this stage in the processing, it should be based on new information about the applicant's eligibility, project feasibility, and/or applicant's noncompliance with conditions or instructions issued with the Form AD-622. The approval official will fully document the findings and follow the appeal procedure in Subpart B of Part 1900 of this chapter. If it is determined that a project will not be funded or if major changes in the scope of the project are made after release of the approval announcement, the procedure under §2015.102 (c) of RD Instruction 2015-C will be followed.

(E) An approved grant may be cancelled before execution of the grant agreement if the applicant is determined to no longer be eligible, the proposal is no longer feasible, or the applicant requests cancellation. Cancellation will be accomplished as follows:

(1) The approval official will prepare Form RD 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation," in an original and two copies (three copies if the HPG check has been received from the disbursing office.) Form RD 1940-10 will be sent to the State Director (original and two copies with the check if the Treasury Check is being cancelled) with the reasons for requesting cancellation.

(2) If the State Director approves the request for cancellation, the State Director will forward the original request for cancellation (original and one copy of Form RD 1940-10 with the check if the U. S. Treasury Check is being cancelled) to the Finance Office. A copy will be retained in the State Office and a copy will be sent back to the Rural Development servicing office, if other than the State Office.

(3) The approval official will notify the applicant of the cancellation and, unless the applicant requested the cancellation, the applicant's right to appeal under Subpart B of Part 1900 of this chapter. A copy of the notification will be sent to the State Office.

V. Requesting HPG checks.

The initial advance of HPG grant funds should not be requested simultaneously with the Rural Development terminal system request for obligation of the grant funds. The check for the initial advance should be requested through the Rural Development terminal system after the obligation date provided by the status inquiry function.

All advances will be requested only after receipt of SF-270, from the grantee. The amount requested must be in accordance with the applicant's budget and statement of activities, including amendments, as approved by Rural Development. An SF-270 will not be submitted more frequently than once every 30 calendar days. The approval official has the discretion not to authorize advances if the grantee fails to submit required reports or is in violation of the grant agreement.

Funds will be transmitted to the appropriate Rural Development office by U.S. Treasury Check in accordance with RD Instruction 2018-D. Handling of U.S. Treasury checks will be according to RD Instruction 2018-D. (Revised 11-02-94, PN 236.)

VI. Grant servicing and monitoring.

Rural Development, in accordance with §1944.660 of this subpart, allows the State Director latitude in designating the servicing (and processing) office(s) for the HPG program. Regardless, the State Director is responsible to ensure that all Rural Development staff are properly trained in the HPG program.

Each grant will be monitored by Rural Development to ensure that the grantee is complying with the terms of the grant agreement, the statement of activities and the budget, and that the HPG project activity is completed as approved.

Major areas of grant servicing and monitoring are listed below.

(A) Shortly after the grantee begins construction on a unit or dwelling, the Rural Development office servicing the grantee should visit the office of the grantee and review a sample number of recipient files. Additionally, those units or dwellings should be visited to ascertain if they are in compliance with HPG regulations.

(B) Review of quarterly and final reports submitted by the grantee pursuant to §1944.683 of this subpart. The quarterly performance reports (Exhibits E-1 and E-2 of this subpart) must be used by the grantee. These reports will be reviewed to determine satisfactory progress. The servicing office will contact or meet with the grantee, only when problems are noted, to discuss the report and to resolve any problems. One copy of the report with comments, problem solutions, and recommendations will be forwarded by the servicing office to the State Office (when applicable) within 15 calendar days of completions when the servicing office is not the State Office. The items listed below are areas which, at a minimum, should be addressed.

(1) The accuracy of the information. Is it the same as the grantee noted in the application, budget, and statement of activities?

(2) Is the report complete and does it reflect the number of units/dwellings assisted, the cost of assistance, the type of recipients, etc.? More importantly, is the grantee keeping in-line with that which the grantee proposed?

(3) The accomplishment of quarterly objectives and the accuracy of the grantee's schedule.

(4) The grantee's performance in implementing the environmental process of §1944.672 of this subpart and the historic preservation process of §1944.673 of this subpart.

(5) Any recommendations for modifying or amending the statement of activities or the budget to reflect grant activities.

(6) Any problems noted along with follow-up documentation of resolved or unresolved problems.

(7) If the reports indicate satisfactory progress, the State Office will maintain a copy and take no further action. If the report indicates unsatisfactory progress, the servicing official will recommend to the State Director appropriate action to resolve the indicated problem(s). In accordance with §§1944.683 and 1944.688 of this subpart, as well as the grant agreement, the State Director has the discretion to suspend or terminate the grant where the progress of the project is unsatisfactory. Upon recommendation of the servicing official, the State Director will notify the grantee in writing of a decision to suspend or terminate the grant, providing the grantee with the reasons for such action, possible corrective measures the grantee may take, and the effective date of the action. Rural Development will also advise the grantee of its appeal rights under Subpart B of Part 1900 of this chapter.

VII. Reports to National Office.

The following reports must be sent to: Multi-Family Housing Processing Division, Special Authorities Branch:

(A) Exhibit G of this subpart.

(B) A copy of Exhibit A of RD Instruction 2015-C (same as sent to the Director Legislative Affairs and Public Information Staff) of the project announcement to be released.

(C) A copy of all unsatisfactory quarterly performance reports together with all correspondence between the servicing office (or the State Director) and the grantee.

(D) A copy of the final performance report (Exhibit E-1 of this subpart) for each grantee at the termination of the grant agreement.

VIII. Environmental requirements.

Applicants provide environmental information on the area to be served by the HPG program on Form RD 1940-20 as part of the preapplication stage. In addition, applicants will include in its statement of activities its process for identifying whether an individual property will require an Rural Development environmental assessment, because it is located in a floodplain, wetland, or the proposed work is not concurred in by the Advisory Council on Historic Preservation under the requirements of §§1944.672 and 1944.673 of this subpart.

After grant approval, grantees are responsible for making an initial environmental determination and historic preservation review in accordance with its statement of activities for each dwelling to be provided HPG assistance.

(A) The grantee needs to document this review in each recipient's file. Suggested language is: "We have considered this dwelling under Rural Development's environmental and historic preservation requirements for HPG's (§§1944.672 and 1944.673 of this subpart) and an environmental assessment is not required. The review was completed in accordance with the process to identify properties requiring an Rural Development environmental assessment approved with our statement of activities."

(B) Rural Development is required to make an environmental assessment in accordance with Subpart G of Part 1940 of this chapter when a dwelling is located in a floodplain or wetland and to satisfy the requirements of 36 CFR 800, "Protection of Historic and Cultural Properties," when the grantee is not able to obtain the concurrence of the Advisory Council on Historic Preservation for the rehabilitation of a historic property. The grantee will advise Rural Development of such instances. Rural Development will then prepare the appropriate assessment outlined in Subpart G of Part 1940 of this chapter, working with the grantee to develop alternative actions and/or mitigation measures, as appropriate. Dwellings within the Coastal Barrier Resources System (CBRS) are not eligible for HPG assistance.

(C) Upon completion of the Rural Development assessment, the grantee will be advised of appropriate action to comply with the results of the assessment. A copy of Rural Development's assessment will be given to the grantee for filing in the recipient's file. Rural Development will maintain a copy of the review and related correspondence in the HPG file in the servicing office. No work will be done on the dwelling until and unless so advised by Rural Development.

IX. Extending grant agreements and modifications to the statement of activities.

If a request for a grant extension or modification to the statement of activities or budget is requested, the approval official will document the actions taken.

(A) If the grantee requests an extension to the grant agreement, it must be thoroughly documented as to the reason(s) for the time extension. The statement of activities or the budget usually needs to be revised in conjunction with extending the date.

(B) If the grantee requests any modifications to the statement of activities and/or the budget, the grantee needs to submit the modified statement of activities and/or the budget, as appropriate, together with all information necessary to justify the request. Such requests will be submitted to the Rural Development servicing office which will review and approve (if the original approving official) or recommend approval and forward the docket to the approval official, if it concurs with the modifications and such modifications meet the requirements of this subpart.

(C) Exhibit B of this subpart shall be executed upon approval of an extension of the grant period or and change in either the statement of activities or the budget.

(D) If an extension or modification is not approved, the approval official will notify the applicant in writing of the decision and advise the applicant of the appeal procedures under Subpart B of Part 1900 of this chapter.

(E) Additional grants may be considered and processed competitively, as provided in §1944.686 of this subpart. Upon approval, a new grant agreement is required and the grant will be coded as an initial grant on Form RD 1940-1.

X. Long-term monitoring by Rural Development.

The Rural Development servicing office shall insure on an annual basis that the requirements of §1944.689 of this subpart are being performed.

XI. Additional instructions.

The following provides additional guidance on areas which have in the past been confusing.

Allocation of funds. "After all preapplications have been reviewed under the selection criteria and if more than one preapplication has met the criteria of §1944.679 (a) of this subpart, the State Director may not approve more than 50 percent of the State's allocation to a single entity." (§1944.680 of this subpart)

The term "allocation" is either the initial allocation or the final allocation to the State, whichever is more favorable to the State.

When recommending (Exhibit G of this subpart) grant amounts, remember that the amount awarded cannot be higher than the amount requested by the applicant. Grant amounts should be rounded down (or up) to the nearest \$10.

Appeals. The review and selection process must be as objective as possible. Ratings are to be based on facts, not opinions. The only HPG preapplication threshold criteria (§1944.679 (a) of this subpart) decision that is appealable is, if it was rejected because it was not considered financially feasible (§1944.679 (a)(1) of this subpart) or for administrative errors. Appeals are handled by the National Appeals Staff in accordance with Subpart B of Part 1900 of this chapter.

Applicants determined eligible, but not selected due to lack of funds, are not to be given appeal rights. They may, however, request a review of the selection process and their rating.

Applications considered incomplete do not receive appeal rights, only review rights.

Budget. The information in the budget must correspond to the information in the preapplication and in the statement of activities.

The budget must indicate the breakdown and source of leveraged funds.

Cash advances. 7 CFR Parts 3015 and 3016 requires that cash advances be limited to the minimum amounts needed to be expended within the next 30 days. Only one request for a cash advance may be made within any 30-day period. (See also Disbursements.)

Cash requests (and cash advances) should follow the proposed draw requests originally submitted by the applicant.

7 CFR Part 3015 requires that cash advances made to nonprofit organizations and not disbursed must be deposited in an interest bearing account. Any interest earned on an HPG account (unless a public agency or tribal organization) must be remitted to Rural Development (unless the amount is \$99.99 or less per year in which case the amount of interest earned may be retained by the grantee for administrative expenses).

SF-270 provides for an alternative method of computing advances which Rural Development may require as an option for the grantee to utilize. The alternative method involves fewer computations and includes an estimate of the balance of funds on hand as of the beginning of the advance period.

Consistency in review process. States must be consistent in the review, rating, and ranking of preapplications. Minimal information may be requested from the applicant for clarification.

If a preapplication is incomplete, do not allow the applicant more time to submit the item(s). Determine the preapplication incomplete.

The preapplication may be "incomplete", if an item such as the statement of activities, the budget, etc., is missing. The preapplication may be "ineligible" if the activity proposed, the rehabilitation process proposed, etc., may not meet regulations. The applicant may also be "ineligible" (e.g., not meeting the organizational requirements, an individual applies, etc.)

A preapplication should not be rejected just because it's unusual.

Contracts. The repair/rehabilitation contracts are normally between the recipient and the contractor and not between the grantee and the recipient. An exception is where the grantee is operating as the contractor (§1944.664 (f) of this subpart).

Construction inspections. Construction inspections may be an eligible preservation cost, especially when such inspections are on a fee basis and related to an individual unit/dwelling assisted. Construction inspections may be treated as either an administrative expense or a preservation expense. It's up to the grantee to indicate so in their budget. Construction inspections are generally considered a housing preservation expense if they are on a fee basis where the expense can be assigned to a specific unit/dwelling assisted.

All units/dwellings repaired or rehabilitated must be completed and inspected by a disinterested third party prior to the close of the HPG agreement, as provided by the date in the Grant Agreement. This should be done prior to the last payment to the contractor. Typically, the grantee, grantee's representative, or someone on the grantee's staff should not do the final inspection. However, this would be allowed, for example, if the city was the grantee, had a separate housing department and a separate inspection department. Rural Development personnel visiting the recipient units/dwellings are monitoring only for program compliance and not for construction compliance nor for code violations (unless the Rural Development official is a construction inspector, construction analyst, or State Office architect).

No Rural Development personnel can sign off on the final inspection for the grantee.

Disbursements. Disbursements by the grantee should either: be within 7 calendar days of the date of the U.S. Treasury Check or be within 30 calendar days if the amount is less than \$10,000. (See also Cash Advances.)

Financially feasible. Financial feasibility under the project selection criteria (§1944.679 (a)(1) of this subpart) is defined as "...proposed assistance which will be affordable to the intended recipient or result in affordable housing for very low- and low-income persons."

Financial feasibility has to do with the grantee providing affordable assistance to its intended clients (recipients), not with how the grantee proposes to operate and achieve their objectives.

Forms Rural Development 400-1 and Rural Development 400-4. These forms are not required for American Indian tribes, bands, groups, nations, etc.

Indirect cost. (§1944.676 (b)(1)(x) of this subpart). This subpart references Office of Management and Budget (OMB) Circular A-87, "Cost Principles for State and Local Governments" and OMB Circular A-122, "Cost Principles for Nonprofit Organizations, Other Nonprofit Organizations, Uniform Administrative Requirements". These circulars require government agencies or nonprofit organizations to legally obligate themselves in the administration of HPG funds and to provide an adequate accounting of the expenditure of HPG funds. The circulars also govern the acceptance and use of HPG funds.

A specific requirement under these OMB Circulars is the establishment of "indirect cost rates" for grantees with more than one source of funding. The requirements are designed to provide that Federally assisted programs bear their fair share of cost, unless restricted or prohibited by administrative requirements or law.

Direct costs are those which can readily be identified with a particular grant or contract and may consist of salaries, wages, fringe benefits, consultant services, travel, materials, supplies, equipment, and communication costs. Indirect costs are those which cannot be readily identified, but are necessary to the general operation of the government agency or nonprofit organization. Typical indirect costs are administrative salaries (top level managers not actively involved in day-to-day operations of the HPG program), related travel expenses, consumable supplies, depreciation, office rent, insurance, bonding, general telephone expense, and general repairs and maintenance for the offices. What one grantee may consider a direct cost, another grantee may consider an indirect cost. The decision to treat a certain cost as an indirect cost or a direct cost will depend upon the treatment of that cost within the grantee's accounting system.

Where there is more than one source of funding, the grantee must submit an indirect cost proposal (annually) and no later than 6 months after the end of the grantee's fiscal year to its cognizant agency. When the grantee is new, a proposal should be submitted no later than 3 months after the effective date of the grant agreement. The indirect cost rate is established through an agreement between the government agency or nonprofit organization and the cognizant Federal agency, which acts on behalf of all other Federal agencies in approving the rate. The cognizant Federal agency is typically the agency which provides the largest amount of federal funding to the government agency or nonprofit organization.

A provisional and a final rate is agreed upon and the indirect costs are eventually grouped into a common pool and distributed to the benefiting projects and activities by a cost allocation process (indirect cost rate) which is applied in determining the amount of indirect costs for each project or activity.

The HPG program is somewhat unique in that administrative costs must not exceed 20 percent of the HPG funds awarded to the grantee, whereas the indirect cost ratio applies to the total cost of the project. HPG administrative costs cannot be more than 20 percent of the total HPG funds!

Initial vs. subsequent grants. If an existing or previous grantee is selected for funding in the current fiscal year, the new grant must be coded as initial and not subsequent (Item 22 of Form RD 1940-1). The only time a grant is coded as subsequent is when an existing grantee receives additional funds in the same fiscal year.

Leveraged funds. When considering leveraged funds, the applicant needs to either provide sufficient documentation in the preapplication that indicates that leveraged funds are or will be available or provide enough information that can be verified and documented by Rural Development prior to determination of the points earned under the selection criteria.

Promises of funds may not necessarily meet the criteria. Further documentation may be necessary. Past availability of funds and probability of funds is more likely; however, you may again want to confirm the probability by contacting the other source of funds.

Rural Housing (RH) Section 504 funds cannot be counted as leveraged funds, because these funds are not "blocked" to HPG grantees.

The leveraging of administrative funds does not contribute to the selection criteria on leveraging under §1944.679 (b)(2) of this subpart. Proposals are to receive points when less than 20 percent of HPG funds are used for administrative expenses. While no points are assigned for administrative funds leveraged, the availability of additional administrative funds may be critical to the management of the applicant's program.

The formula in §1944.679 (b)(2) of this subpart is: subtract HPG administrative cost from total HPG funds requested and then divide the resulting figure by the total cost of preservation proposed to obtain a percentage.

Leveraged funds should be tied in firmly with the grantee. Making availability of leveraged funds a condition of grant approval is not enough, since the funds could fall through and Rural Development would have selected an applicant that could not accomplish its targeted objectives. There would then be no recourse within the fiscal year for a grantee that may have rated better than the one whose leveraging fell through.

Market areas. Existing grantees requesting a modification to the statement of activities may propose to serve additional market areas with HPG funds. This may be approved, however, the grantee must provide information as to why it did not meet its original objective, what was done to attempt to meet that objective, and its administrative capacity to handle a new area.

Monitoring by Rural Development. Rural Development should review a few of the recipient files to make sure the grantee is in compliance with all regulations. Rural Development should also spot check a few of the recipient homes to make sure all items are being looked at, there are no historical nor environmental concerns, etc. Rural Development is not running the program...the grantee is. We are simply monitoring the grantee.

Preapplications. An applicant can send in more than one preapplication. They may desire two different programs (i.e., one grant vs. one loan program or assisting homeowners and assisting rental properties) or they may desire to have two programs in separate areas. However, no one entity may receive more than 50 percent of the State's allocation.

Publication notice by Rural Development. The State Office should notify County Offices to publish a notice of the HPG program in the local newspaper, stating the time limitations, where to apply, etc. The notice should not state that the applicant cannot apply for more than a specific amount nor make only one application. You should note, however, the amount allocated to your State and that no one entity may receive more than 50 percent of the State allocation. Do not encourage all applicants to apply for an amount equal to the initial allocation or even 50 percent of the initial allocation. However, applicants should request the minimum needed to operate a feasible, cost effective program.

Processing checklist. While a processing checklist is not required, reviews are being conducted with little or no comments in the running record. A processing checklist indicating that the items were reviewed is beneficial only if updated constantly and consistently. Exhibit D of this subpart must be used.

Program income. Grantees are required to monitor and track the use of program income (loans, interest repayments, payments received from breach of agreement) to ensure that repayments are used properly which will include an accurate, current, and complete disclosure of the financial results of each grant. This method should be noted in the statement of activities.

Public comment process. Preapplications cannot be considered unless the applicant has made the statement of activities available to the public for at least 15 days prior to the last date for receipt of the preapplications. The 15-day comment period must be noted in the publication. This notice should be in the recognized paper for the area to be served. This does not mean that the comments received (if any) needs to be submitted with the preapplication.

American Indian tribes, etc. are exempt from publication in a newspaper, as long as a notice was sent out to all tribal members in the area or some other acceptable manner of notification was used.

Recipient selection. After the grantee goes through a detailed and documented screening process (recipient eligible or not eligible), the grantee must have a process for selecting recipients (e.g. who is first, second, etc., in line to receive assistance.)

This process must be noted in the statement of activities and should be reviewed for compliance by Rural Development when visiting the grantee and reviewing the recipient files.

Staffing requirements. §1944.676 (b)(1)(vi) of this subpart. The statement of activities must include the staffing required to complete the program. Compare the information to that of the budget. Special notice should be on the percentage of time being spent by the staff on the program. Example: Executive Director-50 percent? You should ask yourself: Is the Executive Director really going to spend 50 percent of his/her time on the HPG program given other responsibilities?

Thermal standards for Rural Development existing structures. All recipient files must have a statement signed by the grantee or grantee's representative that basically says: "This home has been inspected and when repairs/rehabilitation is complete, it will meet Rural Development's thermal standards for existing structures outlined in Exhibit D of Subpart A of Part 1924 of this chapter."

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PROJECT SELECTION CRITERIA
OUTLINE RATING

Applicant Name: _____

Applicant Address: _____

Preapplication Received On: ____/____/____ State: _____

THRESHOLD CRITERIA

Applicants must meet all of the following threshold criteria:

	Yes	No
1. Provide a financially feasible Housing Preservation Grant (HPG) program.	[]	[]
2. Serve an eligible rural area.	[]	[]
3. Is an eligible HPG applicant entity.	[]	[]
4. Has met consultation and public comment rules.	[]	[]
5. Has submitted a complete preapplication.	[]	[]

If the answer to any of the above is "no," the preapplication is rejected and applicant so notified.

SELECTION CRITERIA

POINTS Select the appropriate rating:

- _____ 1. Points are awarded based on the percentage of very low- income persons that the applicant proposes to assist, using the following scale:
- (i) More than 80%: 20 points
 - (ii) 61% to 80%: 15 points
 - (iii) 41% to 60%: 10 points
 - (iv) 20% to 40%: 5 points
 - (v) Less than 20%: 0 points
- Actual Percentage: _____%

POINTS

- _____ 2. The applicant's proposal may be expected to result in the following percentage of HPG fund use (excluding administrative costs) to total cost of unit preservation. This percentage reflects maximum repair or rehabilitation with the least possible HPG funds due to leveraging, innovative financial assistance, owner's contribution or other specified approaches. Points are based on the following percentage of HPG funds (excluding administrative costs) to total funds:
- (i) 50% or less: 20 points
 - (ii) 51% to 65%: 15 points
 - (iii) 66% to 80%: 10 points
 - (iv) 81% to 95%: 5 points
 - (v) 96% to 100%: 0 points
- Actual percentage: _____%
- _____ 3. The applicant has demonstrated its administrative capacity in assisting very low- and low-income persons to obtain adequate housing based on the following:
- _____ (i) The organization or a member of its staff has two or more years experience successfully managing and operating a rehabilitation or weatherization type program, including Rural Development's HPG program: 10 points.
 - _____ (ii) The organization or a member of its staff has 2 or more years experience successfully managing and operating a program assisting very low- and low-income persons obtain housing assistance: 10 points
 - _____ (iii) If the organization has administered grant programs, there are no outstanding or unresolved audit or investigative findings which might impair carrying out the proposal: 10 points

POINTS

_____ 4. The proposed program will be undertaken entirely in rural areas outside MSAs identified by Rural Development as having populations below 10,000 or in remote parts of other rural areas (i.e., rural areas contained in MSAs with less than 5,000 population) as defined in §1944.656 of this subpart: 10 points

_____ 5. The program will use less than 20 percent of HPG funds for administration purposes:

- (i) More than 20 percent: Not eligible
- (ii) 20 percent: 0 points.
- (iii) 19 percent: 1 point.
- (iv) 18 percent: 2 points.
- (v) 17 percent: 3 points.
- (vi) 16 percent: 4 points.
- (vii) 15 percent or less: 5 points.

Actual Percentage: _____%

_____ 6. The proposed program contains a component for alleviating overcrowding as defined in §1944.656 of this subpart: 5 points

=====

_____ TOTAL POINTS

Signature of Reviewer

Title of Reviewer

Date

Guide For Completing Form RD 1940-20,
"Request for Environmental Information"
for a Preapplication for Housing Preservation Grant (HPG)

Introduction

The purpose of this guide is to simplify the HPG applicant's task in completing Form RD 1940-20, "Request For Environmental Information." The guide tailors the use of the form to the needs of the HPG program. Applicants should first read the questions on the form and then use this guide in preparing their responses.

Completion of Item 1b

Item 1b of the form is completed whenever the applicant checks the "No" block under item 1a.

Since financial assistance for an HPG has been defined by Rural Development as a Class I action, the applicant need only provide the following information when filing a preapplication. If further information is required, the applicant will be so advised by the Rural Development office processing the preapplication. The following is a discussion on how to respond to these six required parts.

1. Primary Beneficiaries

For the purposes of determining the HPG proposal's environmental impacts, the primary beneficiaries for an HPG will be the residents of the dwellings to be repaired and/or rehabilitated. Therefore, the applicant should briefly state the expected number and type of dwellings that the proposal may assist and, in particular, all repair and rehabilitation activities that are part of the proposal.

2. Area Description

(a) The applicant does not need to provide any description of the specific dwellings to be repaired or rehabilitated. Most of these are probably unknown at the time of preapplication submittal. Therefore, a more general description should be provided of the geographical area(s) in which the applicant's HPG program will operate. The applicant must describe:

- (1) The environmentally sensitive land uses within this geographical area(s) such as floodplains, wetlands, and coastal areas;

(2) The presence within the geographical area(s) of all environmental conditions such as excessive noise levels, radon gas, inadequate water supply or sewage treatment, contamination from toxic, hazardous, or radioactive substances, seismic conditions, a violation of an ambient air quality standard(s) resulting from emissions from a major facility, or any other health/safety hazards known to the applicant; and

(3) The potential for properties to be assisted by the applicant's program to be located in or impacted by the conditions described in paragraphs (1) and (2) of this section.

(b) For each box checked "Yes" in item 3, describe the nature of the effect on the resource. If one or more of boxes 17 thru 22 is checked "Yes" or "Unknown," contact Rural Development for instructions relating to the requirements for floodplains, wetlands, and the Coastal Barrier Resources System.

(c) In terms of maps and descriptive information, a map showing a reasonable amount of detail, i.e., all roads, waterways, railroads, airports, etc., must be provided that clearly delineates the geographic area(s) to be served by the HPG program. Also, if the applicant has plans to concentrate HPG funds in a particular area or on a particular type of housing, associated general locations should be highlighted on the map.

3. Public Reaction

(a) Describe any objections which have been made to the project.

(b) If a public hearing has been held, attach a copy of the transcript or other official record of the hearing. If a public hearing has not been held, certify to that effect.

(c) Indicate any other evidence of the communities awareness of the project such as newspaper articles or public notification.

4. Mitigation Measures

Applicants will use this part to describe the mitigation measures that will be considered and/or used should any dwellings to be assisted be located within the environmentally sensitive or hazardous areas described by the applicant in response to section 2 of this exhibit.

5. Permits

Discuss the status of, and if available, attach any State, sub-State, or local permits or permitting processes of an environmental nature that will have to be complied with in the implementation of the HPG program. There is no Rural Development requirement that applicants apply for permits during the preapplication or application review process.

6. Other Federal Actions

Identify other federal programs or actions which are either related to this project or located in the same geographical area(s) and for which you are filing a preapplication, have recently received approval, or are in the planning stages.

Completion of Item 2

Applicants must complete this item. Applicants must develop their proposal as it relates to historic preservation in consultation with the State Historical Preservation Officer (SHPO) and provide the SHPO with a copy of their statement of activities and be prepared to discuss and modify it to reflect the historic preservation requirements of the HPG program. (For further information, please review §1944.673 of this subpart and the Programmatic Memorandum of Agreement (RD Instruction 2000-FF) provided as part the HPG preapplication package.)

Completion of Item 3

Self-explanatory.

Completion of Item 4

The answer to this question will be known by the applicant since the applicant would have been formally notified by the U.S. Environmental Protection Agency if the applicant has been listed or is under consideration for listing.

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Guide: Grantee's Process for Identifying Properties
Requiring Rural Development Environmental Assessments

I. Before beginning work on a particular dwelling, we (grantee) agree to answer the following questions in accordance with the accompanying guidelines:

A. **Floodplains, Wetlands, and Coastal Barrier Resources System (CBRS)**

1. Is the dwelling located in a 100-year floodplain?

The grantee will check the latest Federal Emergency Management Agency (FEMA) Floodplain Insurance Rate Maps to determine if the property is located in a 100-year floodplain. These maps are provided by FEMA to each community which has been mapped, and may be reviewed at local municipal or county governmental offices. FEMA maps may be purchased from FEMA's Flood Map Distribution Center by calling 1-800-333-1363. In addition, Rural Development County Offices maintain an unofficial set of the maps. If a community has not been mapped, information regarding floodplains may be obtained from the Soil Conservation Service (SCS), the U.S. Fish and Wildlife Service, the U.S. Army Corps of Engineers, the U.S. Geological Survey offices, or regional or State agencies established for flood prevention purposes.

The grantee will check with the Rural Development County Supervisor if a dwelling appears to be in a questionable location. When advised to do so by Rural Development or one of the above agencies, the grantee will obtain the services of a registered engineer or appropriate environmental professional to make the floodplain determination.

2. Is the dwelling located in a wetland?

The grantee will check with the local SCS office to determine if the dwelling is located in a wetland protected by Executive Order 11990, "Protection of Wetlands." When advised to do so by SCS or Rural Development, the grantee will obtain the services of an appropriate environmental professional to make the wetland determination.

If the dwelling is located in a floodplain or a wetland, the grantee will do no work on the dwelling until Rural Development completes an environmental assessment. The grantee will abide by the decisions resulting from the assessment, including mitigation measures or a decision to reject the dwelling for the Housing Preservation Grant (HPG) program. The applicant will provide the Rural Development official performing the assessment a copy of the proposed mitigation measures for properties located in floodplains or wetlands submitted with Form RD 1940-20, "Request for Environmental Information."

3. Is the dwelling located in the CBRS?

If the dwelling is located on or adjacent to a coast of the United States or the Great Lakes, the grantee will check with the U.S. Fish and Wildlife Service to determine if the property is part of the CBRS. Rural Development County Offices servicing coastal areas may also have CBRS maps.

If a dwelling is located within the CBRS, the dwelling is ineligible for the HPG program.

B. Historic and Archaeological Properties

4. Does the dwelling or property have any historic or archaeological value?

The grantee will develop in consultation with the State Historic Preservation Officer (SHPO) a process to ensure full compliance with the spirit and intent of RD Instruction 2000-FF. The process will take into account the national historic preservation objectives set forth in Attachment 1 of Exhibit A of RD Instruction 2000-FF, and will encourage the rehabilitation of historic buildings in a manner that realistically meets the needs of very low- and low-income property owners while preserving the historic and architectural character of such buildings.

The grantee will identify properties that are listed or eligible for listing on the National Register of Historic Places. This will be accomplished by evaluating the property as set forth in Attachment 2 of Exhibit A of RD Instruction 2000-FF.

At a minimum, the grantee will contact the SHPO and request comments when any of the following conditions occur:

(a) The dwelling proposed for rehabilitation and/or repair is older than 50 years;

(b) Regardless of age, the property appears to have significant historic and/or archaeological features, including, but not limited to:

(1) The dwelling appears to have unusual architectural features which are not typically found in the area;

(2) A graveyard or burial ground of any type is known to be on the property;

(3) The property contains or is known to have contained a significant number of artifacts such as arrowheads, stone tools, etc.;

(4) The property is located in or adjacent to a currently listed historic district or site.

(c) Any other conditions agreed upon by the grantee and SHPO under the terms of RD Instruction 2000-FF.

When planning the rehabilitation of a historic property for a proposed recipient, the grantee will comply with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings to the extent practicable.

If, after consulting with SHPO, it is determined the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings cannot be reasonably met, or it is determined a historic property will be adversely affected, the grantee will furnish all necessary information and initiate formal consultation to afford the Advisory Council on Historic Preservation an opportunity to comment. Attachment 3 of Exhibit A of RD Instruction 2000-FF provides additional guidance on this subject.

If at any time during renovation work one of the above conditions mentioned in paragraphs (a) through (c) of this section becomes apparent, the grantee will immediately cease work on the property and contact the SHPO and Rural Development. The grantee will abide by the directions of the SHPO and Rural Development concerning further work on the property.

**C.
Considerations**

Other Environmental

5. Does the property contain any areas where chemicals or petroleum products are stored, disposed of, or appear to have been released into the environment?

If the grantee discovers such a condition on the property, the grantee will not remove or handle any of these materials. The grantee will immediately consult with the occupants/owners of the dwelling regarding the situation and will contact Rural Development and, if appropriate, the local Health Department or environmental regulatory agency for further guidance.

6. Are there adjacent land uses which now or in the future present a potential detriment to the quality of the environment of the subject property?

The grantee will do a thorough reconnaissance of the surrounding area and determine if there are: noise sources (railroads, airports, industry, heavily traveled highways, etc.); safety or sanitary problems; air pollution sources; or severe deficiencies in services such as fire protection, crime control, etc.

If any of the adverse environmental conditions noted in paragraphs 5 and 6 of this section are discovered, the grantee will do no work on the dwelling until Rural Development has been consulted. The grantee will abide by the decisions resulting from the consultation and/or assessment, including mitigation measures or a decision to reject the dwelling for the HPG program.

II. We (the grantee) will answer each of these questions on each property considered for inclusion in the HPG program, and will document the recipient file with our findings. If none of the questions are answered "Yes," we will document such in the recipient file and will proceed with the repair/rehabilitation of the property as planned. We will monitor the work being done to insure that all construction wastes are properly disposed of. We will fully cooperate with and assist Rural Development in the preparation of any necessary environmental reviews on the property.

SUBMITTED BY:

Grantee

Title

Signature

Date

oOo

Exh G in PDF ONLY.

Housing Preservation Grant (HPG) Program
Guidelines to HPG Grantees
on the use of Recipient Application Forms and Appeal Rights

- I. Recipient applications. Applications are to be processed on a first-come, first served basis. At a minimum, applications used by the grantee to determine if financial assistance will be made available to eligible homeowners, owners of single or multi-unit rental properties, or owners of cooperative housing projects (co-ops) will contain the following:
- (A) Name and address of the proposed recipient(s);
 - (B) The age and number of the persons living in the dwelling or unit to be assisted with HPG funds for all or part of the next 12 months;
 - (C) If a homeowner, the income requirements outlined in §1944.661 (a) of this subpart;
 - (D) The applicant's signature;
 - (E) The date the application was completed by the applicant;
 - (F) The race or ethnic group and sex designation of the persons living in the dwelling or unit to be assisted with HPG funds for all or part of the next 12 months. The race or ethnic group will be categorized as follows:
 - (1) White (not of Hispanic origin)
 - (2) Black (not of Hispanic origin)
 - (3) American Indian or Alaskan Native
 - (4) Hispanic
 - (5) Asian or Pacific Islander;
 - (G) A statement that the recipient is providing this information on a voluntary basis to enable the monitoring and compliance with Federal laws prohibiting discrimination. When the recipient does not provide this information, the grantee will fill in this information based on personal observations and indicate on the recipient's application that it was filled in by the grantee.

The following is an example of the statement:

The information solicited on this application is requested by the grantee in order to assure the Federal Government, acting through the Rural Development, that Federal laws prohibiting discrimination against applicants on the basis of race, color, national origin, religion, sex, familial status, age, and handicap are being complied with. You are not required to furnish this information, but are encouraged to do so. This information will not be used in evaluating your application or to discriminate against you in any way. However, if you choose not to furnish it, the grantee is required to note the race/national origin and sex of the individual applicants on the basis of visual observation or surname.

II. Notifications to recipients. The grantee will make a determination within a reasonable length of time (30 days) as to whether the recipient's application is incomplete or complete.

- (A) Incomplete applications. All recipients who are determined by the grantee to have submitted an incomplete application will be notified in writing as to the reason(s) the application was incomplete. The applicant will be given the opportunity to complete their application and submit new or additional information within a stated period of time in an effort to achieve eligibility. Any application resubmitted will fall within the normal selection criteria determined by the grantee.
- (B) Complete applications. Recipients with complete applications (those meeting all of the grantee's criteria) will be notified in writing whether the applicant was:
 - (1) Selected for financial assistance;
 - (2) Placed on a waiting list for financial assistance subject to the availability of funds; or
 - (3) Not selected for financial assistance.

- (C) Those recipients not selected for financial assistance will be given the specific reason(s) for rejection and given the opportunity to have their determination reviewed by the grantee. If the rejection is based on information from a credit bureau report, it must be revealed to the recipient in accordance with the Fair Credit Reporting Act. Rejection of recipients on an arbitrary basis is prohibited. Examples of such arbitrary rejections are: race, color, religion, sex, familial status, national origin, and handicap; receipt of income from public assistance; and persons with children of undetermined parentage.

III. Filing of recipient applications. Recipient applications and all additional data submitted, determinations, correspondence, etc. will be maintained by the grantee in individual recipient files in accordance with 7 CFR Parts 3015 and 3016. The information will be made available to Rural Development for review during normal hours.

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QUARTERLY (and FINAL) PERFORMANCE REPORT

Grantee Name: _____

Grantee Address: _____

Assistance Program: [] Homeowner [] Rental Property [] Co-op

Grant Quarter: [] 1st [] 2nd [] 3rd [] 4th [] 5th

[] 6th [] 7th [] 8th [] Final Report

Funding Year: _____ Report Period - From: _____ To: _____

I. GENERAL INFORMATION ON USE OF HOUSING PRESERVATION GRANT (HPG) FUNDS DURING CURRENT PERIOD

A. Use of Administrative Funds:

Budgeted Amount	\$ _____
Expended through Last Quarter	\$ _____
Direct Cost - Personnel	\$ _____
Supplies & Equipment	\$ _____
Travel	\$ _____
Other	\$ _____
Total	\$ _____
Indirect Costs - (_____ % Rate)	\$ _____
This Quarter Total	\$ _____
Previous Total	\$ _____
To-date Total	\$ _____

B. Use of Grantee's Program Funds:

Budgeted Amount	\$ _____
Expended through Last Quarter	\$ _____
Loans Number	\$ _____
Grants Number _____	\$ _____
Other Subsidies Number _____	\$ _____
(Describe briefly on an attachment)	
This Quarter Total	\$ _____
Previous Total	\$ _____
To-date Total	\$ _____

II. DESCRIPTION OF RECIPIENTS PROVIDED ASSISTANCE DURING REPORT PERIOD
 (Attach breakdown for each HPG recipient on a separate page.

Include: name, address, income, size, race, housing preservation activities, and type of assistance received.)

	<u>This Period</u>	<u>Total To-date</u>
Number low-income persons assisted	_____	_____
Number very low-income persons assisted	_____	_____
Total number of persons assisted	_____	_____

Racial Composition and Outreach

	<u>Total % Pop. of Area Served</u>	<u>Total Number This Period</u>	<u>Total Percent This Period</u>	<u>Total Number To-date</u>	<u>Total Percent To-date</u>
Whites	_____ %	_____	_____ %	_____	_____ %
Blacks	_____ %	_____	_____ %	_____	_____ %
Asian/Pacific Islanders	_____ %	_____	_____ %	_____	_____ %
Amer. Indians/ Alas. Natives	_____ %	_____	_____ %	_____	_____ %
Hispanic	_____ %	_____	_____ %	_____	_____ %
Total		_____	Total	_____	

III. DESCRIPTION OF TYPES OF HOUSING PRESERVATION PROVIDED

<u>Name of Recipient</u>	<u>Cost of Materials & Labor</u>	<u>HPG</u>	<u>Other</u>	<u>Total</u>
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____

(Use an attachment if necessary)

IV. OBJECTIVES FOR NEXT PERIOD

Loans	Number	_____	\$	_____
Grants	Number	_____	\$	_____
Other Subsidies	Number	_____	\$	_____

(Describe briefly on an attachment)

V. PROJECT SUMMARY

	<u>Number of Recipients</u>	<u>HPG Funds</u>	<u>Other Funds</u>
Objective of Project	_____	\$ _____	\$ _____
Assistance To-date	_____	\$ _____	\$ _____
Assistance Next Period	_____	\$ _____	\$ _____

Average Amount of HPG Assistance Provided To-date \$ _____

(Per Unit)

QUARTERLY (and FINAL) PERFORMANCE REPORT
[example and explanation]

Grantee Name: _____
(1)

Grantee Address: _____

(2)

Assistance Program: [] Homeowner [] Rental Property [] Co-op
(3)

Grant Quarter: [] 1st [] 2nd [] 3rd [] 4th [] 5th
(4)

[] 6th [] 7th [] 8th [] Final Report

Funding Year: _____ Report Period - From: _____ To: _____
(5) (6) (6)

I. GENERAL INFORMATION ON USE OF HOUSING PRESERVATION GRANT
(HPG) FUNDS DURING CURRENT PERIOD

A. Use of Administrative Funds:

	Budgeted Amount	\$ _____
		(7)
	Expended through Last Quarter	\$ _____
		(8)
Direct Cost - Personnel	\$ _____	
	(9a)	
Supplies & Equipment	\$ _____	
	(9b)	
Travel	\$ _____	
	(9c)	
Other	\$ _____	
	(9d)	
Total		\$ _____
		(9e)
Indirect Costs - (_____ % Rate)		\$ _____
(10a)		(10b)
This Quarter Total		\$ _____
		(11)
Previous Total		\$ _____
		(12)
To-date Total		\$ _____
		(13)

B. Use of Grantee's Program Funds:

	Budgeted Amount	\$	<u> </u>
			(14)
	Expended through Last Quarter	\$	<u> </u>
			(15)
Loans	Number <u> </u>	\$	<u> </u>
	(16a)		(16b)
Grants	Number <u> </u>	\$	<u> </u>
	(16c)		(16d)
Other Subsidies	Number <u> </u>	\$	<u> </u>
	(16e)		(16f)
	(Describe briefly on an attachment)		
	This Quarter Total	\$	<u> </u>
			(17)
	Previous Total	\$	<u> </u>
			(18)
	To-date Total	\$	<u> </u>
			(19)

II. DESCRIPTION OF RECIPIENTS PROVIDED ASSISTANCE DURING REPORT PERIOD
 (Attach breakdown for each HPG recipient on a separate page.

Include: name, address, income, size, race, housing preservation activities, and type of assistance received.)

	<u>This</u>	<u>Total</u>
	<u>Period</u>	<u>To-date</u>
Number low-income persons assisted	<u> </u>	<u> </u>
	(20a)	(20b)
Number very low-income persons assisted	<u> </u>	<u> </u>
	(20c)	(20d)
Total number of persons assisted	<u> </u>	<u> </u>
	(20e)	(20f)

Racial Composition and Outreach

	Total % Pop. of Area <u>Served</u> (21a)	Total Number This <u>Period</u> (21b)	Total Percent This <u>Period</u> (21c)	Total Number <u>To-date</u> (21d)	Total Percent <u>To-date</u> (21e)
Whites	<u> </u> %	<u> </u>	<u> </u> %	<u> </u>	<u> </u> %
Blacks	<u> </u> %	<u> </u>	<u> </u> %	<u> </u>	<u> </u> %
Asian/Pacific Islanders	<u> </u> %	<u> </u>	<u> </u> %	<u> </u>	<u> </u> %
Amer. Indians/ Alas. Natives	<u> </u> %	<u> </u>	<u> </u> %	<u> </u>	<u> </u> %
Hispanic	<u> </u> %	<u> </u>	<u> </u> %	<u> </u>	<u> </u> %
		(21f)		(21g)	
Total		<u> </u>	Total	<u> </u>	

VI. NARRATIVE

A. Significant accomplishments:

(27)

B. Problem areas:

(28)

C. Proposed changes or assistance needed, etc.:

(29)

D. Status of implementing Environmental and Historic Preservation requirements. Include number and description of historic properties assisted:

(30)

I hereby certify that the information contained herein is true and accurate to the best of my knowledge and in accordance with the requirements of the Grant Agreement and Subpart N of Part 1944 of this chapter and that all final inspections have been made.

Date Prepared (31a)

Signature of Preparer (31b)

Date Signed (31c)

Grantee's Signature (31d)

This report is in compliance with Subpart N of Part 1944 of this chapter.

Date Signed (32a)

Rural Development (32b)

GUIDELINE FOR PREPARATION

- (1) Insert name of grantee.
- (2) Insert address of grantee.
- (3) Indicate type of assistance program.
- (4) Indicate grant quarter (1st thru 8th) or final report. It is recommended the grantee be on calendar quarters (ending 9/30, 12/31, 3/31, 6/30) as soon as possible after grant signing.
- (5) Insert Fiscal Year funded.
- (6) Insert report period. For example: "8/25 to 9/30" if 1st quarter, or "10/1 to 12/31", etc.

I. GENERAL INFORMATION ON USE OF HOUSING PRESERVATION GRANT (HPG) FUNDS DURING CURRENT PERIOD

A. Use of Administrative Funds: (This section is used to detail how the HPG administrative funds were used during the current quarter.)

- (7) Insert total amount of HPG administrative funds for the entire project approved in the grantee's budget. In no event should this amount exceed 20 percent of the HPG grant awarded to the grantee.
- (8) Insert amount of HPG administrative funds expended through last quarter. This will be the same amount as item 13 from the previous quarterly performance report.
- (9a- 9d) Insert HPG administrative expenses (Personnel, Supplies & Equipment, Travel, and Other) that are related to HPG activities and so assigned by the grantee.
- (9e) Insert the "Total" for items 9a through 9d.
- (10a) Insert approved or provisional indirect cost rate, if applicable.

(10b) Insert the indirect costs for the quarter, if applicable.

NOTE: Insert the rate and amount only if an indirect cost ratio has been approved or a provisional rate submitted, when used for a given period of time to permit funding and reporting of indirect costs pending establishment of a final rate for that period. When a permanent rate is established, the indirect costs claimed by using the provisional rate are adjusted to reflect the indirect costs based on the permanent rate. Indirect costs are the administrative expenses that are generally not assigned as "direct" costs, which reflect the HPG project's contribution to the overall cost of the organization's operation.

The "indirect cost rate" is established through an agreement between the government agency or nonprofit organization and the cognizant federal agency, which acts on behalf of all other federal agencies in approving the rate. The cognizant federal agency is the agency which provides the largest amount of federal funding for the government agency or nonprofit organization. The indirect costs are eventually grouped into a common pool and distributed to the benefiting projects and activities by a cost allocation process (indirect cost rate) which is applied in determining the amount of indirect cost for each project or activity.

- (11) Insert the total amount of direct cost and indirect cost (items 9e + 10b) for the this quarter total.
- (12) Insert the total amount from the previous quarter (this should be the same as item 8).
- (13) Insert the to-date total (items 11 + 12). This amount will be shown in item 8 for the next quarterly performance report.

B. Use of Grantee's Program Funds (This section is used to detail how the HPG program funds were used during this quarter.)

- (14) Insert the amount of HPG program funds budgeted. This amount does not include administrative funds. (Note: Items 7 and 14 should equal the grant amount.)
- (15) Insert amount of HPG program funds expended through last quarter. This will be the same amount as item 19 from the previous quarterly performance report.

(16a) Insert number of units assisted with loans for this quarter.

(16b) Insert the amount of HPG program funds for loan assistance, actually used this quarter.

(16c) Insert number of units assisted with grants for this quarter.

(16d) Insert the amount of HPG program funds for grant assistance, actually used this quarter.

(16e) Insert number of units assisted with other subsidies for this quarter.

(16f) Insert the amount of HPG program funds for other subsidy assistance, actually used this quarter.

(17) Insert the total amount of HPG program funds used for loans, grants, and other subsidies (items 16b + 16d + 16f) for this quarter.

Compare this amount with last quarter's report (Section IV) to see if the targets are being met. Explain any differences in Section VI of this report.

(18) Insert the total amount from the previous quarter (this should be the same as item 14).

(19) Insert the to-date total (items 17 + 18). This amount will be shown in item 15 for the next quarterly performance report.

II. DESCRIPTION OF RECIPIENTS PROVIDED ASSISTANCE DURING REPORT PERIOD
(This section is used to identify the number of low-income and very low- income persons and the racial composition of recipients provided assistance during the report period. Note requirement for attaching a report for each recipient.)

(20a) Insert number of units occupied by low-income persons assisted for this quarter.

(20b) Insert the number of units occupied by low-income persons assisted to-date.

(20c) Insert number of units occupied by very low- income persons assisted for this quarter.

- (20d) Insert the number of units occupied by very low- income persons assisted to-date. This should be consistent with the statement of activities and objectives.
- (20e) Insert the total number of units occupied by very low- income and low- income persons assisted this quarter (items 20a + 20c).
- (20f) Insert the total number of units occupied by very low- and low-income persons assisted to-date (items 20b + 20d).
- (21a) Insert the total percentage of population for the area served for each of the racial categories indicated.
- (21b) Insert the total number of persons assisted this quarter for each racial category indicated.
- (21c) Insert, as a percentage, the total number of persons assisted this quarter for each racial category indicated. This figure is determined by dividing item 21b by 21a.
- (21d) Insert the total number to-date of persons assisted for each racial category indicated. This is an accumulative figure by adding item 21d from the previous quarterly performance report to item 21b from the current quarterly performance report for each racial category indicated.
- (21e) Insert, as a percentage, the total number of persons assisted this quarter for each racial category indicated. This figure is determined by dividing items 21d by 21a.
- (21f) Insert the total of items "21b" to obtain the total number of persons assisted this quarter for all racial categories indicated.
- (21g) Insert the total of items "21d" to obtain the total number to-date of persons assisted for each racial category indicated.

III. DESCRIPTION OF TYPES OF HOUSING PRESERVATION PROVIDED

(This section provides, by recipient, a cost of the general labor and materials. While the full breakdown of rehabilitation activities should be in the grantee's file and the attached report for each recipient, this provides an opportunity to summarize the types of activities the HPG program is financing and the costs. Provide attachment if additional space is needed.)

- (22a) Insert the name of recipient who received funds from the grantee.
- (22b) Insert the cost of all materials, labor, etc., (excluding HPG administrative funds) per recipient.
- (22c) Insert the amount of HPG program funds (including HPG administrative funds) per recipient.
- (22d) Insert the amount of other (leveraged funds) per recipient.
- (22e) Insert the total of all funds received by the recipient. This is the sum of items 22c and 22d.

IV. OBJECTIVES FOR NEXT PERIOD (This section outlines the objectives for the next quarterly period.)

- (23a) Insert the number of loans, grants, and other subsidies planned for the next quarterly period. Attach a brief statement to this quarterly performance report explaining all deviations (if any) from the statement of activities.
- (23b) Insert the amount of money planned to be used for the loans, grants, and other subsidies for the next quarterly period.

Note: Attach a brief statement to the quarterly report, if necessary, explaining any deviation from the statement of activities.

V. PROJECT SUMMARY

- (24a) Insert the total number of recipients that was proposed to be assisted. This information should be the same as in the statement of activities.
- (24b) Insert the total amount of HPG funds (including HPG administrative funds) awarded. This will be the sum of items 7 and 14.

- (24c) Insert the total amount of other funds (leveraged funds) that was originally proposed (or modified) in the statement of activities.
- (25a) Insert the total number of recipients that have received assistance to-date. This will be the same as item 20f.
- (25b) Insert the total amount of HPG funds (including HPG administrative funds) awarded to-date. This will be the sum of items 13 and 19.
- (25c) Insert the total amount of other funds (leveraged funds) that was awarded to-date.
- (25d) Insert the average amount of HPG assistance provided to-date. This is the sum of items 25b and 25c divided by item 25a.
- (26a) Insert the total number of recipients that is proposed to be assisted next quarter. This information should be the same as in the statement of activities.
- (26b) Insert the total amount of HPG funds (including HPG administrative funds) proposed to be used next quarter.
- (26c) Insert the total amount of other funds (leveraged funds) proposed to be used next quarter.

VI. NARRATIVE

- (27) Indicate any significant accomplishments such as early start, outreach, additional persons assisted than proposed, etc.
- (28) Indicate an problem areas noted or anticipated, such as under or over estimating rehabilitation/repair costs, delayed job, extensions needed, etc.
- (29) Indicate any proposed changes, assistance needed, etc., such as other subsidies used with HPG funds, targeted population, etc.
- (30) Indicate the status of all environmental reviews made and historic properties assisted.
- (31a) Insert the date signed by the Preparer.
- (31b) Insert the signature of the Preparer.
- (31c) Insert the date signed by the grantee.
- (31d) Insert the signature of the grantee.

(32a) Insert the date signed by the Rural Development reviewer.

(32b) Insert the signature of the Rural Development reviewer.

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