



Administrative Costs Guide for the Serna Program

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Purpose:

The purpose of this guide is to explain which administrative costs are allowable and may be charged under the Serna Program Guidelines, how to document those costs, and how to keep activity-specific costs and caps separate by program type. It is designed for contractors and recipients with a current Serna award who are using Serna forms and reporting tools.

This guide will cover Mortgage Assistance, Owner-Occupied Rehabilitation (OOR), Self-Help Technical Assistance, Accessory Dwelling Units /Junior Accessory Dwelling Units (ADU/JADU) related activities, and the Acquisition of Manufactured Housing.

General Rules (across Activities):

The following are the general rules and guidelines for Administrative funds that must be followed for all Activity types using Serna funds.

1. Administrative costs must be tracked by activity type and evaluated against the applicable cap for that activity.
2. Borrower assistance amounts, construction hard costs, and other direct program costs must not be combined with administrative or activity delivery costs.
3. Recipients must maintain records that support the amount, purpose, and allocation of each administrative charge.
4. If the applicable activity has no disbursements, allowable administrative cost will be zero, depending on the activity section and contract structure.
5. When a contract, Notice of Funding Availability (NOFA), or activity-specific form gives narrower instructions, contractors must follow those instructions for that activity.

Important reminder: Administrative costs tied to any Serna activity are only allowable when supported by actual program disbursements or other activity-specific rules. If a recipient receives an advance but does not ultimately disburse funds for the applicable activity, any unsupported administrative advance must be returned to HCD and may not be retained.

Activity Summary Table:

The following is a Summary Table that outlines the allowable Activity, applicable Guideline Section, Basic Administrative Cost Rule, and the Administrative Cost Cap Concept that relates to the Activity.

Activity	Guideline Section	Basic Administrative Cost Rule	Cap Concept
Self-Help Technical Assistance	401.2(d)	Wages, salaries, fringe, rent, utilities, communications, printing, and travel for technical assistance activity.	Use guideline or contract-specific rule.
Mortgage Assistance	402.2(d)	Processing, underwriting, verification, file management, closing-related costs, and allocated overhead.	10% of MA disbursements.
Owner-Occupied Rehabilitation	Activity-specific rehab section	Rehab planning, inspections, bidding, work write-up, file management, and allocated overhead.	20% of OOR disbursements.
ADU/JADU	Contract or NOFA-specific	Use only if award documents authorize ADU/JADU costs; include activity-specific examples.	Follow award structure.
Acquisition of Manufactured Housing	406.2	Wages, salaries, fringe, rent, utilities, communications, printing, and travel.	20% of disbursements received that year plus program income from the activity.

Eligible Administrative Costs:

Serna Program Guidelines specify that for all Activities, administrative costs may include, but are not limited to:

- Loan closing costs, where applicable
- Wages, salaries, and fringe benefits of program, clerical, and management personnel
- Payment for rent, utilities, communications, printing, and travel expenses

The following is a breakdown of eligible administrative costs for each of the allowable Activities noted in the table above. Please note that allowable administrative costs may be different for each Activity. It is recommended to verify the allowable administrative costs before submitting a request for funds, and if uncertain or if there are additional costs not noted below, then check with the assigned Serna Representative to determine if the costs are allowed.

Self-Help Technical Assistance (SHTA):

- Wages, salaries, and fringe benefits of program, clerical, and management personnel
- Rent, utilities, communications, printing, and travel expenses related to providing technical assistance for the funded project

Mortgage Assistance (MA):

- Staff Time: Direct staff time related to processing, underwriting, and approving MA applications
- Verification Activities: Income verification, credit review, and third-party confirmations
- Recordkeeping: Required reporting, compliance documentation, and file maintenance
- Monitoring: Reasonable costs for monitoring files for eligibility and program adherence
- Common Processing Items: Appraisal, underwriting, loan processing, loan booking (to servicing), document preparation, notary, tax service, homebuyer education certificate (maximum \$250)
- Loan Closing Costs: Title insurance fees, recording fees, escrow fees, notary fees, wire transfer fees, settlement charges
- Administrative Overhead: Proportionally allocated rent, utilities, communications, printing, and travel expenses necessary to meet Serna MA program requirements

Owner-Occupied Rehabilitation (OOR):

- Staff Time: Intake, income verification, eligibility review, and processing OOR applications
- Rehabilitation Planning: Preparing, reviewing, and processing rehabilitation work write-ups and project files
- Common Processing Items: Contractor selection and management, project bidding, write-up preparation, home inspection

- Inspections and Monitoring: Required monitoring activities, including inspections, progress documentation, and compliance reviews
- Third-Party Verification: Verification expenses necessary to determine income or eligibility
- Loan Closing Costs (where applicable): Title, recording, and related closing fees
- Administrative Overhead: Proportionally allocated rent, utilities, communications, printing, and travel expenses tied directly to meeting Serna OOR program requirements

Accessory Dwelling Units / Junior Accessory Dwelling Units (ADU/JADU):

- If an award funds ADU, JADU, homeownership development, or another Serna activity with separate requirements, recipients must follow the applicable guideline section, contract terms, NOFA provisions, and form instructions for that activity. Eligible administrative cost examples may differ from MA and OOR depending on the award structure.

Acquisition of Manufactured Housing:

- Wages, salaries, and fringe benefits of program, clerical, and management personnel
- Payment for rent, utilities, communications, printing, and travel expenses

Other Eligible Activities:

1. Wages & Salaries (Program Personnel): Program specialists, loan processors, income verifiers, underwriting coordinators, file managers, rehabilitation specialists, construction inspectors, technical assistance staff
2. Wages & Salaries (Clerical Personnel): Administrative assistants, data entry clerks, receptionists, file clerks, document processors
3. Wages & Salaries (Management Personnel): Program managers, supervisors, compliance officers, quality assurance reviewers
4. Fringe Benefits: Health insurance, retirement contributions, payroll taxes (FICA, Medicare, unemployment), workers compensation, paid leave
5. Rent: Office space used for program operations, proportionally allocated based on square footage or time usage
6. Utilities: Electric, gas, water, sewer, trash collection (proportionally allocated to program)
7. Communications: Telephone service, internet service, postage, courier services, mobile phone charges

8. Printing: Borrower application packets, program forms, informational brochures, file folders, copying costs, rehabilitation plan documents
9. Travel Expenses: Mileage reimbursement for site visits, borrower meetings, property inspections, training, per diem, parking fees, conference registration

Administrative Cost Cap Rules:

The following are the maximum allowable cost cap for the use of Administrative funds per eligible Activity.

Mortgage Assistance: 10% Cap

Administrative costs shall not exceed 10 percent of the total Serna Mortgage Assistance disbursements (*advances or reimbursements*).

Formula: Allowable MA Admin = Total MA Disbursed × 10%

Where “Total MA Disbursed” means the cumulative amount of Mortgage Assistance actually paid to or on behalf of borrowers through closed loans.

Owner-Occupied Rehabilitation: 20% Cap

Administrative costs shall not exceed 20 percent of the total Serna Owner-Occupied Rehabilitation (OOR) disbursements (*advances or reimbursements*).

Formula: Allowable OOR Admin = Total OOR Disbursed × 20%

Where “Total OOR Disbursed” means the cumulative amount of Owner-Occupied Rehabilitation funds actually paid to or on behalf of homeowners for eligible rehabilitation activities.

Acquisition of Manufactured Housing: 20% Cap

Administrative costs shall not exceed 20 percent of the total Serna Acquisition of Manufactured Housing disbursements received that year plus any Serna program income from the Serna-funded activity.

Recipients should maintain clear records showing the annual disbursement base, applicable program income, and the administrative costs charged to that activity.

Zero Disbursement Rule and Activity Based Limits

If no program funds are disbursed, the allowable administrative cost may be zero when the applicable activity section or contract ties administrative costs to actual disbursements. Any unsupported administrative costs advanced or claimed must be returned to HCD or will not be reimbursed. This rule applies because the cap is often

calculated as a percentage of actual program disbursements, and Recipients must be able to provide supporting documents.

Serna Required Forms:

There are three specific forms that must be used when submitting your documentation for administrative costs. These are the Request for Funds (RFF), Borrower Summary Form, and the Administrative Costs Form.

Request for Funds (RFF): The RFF must reconcile with supporting activity forms and report cumulative disbursements, cumulative administrative costs claimed, and the applicable cap calculation.

Borrower Summary Form: Use this form to summarize borrower-level activity when required. Keep borrower assistance and administrative or activity delivery costs separate.

Administrative Costs Form: Use this form to submit administrative or delivery fee costs. Follow the form version assigned to the contract or NOFA and do not combine these costs with borrower assistance amounts.

Other Documentation Requirements:

The following are high-level examples of documentation that may support administrative costs and are not an all-inclusive list. Recipients must maintain additional records as needed to support allowability, allocability, and reasonableness of claimed costs. Please note - *This documentation is not required to be submitted with every request and should be provided only if requested by your HCD Representative.*

Personnel Costs:

- Timesheets: Detailed time tracking showing hours worked on Serna activities, with contract codes, employee signatures, and supervisor approvals
- Payroll registers: Showing gross wages, deductions, and net pay for personnel charging time to the program
- Position descriptions: Documenting duties and responsibilities related to program administration
- Fringe benefit calculations: Worksheets showing benefit rates and allocation methodology

Rent and Utilities:

- Lease agreement or property ownership documentation
- Utility bills: Electric, gas, water, sewer, trash collection invoices
- Allocation memo: Documentation of methodology used to allocate costs to the program

Communications and Printing:

- Invoices: Telephone, internet, mobile phone bills
- Receipts: Postage, courier services, printing services
- Vendor statements: For contracted services

Travel Expenses:

- Mileage logs: Date, purpose, origin, destination, miles driven, odometer readings
- Receipts: Parking, tolls, per diem, lodging, meals (if applicable)
- Training agendas: Conference or training materials showing relevance to program
- Approval documentation: Pre-authorization for travel expenses

Loan Closing Costs:

- Settlement statements (HUD-1 or Closing Disclosure)
- Title company invoices
- Recording fee receipts
- Escrow statements
- Wire transfer confirmations
- Cross-reference to borrower loan file: Documentation linking closing costs to specific Serna-assisted loans

Disbursement Examples:

Example 1: Mortgage Assistance Disbursement

Mortgage Assistance Disbursement: \$50,000. Administrative Cap: 10% - \$5,000.

Category	Cost	Retained Documentation
Appraisal	\$450	Appraisal report, invoice
Underwriting, staff time	\$800	Timesheet, payroll report
Loan processing, staff time	\$250	Timesheet, payroll report
Loan servicing setup, staff time	\$150	Timesheet, payroll report
Homebuyer education certificate	\$200	Certificate, invoice
Notary	\$100	Receipt, invoice
Tax service	\$75	Transcript, invoice
Total Administration Cost	\$2,025	

Example 2: Mortgage Assistance Disbursement

Mortgage Assistance Disbursement: \$100,000. Administrative Cap: 10% - \$10,000.

Category	Cost	Retained Documentation
Appraisal	\$450	Appraisal report, invoice
Underwriting, 3 rd Party	\$700	Third-party invoice
Loan processing, 3 rd Party	\$300	Third-party invoice
Loan servicing setup, 3 rd Party	\$200	Servicing Contract, invoice
Homebuyer education certificate	\$250	Certificate, invoice
Notary	\$100	Receipt, invoice
Tax service	\$75	Transcript
Technical Assistance, staff time	\$1,000	Timesheet, payroll report
Fringe benefits, staff	\$800	Fringe worksheet, payroll report
Office Rent	\$4,000	Lease agreement, allocation memo
Utilities	\$750	Utility bill, allocation memo
Travel expenses, mileage reimbursement	\$200	Signed expense report
Total Administration Cost	\$8,825	

Example 3: Owner-Occupied Rehabilitation Disbursement

Owner-Occupied Rehabilitation Loan Amount: \$200,000.

Administrative Cap: 20 percent, \$40,000.

Category	Cost	Retained Documentation
Loan processing, staff time	\$2,000	Processing checklist, timesheet
Underwriting, staff time	\$1,800	Timesheet, payroll report
Document prep, staff time	\$3,000	Timesheet, payroll report
Loan servicing setup, staff time	\$2,000	Timesheet, payroll report
Appraisal	\$700	Appraisal report, invoice
Scope of work, staff time	\$3,500	Final scope, timesheet
Contractor selection, staff time	\$1,500	Procurement records, timesheet
Project bidding, staff time	\$3,500	Bid packets, timesheet
Home inspection, 3 rd party	\$3,500	Inspection report, invoice
Travel expenses, staff time	\$2,500	Expense report, timesheet, payroll report
Building office rent	\$4,000	Lease agreement, allocation memo
Utilities	\$1,200	Utility bill, allocation memo
Liability insurance	\$3,000	Policy, invoice, allocation memo
Software	\$3,300	Subscription invoice
Printing supplies	\$500	Receipts, invoices
Total Administration Cost	\$35,000	

Example 4: Acquisition of Manufactured Housing Disbursement

Acquisition of Manufactured Housing for **three** borrowers. Loan Amounts: \$300,000 total.

Administrative Cap: 20 percent, \$60,000.

Category	Cost	Retained Documentation
Transportation setup	\$16,000	Service invoice
Heating and air calibration	\$200	Service invoice
Loan processing	\$1,500	Settlement statement
Loan servicing setup, staff time	\$1,500	Timesheet, payroll report
Monthly rent	\$10,000	Rental agreement, allocation memo
Staff time	\$800	Timesheet, duty statements
Total Administration Cost	\$30,000	

Rent note: Rent may be charged to Serna for office space used for program operations, and if the space is not exclusively dedicated to Serna, the Recipient must document a reasonable allocation methodology for the Serna share.

Questions:

For any questions related to this Administrative Costs Guide or for guidance on eligibility, documentation, and other reporting requirements, please contact your HCD Serna Program Representative.