

RD AN No. 3993 (1944-I)
June 25, 2004

TO: All State Directors
Rural Development

ATTN: Single Family Housing Program Directors
Rural Development Managers
Rural Development Area Directors

FROM: James C. Alsop *(Signed by James C. Alsop)*
Acting Administrator
Rural Housing Service

SUBJECT: Calculation of Technical Assistance Amounts for
Section 523 Technical Assistance Grants

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the correct method for calculating technical assistance (TA) amounts for Section 523 Technical Assistant Grants.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

We have recently become aware of grant applications submitted to the National Office for obligation in which the TA amount was based solely on the maximum loan limit for the area. RD Instruction 1944-I, §1944.407 outlines four methods of calculating technical assistance (TA) to be used. They are as follows:

EXPIRATION DATE: June 30, 2005

FILING INSTRUCTIONS:
Preceding RD Instruction 1944-I

- (a) An average TA cost equivalent per unit of no more than 15 percent of the cost of equivalent value of modest homes built in the area. (Upon request, the Community Development Manager or Rural Development Manager will provide the grantee the average cost of modest homes for the area); or
- (b) An average TA cost per equivalent unit that does not exceed the difference between the equivalent value of modest homes in the area and the average mortgage of the participating families minus \$1,000; or
- (c) A TA per equivalent unit cost that does not exceed an amount established by the State Director. The State Director may authorize a greater TA cost than paragraph (a) or (b) of this section when needed to accomplish a particular objective, such as requiring the grantee to serve very-low income families, remote areas, or similar situations.
- (d) A negotiated amount for repair and rehabilitation type proposals. At a minimum, applicants applying for repair and rehabilitation grants must include information on the proximity of the houses in a project, the typical needed repairs, and the cost savings between self-help and contractor rehabilitation and repair.

The equivalent value of a modest home, by definition according to RD Instruction 1944-I, §1944.403(g), is the typical cost of recent contractor built Rural Development financed home...or...the value established by use of the Marshall and Swift cost handbook. Please refer to the RD Instruction for a complete definition.

The area maximum loan limit should only be used as the equivalent value of a modest house when it has been clearly documented based upon verified sales data or the Marshall and Swift cost handbook. The local office will assist grantees and Regional Technical and Management Contractors in determining the equivalent value of modest homes in their respective areas.

If you have any questions concerning this AN, please contact Debra S. Mangrum at (202) 720-1366 or Carolyn Bell, Chief, Special Programs Branch at (202) 720-1532.