

FTS USDA OFFICE OF COMMUNICATIONS

**Moderator: Rich Davis
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Man: Ladies and gentlemen we will be starting in just a few moments now. At this time we ask that everyone please go ahead and take your seats and see that all cell phones or other electronic devices are turned off. Thank you.

Ladies and gentlemen, good afternoon. Please welcome now our host for today, the Acting Deputy Administrator Single Family Housing for Rural Development, Rich Davis.

Rich Davis: Welcome and if any of you want to move up any closer I'll give you a second to do that. Good afternoon. My name is Rich Davis and I'm the Acting Deputy Administrator for the Rural Development Single Family Housing programs. It's a true pleasure to welcome you to this Mutual Self Help Housing public forum here in our nation's capital.

As you may know, this is the eighth and final public forum that we'll be holding. The first seven were throughout the states. We held those in Arkansas, Puerto Rico, North Carolina, Mississippi, Arizona, Ohio, and Washington State.

As we planned the date for this last one we thought what better way to end home ownership month than the month of June than to hold this final forum on June 30. So let's move along. First as was mentioned I think over our public announcement, if you have cell phones or BlackBerrys if you could put those in the silent mode that would be appreciated.

We do have some ground rules today that I'd like to cover very quickly. First and foremost this is a listening session. It's not our objective to get into a question and answer session which could take a lot of time but rather our purpose is to hear what you have to say, to give you an opportunity to provide us feedback. We're interested in your thoughts, your comments, your ideas, your recommendations, your concerns. That's what's going to help us most.

Also I want to let you know that we are recording our afternoon so when we move to the public mike portion when you get up to talk please be polite because what you say will show up in print.

Anyone may submit written comments and recommendations regarding the Mutual Self Help Housing program so if you think of something after today that you wish you had said, don't worry, you can send it to us as long as you do so by July 15. That's going to be our cutoff date.

Another ground rule is that when we do open up for comments we ask that speakers limit their time to three minutes. We want to ensure that everyone gets the opportunity to speak. And before you do speak please identify yourself for the record prior to speaking. Next slide.

As I mentioned, anyone can submit written comments. Here is the contact information for doing this. Perhaps the easiest way to submit your comments

would be to email them and for those of you who cannot read the slide, the email address to send those to is C-A-R-O-L-Y-N.bell@wdc.usda.gov.

Okay at this time for opening remarks it's my honor to introduce to you the Administrator for the Rural Housing Service, Ms. Tammye Trevino. Anyone who knows Ms. Trevino knows that one of her top passions if not her highest passion is the Mutual Self Help Housing program.

Ms. Trevino has hands-on experience as an affordable housing practitioner. She served as the CEO of a Texas non-profit FUTURO which is the Families United to Utilize Regional Opportunities. Their primary focus was economic and community development and one of the first programs that Ms. Trevino ran was the Rural Development Mutual Self Help Housing program.

So for those of you who are helping us run this program, Ms. Trevino knows what you are encountering every day. Please join me at this time in welcoming the administrator for the Rural Housing Service Ms. Tammye Trevino.

Tammye Trevino: Thank you very much. Well we're a little smaller than I anticipated but from what I can see, those of you that are out there, you're a quality group so thank you for coming.

As you know, USDA is helping to build the foundation of a new rural economy and expanding and preserving home ownership is one of the ways that we're going to do that. I strongly believe that the Section 523 program is one of the most important vehicles for being able to build that wealth of prosperity and sustainability in rural America. So yes, I love the 523 program and I look forward to it growing over the years.

I'm going to reserve a lot of my comments for afterwards because I want to hear from you so we're very fortunate today to have with us the Deputy Under Secretary and the Under Secretary for Rural Development. I am going to introduce Cheryl Cook, the Deputy Under Secretary who was appointed on April 10, 2009. She was prior to this in the Clinton administration served as the state director in Pennsylvania. She has much, much experience.

You know, I could go on and on and look at her and tell you what she's done. She's an attorney, she's worked with the State of Pennsylvania, she's done all these things. But my experience in working with her in the last year month after month, she continually amazes me. Her wisdom and her depth of knowledge of all the programs of rural development is truly amazing.

Her wit never ceases to surprise me so if you know Cheryl you know she's very witty and we love that about her. This lady comes to work every morning after a two hour drive from her home in Pennsylvania and she usually manages to get here while some of us are still hitting the snooze button on our alarm clock. And even in the end she's one of the last ones at the end of the day to leave.

She's an amazingly hard worker and it is an honor and a privilege for me to work with her. Please welcome the Deputy Under Secretary for Rural Development Cheryl Cook.

Cheryl Cook: Thanks Tammye, I have nothing left to say now. It's a pleasure to have the opportunity to join you today. I do plan to stay for the full event because I want to dig back into self help housing. It was one of my favorite programs as a state director.

We worked very closely with rural opportunities. It was something that we did a lot in the fruit belt of Pennsylvania where we were helping seasonal farm workers become full time residents of rural Pennsylvania building not just homes but whole communities around them and sharing equipment, sharing maintenance, lawn mowers, all that kind of stuff.

When you build a neighborhood instead of just a house you have ongoing opportunities for rural, economic, and community development and I miss the self help housing program.

I really missed it last week because I was having just a God awful day here in Washington DC and there's nothing I would have liked better than to have been out with the Under Secretary and the Administrator pounding on something. But no, I was here signing my life away and keeping the train running on time.

But it is a whole new meaning for me now to get to walk out the door in Washington, DC and go out into rural America and take part in these kinds of programs. I miss it very much. I miss it enough that I do drive home to rural Pennsylvania every night trying to keep my head screwed on straight.

I want to quickly get to listening from you as well but I want to take the opportunity to introduce my boss, our Under Secretary for Rural Development Dallas Tonsager.

Like me, he was a state director in the Clinton administration. He's from South Dakota. So there may be just a little competition going on in the Under Secretary's office. Fortunately our new state director from Pennsylvania Tom Williams and our new state director from South Dakota Elsie Meeks are up to the challenge. But Dallas and I have regular competitions, bet each other over

which state is going to do a better job in pretty much every program, this one included.

But it's just kind of fun to have somebody that I'm reporting to that understands what we're going through every day because he was out there doing the job during the Clinton administration as well. So without further ado, Dallas Tonsager, our Under Secretary.

Dallas Tonsager: Thank you Cheryl and Tammye, I appreciate the chance to visit for a few minutes with you all. And I'd just like to say a couple of things about this. It seems to me that really good public policy takes advantage of those things people want to naturally do and that it becomes fundamental to them.

The idea of the pride of home ownership, the idea of hard work, the idea of working as a community, and self help does all of those things together at one time. And I really congratulate all of you who work in this area in all of these programs for the work you do because it just makes a world of difference to people. And it's one of the most solid, basic things we do that makes the most sense every day so thanks for doing that, we appreciate you doing that.

As Cheryl said, I got the chance to go out the other day and pound some nails and it was one of the most wonderful moments for somebody. I used to spend all my time outside, now I spend all my time inside. And getting the chance to go out and hit nails for a couple of hours was just so satisfying, you can't imagine, to get to do that.

And I know it's really hard for the folks that do this work, 70%, 65% of the work having come from them to build a home is a huge thing and a commitment they make personally as well as you do to accomplish these is remarkable. And I'm excited about the self help program. Thanks for letting

me be part of that, those of you who got the chance to go out and work on the project the other day. That was just a great, great pleasure.

We know it's a wonderful program. We've held these seven public forums across the country. This is the final. This is the last day of home ownership month. We've hit this theme of Protecting the American Dream which I think at this moment is a really important thing to focus on thematically.

Sometimes themes tend to go past you a little bit but one that focuses on that home ownership theme again is critical at this moment in our history I think that we don't take for granted the idea that everybody gets to have a house because of these challenges we've been faced with.

We know the program is not perfect. We do want to take your input today. Unfortunately I won't be able to stay but I'll get - the input will be given to me when we get done and I'll get a chance to talk with Tammye about it in the next few days and see what adjustments we need to look at making.

Again thank you. I appreciate the work. I appreciate the work of the agency staff here who I think does a great job and especially the programs that they have pride of ownership in I think in self help probably as much as almost anything we do. So thank you everyone.

Tammye Trevino: Okay, before we get into it I do want to recognize someone in the audience, also an appointee of the Obama administration. We have the state director from California with us here, Glenda Humiston. Do you want to stand, say hello?

And I also want to thank the staff who has worked really hard to put this together, everything from our intern who - why don't you guys stand up?

These guys are along with (Martha Burton) are responsible for the story boards that you saw out front. They've done a wonderful job. Thank you (Russell), (Jason), and (Emma).

And of course (Phillip) and his staff Carolyn Bell and everyone else who has done a great job of putting this together, coordinating and making sure everyone got their notices and that it's being recorded and you got registered so thank you very much (Phil) and your staff.

All right. So we're going to do just a brief history. I don't think I really need to tell you folks a whole lot about self help because most of you probably do this in your sleep.

But the 523 technical assistance grant program was implemented in 1971 and permanently authorized in 1992. The 1979 appropriations language was amended to permit the use of 523 grant funds to contract for technical assistance to self help sponsors, thus the T&MA contracts. How many of you are T&MA providers out there? Great, I'm glad y'all are here.

Today there are about 120 RHS self help grantees located throughout the United States and its territories. The intent of self help is to assist families who otherwise could not afford a home of their own. It allows them - allows us to - it remains a viable means for low income families to obtain affordable housing.

Today we are honored to have a family who has built a home of their own and we're going to hear from them in just a little bit. This is one story of hundreds and hundreds that we hear out there.

It's just - you guys know this is an amazing program and a lot of times the skills that a family learns in building their own home is a skill that you can take with you that becomes marketable into the future. And we believe this is the first advantage that we give to the families and the ultimate advantage of course is that they have a place to live in.

We've got some numbers that we want to put up here. Go to the next one, and the next one, there. This is a graphical depiction of our self help obligations under the 502 direct. These are folks who have built homes and used the 502 direct program to actually mortgage their home. We've seen an increase over time for the most part and of course the economic challenges that we've experienced in the last couple of years have impacted our numbers to a small extent. Go ahead and go to the next one.

These are just the actual numbers of the graph that you just saw. Again as you can see in 2009 our numbers are lower than they were in 2008 and again we feel very strongly that this has to do with the economic conditions that we're experiencing.

These are our 523 grant obligations since 1996. The middle column is the actual amount of grants that are out there. In 2009 we were at 87. You can see that our peak year was in 1997 with 126 grants so it's a little smaller number than what we'd like to see.

I'd like to work on trying to see if we can convince Congress that this is a good enough program that we can increase these numbers by increasing our funding. I believe that I have the support of the Under Secretary and the Deputy Under Secretary in moving these programs forward and we're going to do everything that we can to bring in a lot more grantees into the future. Let's go to the next one.

The next two are just some graphical depictions of the same. I want to go now to the technical and management assistance contracts. Rather than go through each one of these in a lot of depth I just want to say that one of the reasons that we started the forums, the listening forums was because we had a question from Congress that they wanted to know why we were continuing to do bridge contracts.

And it was one of the first things that I was asked to do in my capacity as the administrator and to try to explain why we've been on - the T&MA contractors have been on bridge contracts for so long and why we were continuing to expand those bridge contracts.

So we thought as you will see, go ahead and flip through some of these, go to the next one. These are our four regional contractors right now, the Florida non-profit. Where are you guys? Okay. Little Dixie, NCAL, and ICAC. Thank you. These are our four providers right now.

In 2007 the administration decided to reduce the providers to two and so a competition was created, a new contract was awarded to two providers and the result there was a protest. And because of the protest we had to go on a bridge contract in order to resolve the protest.

Following that there was a new solicitation, awards were made a second time, and again we had another protest. So Congress requested at that point the status of the report on our progress on the T&MA contracts and in particular wanted to know about the bridge contracts.

So our response to them was that we were going to do these listening sessions. We would try to have contractors in place by April of 2010 and at that point

we would also be working on a new solicitation that would determine the T&MA providers on a full contract with the options that we were normally used to seeing. But in order to make sure that we were asking the right questions and soliciting for the right amount of providers, we decided to start the listening forums.

In place was a new regulation that was trying to work itself through the process that was going to do away with some things that self help grantees could do and increase opportunity for what they were trying to do. And we were hearing some feedback that some of the things in the reg were good and some of them weren't and we wanted to get to the bottom of this. There have been other hearings and there has been other input from other stakeholders throughout the years but we thought it was important to start over, try again.

This is a great program. It's done wonderful things throughout the years and the also thing that we want is to hurt it and for Congress to say, you know, you guys are really messing it up, I don't think you know how to do this and take it away. We wanted to make sure that whatever changes that we made were going to be good changes and we wanted that input.

It could be that there aren't any changes that need to be made. But if we're going to grow the program, the possibility of changes do exist. I know that some of the questions that you guys have are do we increase the amount that grantees can apply for per unit with the increase in the funding or do we keep everyone at the level that they're at now and allow new grantees to come into the mix or do we go into a competition?

So these are all things that we wanted to hear from you and we thought it was important to do these forums and rather than just hold one here and just pick

the stakeholders ourselves, we thought it would be a good idea to go across the country and felt like it was something that Congress would support.

So that's why we're here and I'm not going to take any more time going through the rest of the slides. I believe that they kind of speak for themselves and I'm never one to just read what's up there so I just wanted to let you know what our thinking was in having the forums and we will have a final report at the end of all the forums so that you can see what we've found.

And of course a lot of this will be reflected in any new regulations that we put forth in how we manage the T&MA contracts and how we manage the self help program. So with that I'm going to turn it back over to Rich.

Rich Davis: Okay thank you Tammye. At this time it's my pleasure to introduce to you our moderator for the afternoon for the public input and open mike portion of our listening forum. Ron Buckhalt has become a popular choice for moderating programs at USDA. If you don't recognize him, you might recognize his voice because he's done a number of voiceover productions for the department.

So let me tell you just a little bit about Ron Buckhalt. Ron is the director of USDA bio preferred program which is a mandatory federal procurement program that requires all federal agencies to buy and use bio based designated products by USDA.

The program also sponsors a voluntary product label. Previously Ron was the special projects director with USDA's Agricultural Research Service, the Office of Technology Transfer, in (Unintelligible), Maryland.

He has 40 years of communications and public policy experience having worked as a Congressional press secretary, an executive branch political

appointee, a public relations executive, a communications consultant, a radio and television newscaster, a video producer. He's also been a lobbyist in Washington, DC and he served as a registered foreign agent representing several foreign countries as well as domestic clients.

He is also CEO of his own consulting firm. He provided legislative and public relations as well as educational and management services to many small business clients and to the federal government. For the last 17 years Ron has been a USDA advocate for bio based industrial products made from agricultural materials. In 1969 he earned a degree in journalism from Auburn University.

Now although Ron does not have any direct experience with our mutual self help housing program, I think he is well suited to moderate our afternoon. So at this time please join me in welcoming our moderator Ron Buckhalt.

Ron Buckhalt: Thank you Rich, I thought you were going to read the short one, not the long one. We're going to have fun, right? We're going to get our points across, we're going to have fun.

And the reason he asked me to do this is because I don't have a dog in this fight, okay? I have a program over here which goes across the department but I'm not in the housing program so I don't have any preconceived notions about what's going to be said by any of you nor will I be judging you. But if we have to say your three minutes are up then it's me saying it, it's not these guys over here. So that's what - I'm the buffer if you will.

So having said that, let me introduce right now and bring to the podium (Moses Losa) who is the executive director of Housing Assistance Council,

National Self Help Housing Association, and the Cervantes Family Self Help Participants. So sir, please take it away.

(Moses Losa): Thank you very much. Good afternoon. Deputy Under Secretary Cook and Madame Administrator Trevino, on behalf of the Housing Assistance Council I want to thank you for providing this opportunity for comment on the Mutual Self Help Housing program. HAC is a national non-profit intermediary organization that provides loans, technical assistance and training, and research and information resources to local housing organizations throughout rural America.

Throughout its history and most recently through its participation in the Department of Housing and Urban Development's Self Help Home Ownership Opportunity program since 1996, HAC has developed close relationships with groups that operate self help housing programs and has witnessed the powerful way self help housing can change families and communities.

Back in 1972 when the Housing Assistance Council made its first loans from its program, we made seven loans. And I was looking earlier this morning of the seven, three were to self help housing organizations, two of which are still going strong.

HAC sincerely appreciates the effort rural development is devoting to listening to its grantees and other stakeholders as the agency considers critical aspects of the program rules and operations. Based on its experience with the program, we offer several recommendations.

First, ensure that any changes are consistent with the program's purposes and recognize the many factors that contribute to the program's effectiveness.

Continue requiring families to contribute a substantial amount of labor.
Continue funding technical and management assistance contracts. Establish a demonstration program for new grantees to compete for funds.

The self help program is based on a unique partnership between rural development, local housing organizations, regional intermediary organizations, and low income home buyers. Each partner plays an essential role in achieving the program's purpose.

To make home ownership possible for families that otherwise do not qualify as homeowners, self help taps their willingness to work hard -- very hard -- to achieve their dreams. Sweat equity is aptly named as the families' construction work reduces the costs of their homes and increases the amount of equity they hold compared to other homeowners.

While the equity achieved is important, it is inappropriate to evaluate the program's effectiveness by focusing on the differences between equity and USDA's grant assistance per unit. The program provides far more than dollar value.

In a 2005 survey of self help families HAC found that as they work together to build their homes the families established ready-made neighborhoods. Long before they moved into their homes they worked side by side for months sharing meals, child care, bad weather, construction setbacks, and triumphs. As a result they reported unusually strong ties to one another and to their communities.

More than 90% of the survey respondents reported engaging in at least one civic activity in the past year such as registering to vote and participating in the Parent Teacher Association at their child's school.

HAC's survey also found strong positive impacts on the children in the surveyed self help communities. The majority of these children were engaged in activities both in and out of school. The vast majority of parents of youngsters believe their children would go on to college. Of the adult children who grew up in these communities, 90% graduated from high school and 55% went on to college.

USDA's self help program has also been particularly successful in boosting home ownership among rural minorities. While minorities make up only 18% of the national rural population, 58% of USDA's self help residents are members of minority groups.

Finally, anecdotal evidence indicates that some self help participants find new careers based on skills learned in the self help process. Some have been hired by Section 523 grantees to assist future families. Others have found jobs in the construction industry or have pursued training in skilled trade.

One such example is Ramiro Romo, the father of Dallas Cowboys starting quarterback Tony Romo. After the family participated in Southeast Wisconsin Housing Corporation's Self Help Housing program while Tony was a child, the housing organization hired Ramiro and he is now in the construction business.

The benefits listed here may be more difficult to quantify than dollar amounts but they cannot be ignored. Measurements of the program's efficiency and cost effectiveness must include the number and characteristics of participants who would have not become homeowners otherwise, the strength of their communities, the positive effects on their children, and the economic ripple effect of home ownership. Any changes to the program must be consistent

with these impacts and must continue to make home ownership possible for families who could not achieve it otherwise.

The labor contribution is a hallmark of the Mutual Self Help Housing program and the reason for much of its success. The more labor a family contributes, the more benefit the family obtains from the program in terms of dollars saved, skills learned, and pride earned. HAC believes strongly that a substantial labor contribution is essential.

The technical and management assistance providers have been critical partners in the effort to create and sustain self help housing programs around the country. HAC recommends maintaining the technical and management assistance system.

HAC also encourages greater educational networking among self help stakeholders of all kinds. Expertise and needs vary widely among the over 100 current mutual self help organizations and the numerous other groups that hope to develop self help housing programs.

Not all are the staff of the knowledge or the time to provide functions ranging from funding application reviews to core skill training to financial management to high risk workout plans. The T&MA contractors provide these services.

RD should monitor the T&MA contractors' performance. Its monitoring should include determining not only the quality of the services delivered by each contractor but also whether the contractor is delivering the services most needed by the grantees.

RD itself could make use of the T&MA contractors to upgrade the self help knowledge and skills of the RD staff. HAC encourages rural development to consider investment in technical assistance and training to develop and implement a curriculum to improve RD staff's ability to monitor the program, review funding applications, and assist grantees.

To formalize core training for rural development staff as well as for grantees, to provide assistance to grantees and RD staff in each state tailored to needs identified by the rural development state office, and allow state offices to contract for needed specialized technical assistance.

While the T&MA providers are essential partners in functioning - in a functioning self help system, local self help sponsors as well as rural development staff should have the opportunity to learn from other sources as well including each other.

Self help groups report that they have found past national and regional conferences and training sessions to be very useful. Peer exchanges can work well also enabling newer sponsors to learn directly from more experienced organizations.

The self help program benefits from the network of strong and experienced Section 523 grantees. Since RD's monitoring system has been able to identify underperforming grantees and remove them from the program, little would be gained by asking the current grantees to compete against each other for funding whether annually or less frequently.

A competitive funding process could also disrupt the partnership between RD and its grantees and could discourage long term planning and investment by

the grantees. A funding competition could be useful however to provide opportunities for new grantees.

While the declining housing market has slowed self help programs in many areas, other places may have a need for new projects now and assuming the economic recovery continues new programs will be needed for the future. HAC recommends that RD use a portion of the Section 523 funding for a demonstration offering funds to new self help sponsors on a competitive basis.

The self help program has always focused on new construction carried out by groups of families. HAC supports the mutual self help process which is the core value of RD's self help program. However, we would encourage that you consider allowing grantees to offer self help rehabilitation programs where needed.

We have anecdotes of communities and neighborhoods that have been abandoned because of the economy and in situations like that it may be worth looking at engaging self help - families in a self help program that might rehabilitate those units to bring back those neighborhoods when appropriate.

Again, thank you for giving stakeholders this opportunity to provide comments on this critical homeownership program. From its start with a group of three families in Ocean, California in 1963, USDA's self help program has grown to produce over 1000 affordable homes for low income homeowners every year.

The program is an important resource in rural communities across the country. Self help housing gives low income families a way to use their own hands to create homes and better futures for themselves and their children. Thank you.

Ron Buckhalt: Thank you for those comments and suggestions to the program. You made some very interesting points there. The Cervantes Family, may I ask you guys to come forward please. We want to introduce all of the whole family there. So over here from a big picture if you will to a little picture if you will, people are actually down getting the help. So if you want to introduce these people if you would.

Please. For those of you who are listening we're doing photos right now so that's why you're not hearing a whole lot. We're doing photos with the families which is a great thing. These are the people who are actually helped by the program so we think they have some things to add which we should be interested in hearing about.

If I get a microphone I'm always looking for something to say so I might as well pitch my own program. In all seriousness, there are a lot of bio based industrial products that can be used in making these houses, this housing, some of the green housing particularly in other style in Kansas, a lot of the housing was built out there after the tornado came through have some of the bio based products in it and that's what I work on. So just - so I guess I do have kind of a little dog in the fight. Go ahead.

Woman: Good morning. Tammye asked if I would introduce the family. They haven't had much sleep. We got in at 1:00 this morning and they had to be up before 7:00. Mrs. Cervantes is here, (Lisas) and (Sonia) and (Karina) and they built a self help house with our program in Central California about five years ago.

And I think theirs is a real success story. Some of the story isn't always successful about wages and conditions. They work in strawberries and they've been picking since 1991.

And Mrs. Cervantes told me this morning they got \$1.50 a box which is eight baskets in 1991. Today it's \$1.60. So wages have gone up, they've really gone backwards. So they used to get 25 cents a box, today they get not quite 26. So wages are barely minimum wage and hard conditions, 60 hours a week exposed to a lot of pesticides. But they're such a success story we want them to tell you a little bit about themselves.

(Karina Cervantes): Hi, good afternoon. My name is (Karina Cervantes) and my family participated in the People's Self Help ownership program in Los Alamos, California. It is my pleasure to submit testimony and hope that my presence will demonstrate the importance of non-profits like People's Self Help Housing.

My parents, my brother (Rojelio), and I were born in (Unintelligible), Mexico. Like many immigrants, my parents came to this country to give their children a better life. My parents did not speak English and had no education. They were forced to pick strawberries in the strawberry fields in Salinas, California.

They never complained about the long hours they worked or about how labor intensive the work was because they knew that the sacrifice would not be in vain so they never complained. They were giving my brother and I an opportunity for a better future.

My parents always dreamed of owning their own home but as field workers their wages were never high enough. Instead, we always lived in small apartments in the gang-ridden parts of town. In 2000 the strawberry company for which my parents worked relocated to Santa Maria, California. My parents were afraid that my brother (Rojelio) would succumb to peer pressure and join a gang. They decided it would be good for us to start over in Santa Maria.

In 2001 my sister (Sonia) and my brother (Ruiz) were born. The six of us lived in a small two bedroom apartment in a relatively safe area in Santa Maria. However, (Sonia) and (Ruiz) were still not able to play outside because we lived on a high traffic street.

In 2003 (unintelligible) mentioned to my parents that People's Self Help Housing was taking applications for their sweat equity homes. They applied never really expecting to be one of the chosen families. We were extremely excited when we found out that we were one of the lucky families that would have the opportunity to build 65% of their home. The homes were going to be built in the small, quiet little town of Los Alamos, California.

In 2004 for about a year each of my parents worked 60 hours a week as crew leaders in the strawberry fields and a combined 40 hours a week in the construction of the house. It was especially challenging because my brother and sister were only 2 and 5 years old.

During my senior year in high school twice a week after school I would stay and tutor for about two hours and then go home and babysit them while my parents went to work on the house. On weekends they worked on the house all day. It was a demanding and very long year for our family but it was definitely worth it.

Watching my parents work on the house reaffirmed my beliefs that the American dream can be achieved through hard work and dedication. Other families deserve the same opportunity that we had.

The house has brought our family closer. Every Sunday we spend time with each other in the back yard. While my dad listens to music and barbecues for

us, my mom works on her garden, my brothers play basketball, my sister plays with her puppy, and I read a book.

Once the food is ready we take out a table and we all sit together and my dad tells a story of his childhood in Mexico. We have heard the stories a million times but he always tells them with such enthusiasm that you would think he was telling them for the first time. Thanks to the construction skills that my dad acquired from the construction of our house, he was even able to build his tool shed and a house for our puppy Bella.

What I appreciate the most is the fact that my brother and sister have grown up in a safe community far from the gang infested Salinas where my older brother and I grew up. They now have the opportunity to build lasting friendships and to play outside as opposed to watching the other kids play through the apartment window like (Sonia) used to.

The kids have enjoyed having their own room and playing with Bella in the back yard. They are smart, confident, and happy kids and I attribute it to the safe and close knit community where we now live.

Since the house was built my brother (Rojelio) and I have both earned college degrees. Thanks to the Gates Millennium Scholarship Fund I graduated from (Byrne) University in 2008 with a double Bachelor's degree in business economics and political science. (Rojelio) graduated with a Bachelor's degree from (unintelligible) School and a Master's degree from the University of California Santa Barbara in mechanical engineering.

We attribute our academic success to my parents' work ethic and willingness to both work in the fields to support our family and then work on the house to provide us with a place where we'll always call home. Everything my brother

and I accomplish is the product of the example they have set for us and of their continual support.

Funding should absolutely continue to improve People's Self Help Housing. The Central Coast is an expensive place to live and there are many deserving families on the waiting list. The program gives families like mine an opportunity to own their first home and to use home ownership as a catapult to a better future. For me the building process made it even more special because every day I am reminded of the sacrifices my parents have made for our family. Thank you.

Ron Buckhalt: Thank you for sharing. That's a very inspiring story. Before we totally open it up and go to the three minute drill if you will, (Bob Proposa), are you here in the audience someplace? He's not here? Okay good. No, I didn't mean that. Seriously, we're going to try to go and take public comments, three minutes apiece. (Bob Proposa)?

Man: (Unintelligible).

Ron Buckhalt: We have one more? Oh I'm sorry, Cervantes. Okay I'm sorry, the National Self Help Housing Association. I'm reading this thing backwards here. And the representative from that is - thank you. Please introduce yourself because I had you lumped in with someone else there. Sorry about this, introduce yourself.

(Russell Hucksful): Okay my name is (Russell Hucksful), I'm the current president of the National Rural Self Help Housing Association. Greetings and good afternoon. I'd first like to thank the USDA for holding these listening sessions on self help housing, to hear the positives, the negatives, the challenges, and the

vision of those that have a sincere interest in the USDA Mutual Self Help Housing program.

I'm currently here today representing the National Rural Self Help Housing Association, a group comprised of mostly USDA clients and Mutual Self Help grant housing grantees, housing colleagues, and partners and individuals who have a vested and sincere interest in the past, present, and future success of the USDA Mutual Self Help Housing program.

We are a group of mainly self help peer organizations and have been organized since the 1970s. We help to coordinate the message and voice for the entire group and this presentation here today is but one way in which we can partner with USDA in ensuring its successful and growing program.

We embarked on this presentation by polling our self help grantee constituents. Mind you we are a diverse group and represented by each region with members of the steering committee and they are elected by their peers. The survey highlighted our diversity but also showed remarkable similarities. We do not believe this compilation of information has ever been gathered by any other source in this fashion.

We hope USDA will partner with the National Rural Self Help Housing Association to further discussion on these issues and many, many more facing self help so we many continue to build and develop a strong self help program with USDA for not only are we grantees but we are fierce advocates and partners for USDA and its programs.

The survey consisted of 62 complete responses representing 24 different states. We felt we had a really high turnout with the number of operating grantees that we have.

Where these organizations came from, we polled just like I said our self help constituents and many of them, obviously a majority of them, were current self help operating grantees. We do have a few that were interested in self help and a couple actually identified that they had planning grants. And we actually had a former grantee that is still obviously interested in the self help program and wants to see its future success.

This is what we like - one of those slides that we like best about this program and this presentation. Overall what are some of the things that we think worked best with self help? Obviously we know it's a Mutual Self Help program with the buyers' vested sweat equity that we feel obtains home ownership.

And one of the primary - this is where our people could choose more than one option because they probably had many more responses. But the main thing they identified was stabilizing families. And we can see with just the springboard success that it can become for families such as yours.

It helps improve the self sufficiency of homeowners and obviously the cost savings is huge so it's a bridge and it's a way we can leverage resources, our own human power resources to make home ownership more affordable. Grantees believe that home ownership education that they provide to the families is vitally important with obviously the Mutual Self Help program building strong neighborhoods and communities and obviously reinforcing the values of hard work.

One of the comments that we got on this question in the survey was really how can you go wrong with picking any of these aspects of this program that

makes it such a success. Or it creates a blueprint for future homeowner success and provides the educational opportunity for the springboard.

What I'd like to do is - and with the survey, we know that USDA has been in the process of amending their 523 regulations for some time and we grabbed key core elements out of the survey and grouped them together. And I'd like to really have some of my colleagues come up in a little bit to discuss some of those breakout topics such as the labor required, the TA cost per unit that everyone - each grantee receives in order to operate this program. The application and funding process which (Moses) had talked about earlier.

So the first topic, you can go to the next slide, we found that labor was a significant topic and it was a major issue in the South. Not saying it's not an issue in other areas but this is - the South region is the region that really it was predominant and also the TA cost was a predominant issue in the West. So we do have regional differences and it's not saying that these issues don't exist in the other areas as well.

I'd like to introduce Claudia Shay from Self Help Hawaii to discuss more about the labor issues. I really appreciate your time and thank you very much for having us this afternoon.

Claudia Shay: Thank you (Russ). Of course the family's labor requirement is really the factor distinguishing it as a unique program, the Self Help Housing program as a unique program and it really is the heart of the program.

In the question that was posed in the survey, in the area of required family labor, do you think the current requirement of 65% of the work is too great? What would be more appropriate? Do you think the current requirement is too much, about right, or too little?

And the overall responses on that were 55% of the respondents said it was about right, 45% said too much, nobody said too little. In analyzing the data a little bit deeper we see that there are regional differences in response to this question. And of course this makes sense because in various regions we're building different house types where there is a different building season, some shorter seasons in the Northeast and so forth and there are local building codes that require licensed contractors or specialized labor and so forth.

And in the response for the 65% of the requirement is about right, in the western part, the western grantees, 70% said that they thought it was about right. In the Northeast and Midwest 43% said about right, southeast 12.5%, central 50%.

For those respondents that said the requirement was too much we have 28% in the west, 57% in the Northeast/Midwest, 87.5% in the southeast, and 50% in the central area.

Overall 58.7% of the respondents said we need a current - we need a change in the current method of assigning certain percentages to certain components of the house, that is the EUs for the construction benchmarks.

And in looking at those responses as to how would you change the current labor requirement, the survey posed four alternatives. Either revise the labor task with new points; have a minimum number of hours of documented work; a minimum sweat equity as a percentage of the home value; or a minimum sweat equity as a dollar amount.

In those responses of those who wanted the change to the current method, 75% said we should have revised labor tasks with new points; 58.3% said we

should have a minimum number of hours of documented work; 33.3% said minimum sweat equity as a percentage of the home value; and 19.4% said minimum sweat value as the dollar value. So obviously very large percentage wants a change in the current system with new points assigned.

And there are several comments in the survey that not all of them were incorporated but we need better defined terms by region with a different set of classification. There are a variety of tasks that are completed in the houses that are not reflected in the EU system. And some said we should have a combination of both the minimum number of hours and the minimum amount of sweat equity.

The next question posed regarding labor, is it reasonable to take credit for partial completion of the construction tasks outlined in the regulation. 88.7% responded yes; 11.3% said no. Again, this is an area that we would want to take a look at. Many people responded that we should take partial credit where there's cost savings. And some said that it depends on what percentage of the task the families complete as to whether or not they should take partial credit.

In the question in partial credit situations, how can an organization ensure that the contributions that they are making are meaningful in that they have cost savings. And the choices that were posed as a way of looking at this were tracking the hours and 59% responded to that question that yes we should track the hours to distinguish that. 41 - 42.6% said we should take proportionate points for the amount of labor that's completed. And 41% said identifying the cost savings.

So overall the respondents are looking at where the family puts in a majority of the labor that they should be able to take a proportionate share of those points. It's now my pleasure to introduce Earl Pfeiffer from Florida.

Earl Pfeiffer: Thank you Claudia. I am going to briefly discuss, excuse me, the questions that had to do with how grantees are dealing with the market conditions where they are, the equivalent value of a modest home and then some other issues that grantees face. And the first question is are you experiencing problems with the market in your region and 67% of the grantees acknowledged that they were experiencing those problems. Next slide.

The only region that is not experiencing those problems is the South Central region. They're reporting that they do not have a problem but real estate market however they do have issues with appraisals and competition from distressed and foreclosed homes and that's pretty prevalent in all of the markets.

If you answered that there was a problem in your particular market with the market you were prompted to go a little bit further and identify what those problems are and 33 grantees had appraisal and valuation problems followed by competition, distress, sales and foreclosures, marketing problems, and basically other problems and I'm going to read just a couple of the responses that some of the grantees mentioned in the survey.

In distressed markets the sweat equity value will be less than the technical assistance amount, it's a little challenging. Changes in the appraisal valuation that occurred recently valuation process helped very much, thank you.

Many non-profit organizations got stuck with excess property or with the inventory property when the market collapsed. I would encourage Rural Development to consider special grants to help these non-profits survive.

They have to write down the cost of their properties extensively to be able to sell the lots at appraised value. Their loss in rural America would be tragic if some of these players fell by the side.

And then another comment was that the value of lots does not equate to the cost of land acquisition and the development of lots, and again those were lots that were built to protect some of the agencies so that they assured they had the proper amount of land before the collapse of the market and now those lands have valuation problems.

Moving on to the next topic Rural Development has had much internal dialog about how to define the equivalent value of a modest home. Does the current equivalent modest home methodology work in your area and a little over two-thirds of the grantees said that it does.

And then there's about a third who say that they do not and some comments regarding that, I guess see this was more of a question, does the value of a modest home include green features required by funders, like the Housing Assistance Council and HUD for shop loans.

Modest home values have been skewed by the markets making it difficult to fit into the equation for technical assistance, for TA. And then finally a modest home is a moving target subject to much interpretation. By role development, by much interpretation by RD staff there needs to be a workable and understandable and singular definition for each market of exactly what a modest home is having some trouble interpreting that from region to region.

And then finally the last segment that I will cover is overall what areas are problematic that should, that we should focus on modifying so that the program serves its intended objectives.

The biggest one that we heard comments on was shares, the reporting program, some people commented that through conversations Rural Development it doesn't appear that anybody at Rural Development really looks at shares, comments were that it's an old program and that perhaps it needs to be updated and maybe it could even be updated where it was user friendly and workable to provide usable information for the grantees.

Difficulty in meeting 502 credit requirements, we're going to talk about that, that's coming up next. One of the conversations we'll talk about so I won't go much into that, TA funding is inadequate, lack of post occupancy counseling, inconsistent appraisals for self-help homes, labor requirements which we already talked, a lack of support for the program from Rural Development in some state offices.

And inconsistency in grantee performance evaluations, and then allowance for multiple grantees in the same service area. And I will end with just a few comments that came up from some of our grantees across the country that completed the survey. One was improve the process for applicant loan approvals it takes way to long. The appraisals do not always accurately reflect a picture of a self-help home.

For an example the extra effort to make sure a house is energy efficient has no value in the appraisal. Other homes that are being compared to self-help homes don't, are not built to the same standard as the self-help home.

I think one of the common reoccurring themes I've seen in reading all of these comments is that you, the USDA self-help grantees build homes for self-help families who like this family will raise their children in there and live there their entire life.

This is just not a short stop, this is not something that they're going to purchase today and then use it as a step up to get somewhere else, some people will do that and so the features and the values, the square footage of the quality of the product that we put into the homes is extremely important.

And I think that when we look at the value of a modest home and some other things that value may have a difficult time in this market being captured and reflected accurately, and thank you for your time.

Excuse me I am going to introduce (Patty Griffiths) from Ohio who is going to talk about 502 challenges among other things. Thank you.

(Patty Griffiths): You will notice on the last slide that came up before this but after share is the largest problematic area that was identified that grantees felt needed modification had to do with difficulty of applicants meeting the 502 credit requirement.

So the question was describe the current problems with qualifying families for the programs. Of course if we can't qualify families we don't have a program.

So you will see there that nearly 100% of the grantees indicate that they have trouble finding families who can meet the credit requirement, and I commented that I wanted to meet who that one person was, what grantee was not having that problem and I'd like to find their secret.

Right along with that another problem that was experienced with qualifying families through the 502 program grantees felt that there were rigid underwriting standards and that there was a lack of compensating factors

being used. So that is definitely an area that all grantees felt needed some looking at in the program.

The next slide summarizes it that credit problems are the overwhelming issue facing all families across regions. So I guess if every time you see me you're going to say oh, there's problems with families meeting the credit requirements, check any, the next one was check any and all of the following 502 loan requirements that people felt need to be changed.

Now this is a question, what do you suppose that was, so the grantees felt that the credit standards were the things that needed to be changed in order to be able to qualify more families. There were also lots of comments made from grantees with, that there were difficulties in getting the loans closed and approved in a timely manner to allow grantees to stay on their time schedules as well to meet the construction timelines that they had.

So in summary all of the grantees agreed that credit standards are the main thing that needs to be changed in the 502 loan requirements and many people were interested in exclusions to some of those being made.

The next area now that came about was the question of 523 funding. We're going to go off of 502 and now we're going to go to the 523 funding. We know that there's been a lot of talk about going to a competitive process and so many questions were approached of the current grantees about that.

You'll see from the slides that all of the current grantees, 87% of the current grantees that are operating self-help programs today want the program to be opened up, they want more self-help grantees across the country. I think we all realize that this is such a vital program we want it to grow, we want it to be

the best program out there and that showed up very, very strongly in this survey.

On the other hand when you talk about funding and competition and they want to know whether or not, well I'll come to that next, first of all how would you propose funding new grantee organizations, would you do it on a first come, first serve basis or how, and most of the grantees felt that the new grantees should not come in under the same program as the current grantees, that it wouldn't be fair and it wouldn't work for the numerous reasons that are listed up here.

Then on the next slide you'll see the question do you support an annual competition for 523 funding and it's exact same numbers. While 87% of the current grantees want the program opened up for new organizations they don't feel that an annual competition would be the way to do that, you see that over and over again.

A lot of comments that were made in relationship to that were that they felt that a nationwide (NOFA) competition would interrupt production of current grantees in order to run a self-help program, everyone realizes that you have to have long term investment of money and you have to have three to five years of planning in order to run successful organizations. And the feeling was that if groups don't have any predictability of funding they wouldn't be able to continue to run their self-help program, and that would create a lot of problems.

You can read some of the reasons why that are associated with that funding, 90% of the people felt that there were just regional differences in costs that would make it very, very difficult to go to a national funding and (unintelligible) difficulty in creating a fair competition, you know, I represent

a smaller self-help organization and we're very different from the larger organizations and it would be very hard to come up with a national competition that everybody could equally compete in and be successful, okay.

And now for the final section, (Peter Kerry) from California's going to come up.

(Peter Kerry): Thanks (Patty). We'll just begin with talk about the technical and management assistance contracts, and I think from the first slide you'll see that the grantees pretty overwhelmingly believe that there's value in the technical management assistance contracts, 77% said that they get valuable assistance from their team A contractor.

In the comments I think that we saw a wide variety of issues and needs focused on by the organizations and perhaps some room for greater clarity about what the role out to be, but overwhelmingly the grantees appreciate the role that's being played.

On the next slide there's a list of, it's right there, there's a list of benefits services that grantees value from the teammate contractors, clearly staff training is right at the top along with greater grantee advocacy with RD.

There are many times, particularly for smaller organizations where they need a friend to help work through an issue of understanding and sometimes the technical and management assistance contracts can provide a broader more national understanding of how policies should be implemented to the benefit of both parties at the local level.

I think it's important to recognize that a high percentage mentioned the national conferences and the regional conferences two really notable

exceptions from the contracts in recent years; there hasn't been a national conference in several years.

And I don't think there have been regional conferences and that is the opportunity from the comments that I've heard that is the opportunity where the grantees get to meet with these other and share knowledge among each other which is probably the best training any of us can get, big grantee, small grantee we learn from each other at those conferences.

So most see the conferences as a great assistance to them and also the ability to receive assistance in filling out what can be a pretty daunting application for 523 grants.

There was the question there about whether at the local level folks thought that the RD staff would provide a better support than the technical management assistance contractors, a pretty overwhelming response, but I think in reading the comments what's important is that virtually every comment that we got recognized that the local RD are overworked.

That they are working very hard especially with our funds and such to get the product out there into the communities, and so it's not a reflection of ability but a reflection of time and focus that I think grantees across the country recognize.

There was also a question about the evaluation measures and whether or not grantees agreed that OMB's approach to comparing TA cost of sweat equity is the right way to go. Pretty heavy response, no and with all respect to OMB can you really take the (Cervantes) family down to a numerical equation to evaluate the (unintelligible), I don't think so.

The, and there are some mathematical issues with that process too. The market variations geographically and over time are really make that a difficult calculation to be the sole focus of the program.

In fact the, I want to go back to a slide that (Russ) showed early where grantees were asked about what they saw as the value of the program, and right here you see stabilizing families, a source of, a service to low income families, meeting program production goals, use of leverage resources.

TA cost are the measures and the values that we as a group see that reflect what we all believe in in this program from that earlier slide, stabilizes families, improves self sufficiency, cost savings and sweat equity, home owner education, building strong neighborhoods, home maintenance skill development, reinforces the values hard work, shared labor aspect of mutual labor.

And that's just the first two slides, those were pretty strong basic values for our communities and for our families, we got heavy responses there.

And I think that summarizes what we all think we're doing. We had a high participation rate in the survey, it is a great partnership with Rural Development at the national level, at the state level, at the local level that really brings a model program home and as (Patty) said earlier this is the stuff we all eat, sleep and drink.

There are current challenges, there are issues particularly in difficult real estate markets nationally and I think we've lost some ground with a number of grantees.

We, the National (unintelligible) of Housing Association appreciate the opportunity to present this today and get them to Secretary (Cook) and Administrator (Katrina). We as an association would really welcome the opportunity to work directly with you in the future to help make this the program it really can be. Thank you very much.

Jeanette Duncan: Good afternoon. Thank you for allowing us to speak. I'm Jeanette Duncan and I represent People Self-Help Housing. We operate on the central coast of California, one of the highest market areas in the country besides Claudia in Hawaii I think.

We bet over 1,100 self-help homes using the section 523 technical assistance grant and also through the section 502 program. We've actually been getting those grants since 1971, I went back and looked in the archives and I think our first grant was approved in 1970 but we didn't close until 1971.

But we've helped many families like the (Cervantes) get the dream of home ownership and we feel we have a very strong partnership with USDA in Rural Development. We would like to just give you a few thoughts on some of the questions that you're asking yourself about the 523 reg. First we do support the requirement that self-help families put in 65% of construction of their homes.

In our high cost area this is essential to lower the cost of construction and we also believe it's a great skill building program. It helps the homeowners learn valuable skills that will assist in the long-term maintenance of their home; it builds community and long-term support networks.

Although it's a very rigorous requirement, as you heard Mrs. (Cervantes) say working 60 hours in the field and an additional 40 hours on the weekend, we

believe that the family's participation at this level should be required or at least at a minimum 1,000 hours be required.

Our families in our program work and contribute 2,000 hours. That's a lot of contribution.

We do have problems with the (Shares) report, I don't have to do them, our staff does them, I just hear complaints when they do them. I don't know who at your end looks at them, I know who, you know, our staff their concerns and we're not real sure when they go in what happens with them, who looks at them or what RD is doing with that information.

We do have a strong labor monitoring requirement in our program. The families must validate weekly their contribution, the construction supervisor must approve the number of hours after the group secretary records them, so we have a very tight way of monitoring labor contributions.

And at the time that we're putting together the cost estimates for the houses we're looking at what is material going to cost, what a permit, what does the subcontract labor going to cost.

And we still have to come in with the total cost that shows us cost savings to the families. So although we often have down payment assistance from the Federal Home Loan Bank Affordable Housing Program or local government we still have to have the family labor be significant to lower the overall cost.

For example in our area we have the families do all the foundation work, we don't build basements in California but they do all the foundation work, they do the framing, the flooring, painting, finish carpentry, landscaping. We don't find the work overwhelming, although you might ask someone like Mrs.

(Cervantes) house she felt on a Sunday night she'd probably say it is overwhelming.

But the way the (Shares) reports are now we can't really take credit for part of something. For example in fire prone areas we have to use clay tile on the roof so the families do all the plywood sheeting, they do all the roofing, the trusses, they lay down the paper and then the actual tile comes in and is laid by someone else but we can't really take credit for the partial work that's done by a sub, it's either all or nothing. So we support the idea of pro-rating if there's a way to do that.

The other thing is we've talked about the technical assistance and management contractors and their training opportunities have been very beneficial for our staff over the years. We are not sure how the work plans are put in place in these contracts, but it would be good I think if there was sort of a way that on an as needed basis we could consult them.

We found that in one situation where they're required to attend quarterly meetings even though RD staff has had to reschedule and couldn't make a meeting because they have it in their contract they have to come down anyway and just sign that they saw us but we really wonder is that the best use, so maybe flexibility in the way they have their reporting requirements would help. They are beneficial and we've had issues, we've used them to help mediate. Also I know for new groups they're very helpful so we support that.

I just have a couple of other short things, yeah, although California's experienced significant downturns in the real estate market our area's not seen the drastic depreciation but we've had difficulty with lot appraisals because the appraisers were using foreclosed properties as comps, and we support the

concept of having the total RD loans be within the appraised value, but not separating out the lot value.

For example in more recent appraisals the value of a completed house was substantially more than the families loan, yet the lot value was so low it would give the self-help family a windfall amount of equity and the self-help organization would lose money.

And the other is since it's a production of many houses, you're telling in the grant how many you're going to do in advance, it would be helpful to either have the grants longer, say up to three years, or allow some way to carry over a partially finished house to another grant, so we recommend that.

And then as far as new groups we realized we want to start them in new areas of the country and maybe there could be a set aside nationally once a year, maybe 5% or so, that's four new groups and the ongoing groups then wouldn't have to compete in the same arena as the start up groups.

The last is I would just say measuring effectiveness; I would look at the delinquency rate for self-help borrowers, which I know is much lower than your overall portfolio. And the other thing that we've had some problem with is the value for preconstruction units that we haven't been allowed to take a unit until a loan closed, even though we've submitted documents to the local RD office, we can't draw an RTA grant until those loans close. And that's a hardship because we have to front all that money for preconstruction, and I'll give you my written testimony.

Man: Okay thank you. And she's going to submit written testimony and we will accept written testimony until July 15 or, and so please make a note of that so

that, yeah no that's fine, thank you. Appreciate your summarizing there, and anything else before it opens?

Let me ask the six people stance if we can identify, (Ann Jones)? Okay good. (Peter Kerry)? (Peter) could you kind of rotate to the back there if you would and follow (Ann) as a speaker?

Earl Pfeiffer? Earl your number three. (Patricia Griffiths)? (Patricia)? No. Okay you're already spoken. Oh wonderful. Sorry about that. Good. (Joe Meyer) or is it (Mayer), which is it, Joe Myer, okay good, Joe Myer. And Elise Hoben. Okay. So you guys see the order. Is there anybody else who wants to speak? Okay. You'll be after those guys.

So I'm going to warn you something's going to have to happen here, which I regret, but I have a meeting across with the Deputy Secretary, which I have to run to after we get to going here because I had hoped to be able to do the same thing but if they say come across the street and see us you say we'll be there. Those of us who work at USDA we know how that goes.

So we're going to go as far as we can, fast as we can, three minutes, (Ann) tell us what's on your mind.

(Ann Jones): Hi. My name is (Ann Jones). I am the program coordinator for Self-Help Housing in Alabama. Our program is in its infancy so I guess my concerns are probably pretty basic compared to some of you veterans that are here. But I have to say to Mr. Buckhalt.

Ron Buckhalt: Buckhalt. And I'm from Alabama too incidentally.

(Ann Jones): War Eagle.

Ron Buckhalt: War Eagle.

(Ann Jones): Fellow Auburn graduate.

Ron Buckhalt: When did you go to Auburn? We're not supposed to have this dialog but...

(Ann Jones): Does that buy me another minute?

Ron Buckhalt: Always lobbying, always lobbying going on. Okay just start over there.
You're from Alabama, all right go.

(Ann Jones): I just have a, two concerns, just in what we experienced in our program for our first group, finishing up our very first group. One has to do with the policy where families have to come up with finances for their plans, for surveys, for protests and those kinds of things, although once the loan closes they can get the money back.

However in our county we have in the last census our median income was like \$20,000, all of our families in our first group were very low income. They simply just don't have the learning, even if they could get it back they don't have it to start with to come up with that kind of money.

Which in our area we're looking at like a thousand dollars that they would have to come up with in order to even get to closing because RD requires that we have plans, that we have surveys and all those things done. And there's no money other than you know, if the organization doesn't have the money to put up then the families don't have it.

So that would be my first concern just in what we experienced with our first group. Secondly with our technical assistance it is just invaluable to us to have the technical assistance that we had for someone to come in and to teach us, you know, about the category spreadsheets, to teach us about the critical path and those things.

However we're also needing you know, because of the time constraints that we have in construction and all of that and the extension of time, knowing that we can get an extension on time but not an extension in money then we're also wanting to get some kind of assistance by being our first time doing this and having our first group, where can we find additional funds, where can we get additional help during that time that we have the extension in time and not the extension in money.

So those are my two concerns and I hope I haven't taken any more than three minutes.

Ron Buckhalt: You did a great job and kept it on time. Thank you very much (Ann). We appreciate your comments. (Peter)?

(Peter Kerry): Great. Thanks. I'm here...

Ron Buckhalt: Since you're round two now so you know, we're going to really hold you to it.

(Peter Kerry): I'm representing Self-Help Enterprises and not the association...

Ron Buckhalt: Oh okay.

(Peter Kerry): ...so I have some specific comments. I had the benefit of having my office two miles from the first three homes that (unintelligible) mentioned in Goshen,

California and I want to tell you I know one of those three home owners and she will brag to you about what her children have grown up to be and that is really the cornerstone of self-help housing.

As an organization since those first three houses we've completed 5,800 self-help homes in Central California, so a large area, and last year we closed about 99 502 self-help loans, 50% of which were very low income, and about 70% of which were farm workers who once upon a time were thought to be not liable homeowners. We prove that wrong every day. We have a great close working relationship with California Rural Development.

Since family labor is really the core of the program let me speak a little bit first about that from the point of view of self-help enterprises. Meaningful and significant shared labor contribution is the core principle. Reducing the cost of the home increases affordability and provides tangible financial assets.

The participants labor creates sweat equity and decades of experience have taught us the importance of that investment goes beyond the purely financial calculations. A homebuilder knows in ways the homebuyer can never know what it takes to make a home. Their unique requirement for mutual, shared labor to continue to be a threshold requirement for the self-help housing program because it's what elevates the 523 program from simply a home building program to one that builds neighborhoods and communities.

There's lots of debate about the right amount of labor, and ironically the pressure to reduce equivalent units TA costs increases the pressure to increase the subcontracting because our supervision costs money. It's an interesting dilemma to be in. We happen to believe that more labor is good.

Think about sweat equity, there are two principles to it. Do the families participate meaningfully in the building of the homes for the entire building group and that there are cost savings achieved as an outcome of that work. I think we can come up with better systems to measure that than the current percentage of completion.

At Self-Help Enterprises the work commitment of families is seen in the subcontractors and trades, not hires. They do the electrical work, the concrete, the framing, the painting and a significant amount of the HVAC trade, not to mention much of the basic labor of building the homes.

I want to mention the (TMA) contracts. Our experience in California, RCAC has been and continues to be a viable partner, in fact they grew out of Self-Help Enterprises about 25 years ago. Self-Help, or RCAC's role with us extends beyond the (TMA) role, they are a substantial lender and has been very important to many self-help groups in the West.

In addition their expertise in sewer and water systems development has been a great benefit to grantees working in rural areas and they provide good training. A couple of problem areas, 502 processing, I believe we have got to find a better way to get 502 direct loans approved at the local level especially because self help groups have to work as a group, as a builder I could get one loan gone, start the homes, another loan gone, start the home.

As a self-help (unintelligible) I've got to get eight, nine, ten loans as a group and it really complicates the process. I will say the coordination of the 502 funding at the national office level, (Philip), (Caroline), thank you so much. They've done a terrific job, which is remove one major issue from years gone by.

Refunding, let's keep this current system going for ongoing grantees, it's a long term program and we just can't afford to run start up and (unintelligible). At it's heart the (unintelligible) program represents a remarkable partnership, a historically successful 502 mortgage program from a very responsible lender whose presence in rural America sets the most, sets you apart.

Future homeowners who dream of a home and a network of committed non-profit organizations pulling it together, it is a great partnership, there's a lot to be done, regs alone won't solve it, we want to work together. Thank you.

Ron Buckhalt: Thank you (Peter). Thanks for keeping in time. Again, it'll be the record your whole statement there and I'd say you were picking it in bits and pieces and we appreciate that and appreciate you moving forward and thank you for your comments. And this is Earl Pfeiffer. Earl introduce yourself, tell us where you're from.

Earl Pfeiffer: Yes. Good afternoon. Earl Pfeiffer, Executive Director of Florida Home Partnership in Ruskin, Florida. We're a self-help grantee and have done self-help housing for about 17 years. I don't have very much to say, I represented the group up front, just a very few comments from our shop in Florida. We really have no issue with the regulations as they are today.

They for us they worked fairly well and that's about all there is to say on that and regarding the (TMA) contractors I think they're a very valuable asset. Many times when we get into discussions with Rural Development quarterly meetings, Florida Non-profit is our (TMA) contractor, the Rural Development staff really doesn't know some of the finer points of TA funding and so Florida Non-profit says this is where the regulations are and basically it stops the conversations.

Rural Development staff doesn't have to try to figure it out on their own and so they are a great asset, a great team member and you know, I think there's a lot of support for leaving the system as it is with four (TMA) contractors, of course that's my opinion.

Wanted to take just a minute to talk about from my perspective I am a licensed home builder in Florida, I've been building affordable housing for 22 years in Florida, 13 years in this current job.

The association and a partnership we have with USDA adds tremendous credibility to the work that we do in the field because we get TA funding from USDA people don't look at us like we're money grubbing people trying to get our greedy little fingers on all the dollars we can to enrich ourselves.

Instead our mission is leveraging the 502 dollars, development dollars, infrastructure dollars. We get money from (HAC), we get money from HUD home CDBG ship dollars, federal home loan bank dollars and because of our association we're able to leverage all these dollars that often you don't hear about up here that makes the program work, develop all the communities and build the infrastructure and it's a great system and I'm proud and delighted to work in that system.

And finally one last item I wanted to touch on, (Peter) talked about production closing loans. We report to the Davenport office, Davenport, Florida, which was a new office, formed by the consolidation. When they came up with the consolidation plan a few years ago they said you know, we're going to take all the staff and we're going to put them in the big office so Earl when your loan comes in if this staff is too busy we'll pull other people over and you'll have all these people working on your homes.

And guess what it isn't working really that way. Since we started in the process before consolidation of the year before consolidation we closed 84 loans. The second year we closed 63 loans. This fiscal year, which started October 1 we closed 24 loans. We have 35 dockets sitting on the counter at the Davenport office waiting to be processed, and it really isn't their fault.

They have processed and obligated 156 direct loans over \$17.5 million this fiscal year. They've processed and obligated over 1,657 guaranteed loans over \$217 million and plus they support the two largest self-help grantees in the Eastern United States.

So they're a very busy office, they're very committed and our focus is to see that they can either get some more staff into a system in the process or we would like to maybe take a look at that pilot program that we started out for loan packaging and to see if it could work for grantees. Thank you very much.

Ron Buckhalt: Thank you for your comments Earl. Joe you're on my friend.

Joe Myer: Thank you. I'm Joe Myer, I'm with NCALL Research in Dover, Delaware and we're a T&MA contractor. I guess I would say over the years thanks to many in this room the unique and wonderful aspects of self-help have remained alive and intact and that's pretty amazing given the long rich history of self-help.

A real concern now is that we've lost somewhere between 15 and 25% of our self-help grantees over the past few years and production has lagged as well, most often due to the economy, so that we really do need a mechanism to encourage new organizations with sufficient capacity to enter the program, pre-development grants for new and expanding grantees along with a small funding set-aside of 523 and we need to implement that as quickly as possible.

Regarding labor tasks we believe that a reduction in the percentage to 50% would be detrimental to the program while the current requirement of 65% can be retained it does need to be modified and it can be achieved in a manner that's more flexible to the grantees. Just some changes to the checklist and separation out of a few problematic tasks could possibly accomplish this.

Regarding T&MA contractors, I'm too biased to really talk about that, except for the only thing I would say is we really want to do regional conferences and national conferences.

Depressed markets, neighborhood stabilization activities, which market foreclosed homes really provide an opportunity for some purchase rehab self-help housing and I think we need to continue to be very open to that. The sheer magnitude of this recession could justify USDA revising production and performance goals for grantees to help to maintain their self-help programs during this economic storm.

And certainly there needs to be some consideration of ways to assist grantees that had previously purchased and perhaps developed land and their values have decreased dramatically.

The efficiency measure, the calculation of TA cost per house and the equity achieved per house in our mind are really not inherently related and are influenced by separate factors and therefore are not an optimal measure. One is related to home value, the other is related to the cost of providing services to families. So we think we really need to come up with some different efficiency measure that relates better to each other.

Competitive grant process, (NOFAs) work really well for financing multi-family housing projects but they really are problematic we think for single family development, especially of an ongoing nature that requires multiple lots per group, variety of development cycles and family labor. So we believe refunding really can be done as now, first come first served several months prior to grant expiration, but perhaps a (NOFA) Process to facilitate new grantees entering would be appropriate.

What makes self-help housing work in one word has been flexibility. You look at the different types of organizations that are in this program and how well it's worked over the years, some way we need to, whether it's as we look at new regulations, etc., maintain the flexibility that exists.

The 502 program affordability, affordability, affordability. This is the main challenges of families seeing home ownership have across the nation, credit issues obviously and then tracking of risk factors along with risk abatement or compensating factors could provide some more flexibility in loan making. And that's all I have.

Ron Buckhalt: Thank you.

Earl Pfeiffer: Perfect.

Ron Buckhalt: I love it. It's good. Thank you very much. Rich is going to come up and take the mic for a moment and going to try to finish it out here, and it's up to you guys if you want to open it back up and have them go another round, you know you've got the time as they say, I just want to keep us on. We're not through, you're going to get your chance. Sorry about that. Rich is just going to take over, I have to go the other direction.

Woman: Perfect.

Ron Buckhalt: Yes ma'am, we're going to hear from you Elise right?

Elise Hoben: Yes.

Ron Buckhalt: Yeah. Okay. Thank you.

Rich Davis: Well thank you Ron and on behalf of Rural Development we appreciate you taking time, being a USDA employee he's not paid for this. He had to give up his day job for the afternoon here and we appreciate him coming so if you could help me thank him.

Okay. So we'll resume with the order that was established. Our next speaker please introduce yourself.

Elise Hoben: Good afternoon. My name is Elise Hoben, I'm the Vice President for the Rural Local Initiative Support Corporation or LISC. We're one of those funny animals out there, an intermediary.

And we've been around, well LISC has been around for 30 years but the Rural LISC program has been around for 15. And during those 15 years I've been fortunate to work with about 61 rural community development groups in 31 states, many of which are self-help housing providers.

Over these past 15 years we've invested close to a billion dollars in loans and grants to these organizations and I have to say over the past few years approximately 30% of all of our lending has been done in the area of land acquisition for self help housing groups.

And it's been a very, well I don't think we're an official partner with USDA, we haven't signed on the dotted line, I think we've been a very good silent partner and I think there are other intermediaries out there that have also been a partner in this. I'd like to name them, I think I'll go ahead, they can correct me if I'm wrong, but RCAC, Neighborworks Capital, the Low Income Investment Fund, HAC the Housing Assistance Council.

And so we've put a lot of money out there. Right now Rural LISC has almost \$8 million out in land to be used for self-help housing. And I was trying to think of a way to say this so it would, sounded reasonable, intelligent, politically correct -- we are getting killed out here because many of our groups, some of your largest producers are upside down on land values.

We took the step to invest years ago so that they could have a pipeline in production and there's no way they can do it, they've got community banks involved who are pulling the trigger way too fast. We have to borrow all of our money that we lend out and we're lucky, some of our national lenders are allowing us a little forbearance in repayment.

I'm not so sure that's necessarily happening on the ground with some of your largest self-help housing providers that have been around for 30-35 years. The community banks don't seem to have the ability, well and I'm maybe speaking more specifically in one instance, to hold on and you know what, I think, while I think LISC will survive it will devastate us if we have to write off these loans.

More importantly it's going to devastate the self-help housing provider that has met your goals, provided the housing, done what they can do, made this program so successful and they are sitting out there with this anvil over their head that could really knock them off.

And I know that there have been proposals Florida by the National Rural Housing Coalition to talk about some way to provide a subsidy, a grant program, a recoverable grant program to help turn these around. I don't think the numbers are going to recover if you lose some of these groups.

And I think you owe to them, and hopefully to us, to look at ways of correcting this. You know I do think it's a bubble but I'm not sure it won't burst before we get to the other side and I want to make sure to protect this program to protect those groups that have meant so much to you and to continue the program.

So I would very much like you to consider the proposals that you've seen, the proposals and help us structure a way or figure out a way to recover. Anyway, thank you.

Rich Davis: Thank you. We're very much aware of that issue and we're very concerned and we've been exploring ways and hopefully we'll come up with a solution that can address the issue. Thank you.

Elise Hoben: Call me.

Rich Davis: Okay. All right. Claudia our next speaker, please introduce yourself.

Claudia Shay: Thank you Rich. Claudia Shay, Executive Director of Self-Help Housing Corporation of Hawaii. And we've completed 45 projects, 559 homes in the State of Hawaii for really the work force of Hawaii. This is a middle class families of policeman, fireman, painters and so forth, people who would never have houses if it weren't for the Self-Help Housing Corporation Program and self-help housing.

The present regulations I don't think there's any problem with the current regs, the problem is that they need to be uniformly enforced across the board with all grantees, that's where I think the problem is.

Family labor requirement, I really believe what I said with the National Rural Self-Help Housing Association, we do at least 65% of the labor of the houses and I think that's the unique nature of the program. If it were to go, if it were to be reduced it shouldn't be reduced to anything less than 50% and that's what makes the program special, it's the heart of the program, the families labor.

In terms of making it meaningful family labor contribution we have the labor task iterated as a part of the membership and building agreement. We review all of that with the families and the home ownership course that families sign onto it. When they go out to the site to work they sign in with the time and they also put down the work that they have completed, the construction supervisor verifies that the work was meaningful and contributed.

In terms of the technical and (TMA) contractors I can say pretty assuredly that I probably wouldn't have been funded on a number of occasions if it weren't for RCAC, not because of our capacity or ability to implement the successful project, but because of personality differences really with RD officials.

In terms of the policy changes to cope with the depressed markets, I'll applaud the agencies to have the appraisal for both the house and lots that was really important to do. But again I would iterate what other speakers have had, have said here that for some of the biggest producers in the country a grant would help bridge the gap between the development costs and the appraised values today.

And really you wouldn't lose anything by it. You can take a shared equity appreciation covenant on the property and recoup that later on.

Efficiency measure, I don't have a problem actually with the OMB looking at the cost of the equity versus the technical assistance cost, but again as shown in the PowerPoint there's many other intangible values to the program, which you really can't quantify.

Modest house, that's something that's going to really vary by region. We'd have to have a lot of flexibility with that. We can have general parameters but enough flexibility so by region we can address that locally.

A competitive grant program, as other developers in the program you have to have the land already in process. It takes in Hawaii three to five to six years to develop a subdivision. You have to have things in the pipeline and that just doesn't work with the (NOFA) program. I really appreciate the opportunity to present the information and thank you again to Rural Development.

Rich Davis: Thank you Claudia. At this time that's our list of speakers that we had initially here at the beginning of our program, let me just take another minute and ask if there are, is anyone in the audience here who would like to speak and has not already made comments. Do we have any others who would like to take advantage of our open mic session?

Okay. Well I do appreciate those who came today for our public input and for our open mic sessions. I think, you know, this was part of our primary objective was to solicit feedback from the public on our program and again being the last and final forums we have gathered a tremendous amount of information and it's not over yet because you know you have until July 15 to

continue to submit written comments and recommendations and other ideas that you have.

So I can assure you that that will all be very carefully considered. We've said here before that in this program there are no sacred cows. We're looking at what's going to be in the best interest of the federal government, what's in the best interest of the self-help housing industry and of course primarily of our borrowers.

So again, I appreciate all of the time and effort people have made to be here today, particularly the (Cervantes) family, thank you very much, it was very moving testimony and it's a great story and we know there are hundreds more like that. We appreciate hearing from you.

At this time I'm going to turn the mic back over to our administrator for closing comments.

Woman: ((Spanish Spoken)).

I was just thanking her for being a wonderful example to her family and those types of examples tend to repeat themselves in families year after year, generation after generation so it's very important and I am very happy to be a part of her success.

So we heard what you said and we really didn't hear a whole lot different here than we've heard all over the country. (Unintelligible) get in my way. Can you all hear me still? Okay great.

So the (Shared) has issues and we're certainly going to address that because it's IT related it takes awhile and it may take us a year or longer to work on it,

but because of the commitment from the administration from the Under Secretary, the Secretary's office there's a huge investment being made into all the IT systems across the department so we hope that at some point (Shares) is in there and we get to update it.

We do get some very valuable information from that report, I know it doesn't seem that way but it does provide us with a way to monitor performance and so we think it's important.

I heard your comments on competition, maybe a limited competition, so we certainly don't want to hurt the performance and the current grantees and what you're currently doing. We know that the grantees that we have right now are doing a tremendous job and we also understand that in these economic conditions you're experiencing difficulties.

As Rich said we're going to try to work through the equity issues in terms of the land and the investments that have been made up front. We certainly support it. We are finding difficulty within our current regulations but we're not stopping, we're not, it doesn't end there so it's, we'll keep working on it and we'll keep trying to come up with some kind of solutions.

So we'll look at the percentage of labor that you're talking about in terms of partial credit, changes to the checklist and all the other things that you have mentioned, we appreciate the recognition that you've given to the RD staff on the local level and your understanding and your patience with in this last year.

So while we've implemented ARRA and with their limited resources that we've got to try to get all our money out the door, so thank you for recognizing that they are overworked and that the applications that are sitting

on somebody's desk aren't there just because somebody doesn't want to work on them.

The reporting requirements of the T&MA providers, that's important also to us. We will look at that. We understand appraisals are an issue, that may be a harder thing to address than some of these other issues that you've mentioned, but we will look at that also.

The National Conferences are very important. As a former grantee I know that I picked up a lot of skills and we picked up a lot of ideas. The networking that is done, the skills that you hear and the best practices that we saw in these types of conferences throughout the years was invaluable to a grantee that was just starting out.

So I understand that that's very important. It is something that I hope to see back into the contracts for the T&MA providers, so at some point we understand that there's a cost issue there and we'll try to address it hopefully in the next solicitation. But that is important, I think it would meet some of (Ann)'s concerns when you were talking about some of the things that would help you as a new grantee, I think those are the things that you pick up at national and regional conferences.

And so I think, I want to thank you all for coming. We've documented everything that you've said. We'll continue to try to work with you. I do believe in the program and all the successes and all of your successes, we couldn't do it without you.

Thank you to the T&MA providers who are here. I know I couldn't have done it when we were starting out without the T&MA providers, and as we were going along, as we lost employees it was important for us to use them and to

have them to rely on to train the new people that worked, our new employees that worked in the self-help program.

So I do understand that the T&MA providers are important to the program that we run and the more that I hear from the public the more that I understand that there is no way that without additional resources that RD could do the jobs that you do, so I do thank you for what you've done in the field and what you continue to do and I guess that's all I have.

Thank you for coming. Again if you have anything that you want to contribute that you didn't put in writing please let us know by July the 15th and the report will be public whenever it is finally finished and we'll make sure that you're all notified. Thank you very much for coming.

END