

GROUP COORDINATOR TRAINING GUIDE

*RURAL DEVELOPMENT SECTION 523
MUTUAL SELF-HELP HOUSING PROGRAM*

A Guide for Grantees of the USDA Section 523 Self-Help Housing Program

Developed jointly by the Self-Help Housing Technical and Management Assistance (T & MA) Contractors:

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Little Dixie Community Action Agency, Inc. (LDCAA)

National Council of Agricultural Life and Labor Research Fund, Inc. (NCALL)

Rural Community Assistance Corporation (RCAC)

Funded by: *United States Department of Agriculture, Rural Development*

The work that provided the basis for this publication was supported by funding under an award with the U.S.D.A. Rural Development. The substance and findings of the work are dedicated to the public. The T & MA Contractors are solely responsible for the accuracy of the statements and interpretations contained in this publication. Such interpretations do not necessarily reflect the views of the Government.

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Refer to the Introduction Chapter of this guide to identify the appropriate T & MA Contractor to contact for your area. After receipt of a consent and conditions letter you may copy and distribute the manual in accordance with such terms and conditions as set and approved by the T & MA Contractors.

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INTRODUCTION

The Self-Help Program

Self-Help Housing is just as it sounds: Participants working together to build their own homes. This cooperative effort is a direct application of the church and barn raising techniques of the Amish and Mennonites. The participants supply the necessary labor while qualifying for mortgage financing to purchase land, materials, and subcontract work on very technical items. A private nonprofit corporation, public body, or rural town can obtain a grant from Rural Development to hire skilled staff, rent office facilities, pay for mileage, and purchase tools. This staff then works with the participants by providing the assistance and training necessary to fulfill the goals of the self-help housing program. The specifics of the program are described below.

With the assistance of the skilled staff, an association of generally 4 to 10 households is formed. (Once the grant is completed, at least 40% of the total participants served must have been very low income, 50% or less of the county median income.) They select lots, house plans, and apply for individual mortgage loans. While participants await loan approval, the group studies the responsibilities of homeownership, construction techniques, tool usage, safety, homeowner's insurance, taxes, home maintenance, and money management. This time is known as the pre-construction stage.

Once the loans are approved, the group begins to build under the guidance of a skilled construction supervisor. The participants must complete a minimum of 65% of the construction labor tasks, until the group of homes is completed; usually the more technical work is subcontracted out. The construction stage lasts from 6 to 12 months, depending on the size of the group. Participants work during their spare time (evenings, weekends, and days off) so as not to interfere with the regular household employment. Rural Development loans feature interest rates ranging from 1% to the market rate, depending on the household's adjusted annual income. The repayment period is 33 or 38 years and no down payment is required.

Rural Development

Rural Development is an agency of the United States Department of Agriculture. It was originally a credit agency for lower income farmers who could not qualify for loans elsewhere. Since the 1960's rural non-farm households have been eligible for mortgage credit. Rural Development's function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms, which can be a barrier to homeownership.

The Rural Development mission is to help rural Americans improve the quality of their lives. Rural Development helps rural communities meet their basic needs by:

- Building water and wastewater systems,
- Financing decent, affordable housing,
- Supporting electric power and rural businesses, including cooperatives, and
- Supporting community development with information and technical assistance.

Rural Development has been providing the funds for the self-help housing program since the late 1960's. They provide technical assistance grants to eligible entities to start and implement the program and they thoroughly review the preapplication and final application before a grant is awarded. When a grant is awarded, Rural Development is saying that there is a need for self-help housing in this area; this agency is suited to administer a self-help housing program; the proposed plan, budget and schedule are feasible; house plans meet local, state and Rural Development building codes; adequate building sites are available; the project ingredients are in place; and Rural Development is ready to provide the financial resources necessary to make the project work. There is no charge to participating groups. Grant funds provided to sponsors by Rural Development do not have to be repaid. It is an investment Rural Development is willing to make in order to see self-help housing work.

Rural Development will continue to monitor and provide oversight in the areas of construction and administration, through quarterly meetings, construction inspections, and participant accounts throughout the term of the program.

In many cases Rural Development provides another important ingredient to the self-help program: construction/permanent financing. They are independent of private or conventional lending institutions; the financing is directly between Rural Development and the borrower. While labor and construction are group efforts, each applicant must qualify and obtain a loan directly from Rural Development.

Rural Development Offices

Rural Development usually operates from four levels: national, state, area and local. The National Rural Housing Service Administrator and Associate Administrator in the National Office and the State Directors are politically appointed – all others are federal civil service employees.

Rural Housing Service National Office

The Rural Housing Service National Office is responsible for developing policy and interacts with Congress for legislation, development and program funding. The National Office also obligates and monitors all Section 523 grants. The program staff at the national level maintains reports and statistics on operating self-help organizations and projected needs for funding.

Rural Development State Office

The State Office has the approval authority over the smaller Section 523 grant applications. Section 502 loan funds are allocated on a state-by-state basis and the State Office allocates the 502 money based on a State formula. There are additional staff members who are key to the operation of a self-help program located in many State Offices:

- Rural Development State Director
- Rural Housing Program Director
- Rural Development State Architect
- Rural Development Appraiser
- Rural Development Housing Specialist

Rural Development Area Office

The Rural Development Manager is responsible for the Section 523 grant. It is his or her responsibility to ensure that the grant is operated effectively and in accordance to regulations. The Rural Development Manager will evaluate the Section 523 self-help agencies on a quarterly basis and review grant applications for new and on-going programs. In addition, Rural Development Construction Analysts are usually available through this office.

Rural Development Local Office

Within this office, the Community Development Manager is typically responsible for making the Section 502 mortgages to participating applicants of each group. He or she will be responsible for monitoring the 502 loans and will also be the co-signer on the participant checking accounts. Usually, this office does construction inspections.

The Rural Development Section 502 Rural Housing Loan

Many applicants that participate in the self-help housing program use Rural Development Section 502 loans to finance their homes. Section 502 loans are only available to families living in rural areas. "Rural" is defined as towns with populations of 10,000 or fewer, and designated cities with populations between 10,000 and 20,000 in counties that are not associated with Standard Metropolitan Statistical Areas (SMSA) where a serious lack of mortgage credit exists.

In order to qualify for a Section 502 loan, prospective self-help applicants must meet Rural Development income eligibility requirements as low-income or very low-income. They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. The low-income measure is 80% or less of the county median income, based on family size. Very low-income is defined as 50% or less of the county median income, based on family size. These income standards, established by HUD and adopted by Rural Development, are subject to local variation and periodic change. Current information on income standards and eligibility requirements for Section 502 loans is available at Rural Development local offices.

The repayment period for the Section 502 loan is either 33 or 38 years, and the interest rate is between 1% and the current market rate. The actual rate of interest the borrower pays depends on the borrower's income, as does the loan term. If a borrower is eligible to pay less interest than the market rate, the borrower then receives a subsidy called "payment assistance". The amount of payment assistance a borrower receives is determined by the loan amount, loan period, and the household income. The assistance makes up the difference between the full loan rate and the rate the participant pays.

Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices based on regulatory guidelines. TA grantees prepare the drawdowns and checks for each participant's account as needed to purchase materials for different phases of construction. Note that the participant's loan payments are deferred during construction.

When all the money is withdrawn from a participant's account, Rural Development's finance office sends payment books to the participant. The participant's first loan payment is due within thirty days of termination of deferred payments. Payments then go directly to Rural Development's Centralized Servicing Center (CSC) in St. Louis.

The 523 Mutual Self-Help Housing Technical Assistance Grant

In order to enable organizations to operate a mutual self-help housing program, Rural Development provides grant funds to operate and oversee mutual self-help housing programs. Each TA grant is usually for a period of up to two years, and is available to public and private nonprofit organizations and units of state or local government. The amount of grant funds an organization can receive is based upon how many houses they build in a grant period. An organization can receive 15% of the average cost of a new home financed under the 502 program in their area, for every home they are planning to build.

Activities that are allowable uses of Section 523 Technical Assistance grant funds include:

- Recruiting eligible households to participate in the self-help program;
- Hold training meetings with participants on the self-help process and homeownership topics such as mortgages, insurances, taxes, and maintenance;
- Assisting participants obtain and develop building sites; obtaining or creating Rural Development-approved house plans and helping participants select theirs;
- Helping participants bid and select building supplies and subcontractors; train participants in construction techniques and provide construction supervision;
- Supervise participant Section 502 loan accounting, including:
 - Totaling invoices and itemizing payments to suppliers and subcontractors;
 - Maintaining records of deposits and withdrawals;
 - Preparing checks (accompanied with invoices and statements).

Disallowed activities using Section 523 Technical Assistance grant funds include:

- The use of any TA funds to pay staff to provide labor on the houses;
- Purchasing any real estate or building materials for participating families;
- Paying any debts, expenses or costs which should be the responsibility of the participating families;
- Any lobbying activities as prohibited in OMB Circular A-122.

The T&MA Contractors

In 1979 the appropriations language was changed to authorize the use of Section 523 grant funds to contract for technical assistance to self-help grantees. There were initially six Technical and Management Assistance (T&MA) Contractors; currently there are four.

Rural Development contracts with these groups to assist operating and potential self-help housing grantees across the country. This assistance comes in the form of staff and board training, grant management, development of applications, 502 loan program, training, newsletters and conferences, among other services. These services are provided at no cost to the grantee.

The four contractors are:

- Florida Non-Profit Housing - covering Region I, the Southeast, including the states of AL, FL, GA, MS, NC, SC, TN, Puerto Rico and the Virgin Islands.
- Little Dixie Community Action Agency, Inc. – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NCALL Research, Inc. – covering Region III, the Northeast and Midwest, including the states of CT, DE, IA, IL, IN, KY, MA, MD, ME, MI, MN, NH, NJ, NY, OH, PA, RI, VA, VT, WI, WV.
- Rural Community Assistance Corporation (RCAC) – covering Region IV, the Western US, including the states of AK, AZ, CA, CO, HI, ID, MT, NV, OR, UT, WA.

ADDITIONAL TRAINING MATERIALS

The T&MA Contractors have produced a variety of other training materials for the purpose of assisting grantees and training grantee staff. The following is a list of the available guides. Please contact your T&MA Contractor for a copy or for more information.

Board of Directors Guide

Boards of Directors play a critical role in the success of any non-profit organization. With this in mind, this guide was designed for use by board members of any housing agency. This guide is intended primarily as a reference and not to dictate that, "this way is the only way". However, it is an informational resource that may be used as a training tool and can provide new insights and a clearer understanding of nonprofit organizations, board meetings, operations, agency planning, administration of agency personnel, teamwork, orientation for new board members, federal accounting requirements, and self-help agency activities.

Project Directors Guide

It is the responsibility of the Project Director or Executive Director to administer a successful Mutual Self-Help Housing Program. This guide should be used as an important resource to assist with that goal. It can also be used as a training manual when new staff is hired. The Project Director's Guide takes a general look at the Self-Help Program as well as providing information on required reports, program criteria, grant and financial management, personnel and fair housing.

Guide to Basic Bookkeeping for Not-for-Profit Organizations

Understanding the basic bookkeeping procedures is just as vital to developing a not-for-profit organization as it is for a for-profit organization. Therefore, mastering the concepts of double entry bookkeeping is of much importance. Most non-profits are probably using computerized accounting software for their bookkeeping needs; however, it is still important to understand the concepts of double-entry bookkeeping. This guide will present the basic material for a not-for-profit organization's needs. With improved bookkeeping skills each organization will gain a better command of available resources and help in planning a more profitable future.

Financial Management for Federally-Funded Organizations

The purpose of this Financial Management Guide is to aid new and operating grantees with the development of financial management systems and policies that are compatible with the fiscal responsibilities set forth by the funding agency (Rural Development) and the Office of Management and Budget (OMB). While self-help housing programs that have been operating for many years may have sophisticated financial systems and policies, others are lacking written, established financial procedures that assure proper internal controls.

This Financial Management Guide offers grantees sample information, guides, and checklists for virtually all fiscal aspects of self-help housing including: Section 523 grant accounting, Section 502 participant loan accounting, establishing accounting systems, program and payroll expenditures, tax requirements, personnel records, federal accounting requirements, and audit preparation.

While this guide has been developed specifically for self-help housing grantees, the principles and information provided are applicable to any nonprofit housing development corporation utilizing federal financing or administrative funding.

Guide to Accounting for Individual Borrower 502 Loan Accounts

In addition to establishing and maintaining an accounting system for the Section 523 grant funds, the Self-Help Housing grantee is responsible for keeping an accurate account of the disbursement of funds from the individual self-help participants' Section 502 loan accounts. Instruction 1944-I indicates that technical assistance provided by the grantee to the participants should include "providing financial supervision to individual participants with Section 502 loans, which will minimize the time and effort required by Rural Development in processing borrower expenditures for materials and contract services." In order to fulfill this accounting responsibility, the grantees must establish a record keeping system with clear procedures for handling the purchase of construction supplies, invoices from sub-contractors and vendors, and accounting for expenditures from participant loan funds. This guide provides guidelines for self-help grantees to use in designing the procedures necessary for a minimum standard of control and a system of checks and balances to protect the participants and the grantee.

502 Loan Processing Guide

(This guide is currently under development.)

While the labor and construction is a group effort, each participant must qualify and obtain a loan individually from Rural Development. In order to qualify, a household must fall within the income guidelines set by Rural Development, must have demonstrated repayment ability, must have a good credit rating, and should have a low debt load. Because the 502 self-help loan process can be complicated for the individual, the technical assistance staff will pre-screen participants for program eligibility and prepare the application packages for Rural Development.

The 502 Loan Processing Guide will help to train the Group Coordinator or appropriate staff person in packaging these loans. The loan terms, application forms, credit reports, and the additional documentation required are all covered.

Preconstruction Meetings Guide

(This guide is currently under development.)

Each self-help grantee is responsible for organizing participants into groups, which remain together from loan processing through construction. The organization of participants into groups reinforces the "mutual" aspect of the self-help program because participants within a group are expected to work on each other's house until all houses in the group are completed. In addition to organizing participants into groups, self-help programs are responsible for explaining the self-help concept and methodology to participants, and for educating participants about their responsibilities as self-help participants, 502 loan borrowers, and homeowners. This is achieved through a series of "pre-construction meetings."

Group meetings provide self-help grantees, Rural Development, and the self-help participants with an opportunity to develop bonds which can contribute to the timely construction of houses – of which all can be proud – and which can place participants on a sound footing for assuming their homeownership responsibilities.

The information and materials contained in this guide are presented as informational resources, ready to use formats, or samples to be modified to suit each grantee's circumstances.

Construction Supervisor Guide

The Construction Supervisor Guide will discuss the roles and responsibilities of the construction supervisor as it relates to Self-Help Housing. This guide will cover several aspects of the construction supervisor's job; from construction specifications, house plans, schedules, bill paying procedures, to group motivation. Insight will be provided on how the self-help program operates and what is expected from the construction supervisor. This guide should not be the only source of training, but can be used as an introduction. Further exposure should be sought at conferences and networking with peers in the field.

SHARES Help Manual

SHARES stands for the Self-Help Automated Reporting and Evaluation System. It is an internet-ready application designed to manage, track, evaluate, and report on the status of the self-help program, as well as share this information with all parties that provide assistance to this program.

The SHARES Help Manual describes all aspects of the SHARES program, such as, getting started, the available screens, entering information, and printing reports.

Group Coordinator Responsibilities

Introduction

The job duties and responsibilities of a Group Coordinator are crucial to the success of the self-help program. The Group Coordinator is responsible for locating and screening interested participants, packaging their 502 loan applications, preparing them for the construction phase and homeownership, and may help to track their progress during construction. If one of these duties is not fulfilled, the entire program is put in jeopardy.

Because the Group Coordinator often wears so many hats in a self-help agency, there are three guides that the Group Coordinator is going to need to read in addition to this one:

- 502 Loan Processing Guide - is crucial to the success of qualifying and processing applicants;
- Pre-Construction Meetings Guide - will help guide the Group Coordinator to prepare for and facilitate the participant training process.
- Rural Development SHARES Manual (developed by Rural Development) - will instruct the Group Coordinator on the task of entering information into the SHARES database.

This guide will help the Group Coordinator in the areas of recruitment, communication, forming a group, group management, motivation, and understanding the 502 Program.

Below is a list of job responsibilities and qualifications that detail the varied duties of a Group Coordinator. Some grantees separate the loan packaging responsibilities into a separate staff position.

Typical Job Responsibilities

- Responsible for outreach and recruiting low-income families who are interested in the mutual self-help method of constructing each other's homes. This process involves advertisement, community meetings, interviewing, and prescreening for program eligibility.
- Prepares 502 Rural Housing loan applications for submission to Rural Development, including loan-closing procedures. Typical duties include verifying employment, income, credit, and debt along with completing a preliminary screening for eligibility.
- Organizes associations of participants for the purpose of home construction.
- Holds preconstruction meetings with participants to explain the program and subjects related to homeownership such as budgets, loan payments, taxes, insurance, maintenance, and upkeep of the property. Assists participants in selecting house plans and building lots.
- Counsels applicants on eligibility for participation and suggests steps they can take if they need to remedy a financial situation.
- Acts as the primary liaison between the self-help organization and Rural Development for matters pertaining to loan processing.
- Maybe responsible for helping participants during the construction phase to (1) encourage maximum family participation, (2) resolve individual participant and group related problems, and (3) provide information on labor saving and record keeping devices.
- Maintains records as required, which may include SHARES reporting and tracking participant labor hours.
- In some areas, the Group Coordinator is assisting RD with documentation for conversion from construction to a permanent loan.

Fair Housing Laws

Introduction

Fair housing is an extremely important issue that needs to be discussed when working with a self-help program. It effects every staff position within the program. Training in this area is crucial in treating the participants fairly and helping the self-help organization stay in compliance and out of trouble. The following chapter will describe some of the laws that govern fair housing, give some guidance in following the laws, and list other resources that can be used to educate staff.

The right to equal housing opportunity is set by law. It is enforced through a formal complaint process, litigation, testing, and monitoring. These actions are necessary, but not sufficient to create a society in which all persons can be assured of their housing rights. Grantees and community members must know about the existence of fair housing laws in order to avoid violating them. Knowing about the laws and their penalties can serve as a deterrent for those who might violate them and also fair housing education protects housing providers from violating laws simply because of a lack of knowledge.

The Fair Housing Act

The Fair Housing Act prohibits discrimination in housing because of:

- Race or color
- National origin
- Religion
- Sex
- Familial status (including children under the age of 18 living with parents or legal custodians; pregnant women and people securing custody of children under 18)
- Handicap (Disability)

The Fair Housing Act covers most housing. (In some circumstances, the Act exempts owner-occupied buildings with no more than four units, single-family housing sold or rented without the use of a broker, and housing operated by organizations and private clubs that limit occupancy to members. None of these exemptions apply to self-help housing.) The Act applies to:

- All housing financed by government loans, therefore, to all Rural Housing borrowers (1901.203(a)(1));
- To individual single-family houses so long as the ultimate sale of the house is through the services of any person in the business of selling or renting dwellings or any agent or employee of such person. (A person is deemed to be in the business of selling or renting if he or she has participated as an agent in two or more such transactions within the past year, other than her or his own dwelling, within the past year [7 CFR 1901.203(a)(2)]. This is a very important aspect of the Federal Fair Housing Act as it refers to employees of your organization. A grantees' self-help staff, full or part time, is considered an employee and must abide by all Federal Fair Housing Act laws.
- The owner of a dwelling intended for occupancy by five or more families.

In the sale and rental of housing no one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap:

- Refuse to rent or sell housing
- Refuse to negotiate for housing
- Make housing unavailable
- Deny a dwelling
- Set different terms, conditions or privileges for sale or rental of a dwelling
- Provide different housing services or facilities
- Falsely deny that housing is available for inspection, sale, or rental
- For profit, persuade owners to sell or rent (blockbusting) or
- Deny anyone access to or membership in a facility or service (such as a multiple listing service) related to the sale or rental of housing.

In mortgage lending no one may take any of the following actions based on race, color, national origin, religion, sex, familial status or handicap (disability):

- Refuse to make a mortgage loan
- Refuse to provide information regarding loans
- Impose different terms or conditions on a loan, such as different interest rates, points, or fees
- Discriminate in appraising property
- Refuse to purchase a loan or
- Set different terms or conditions for purchasing a loan.

In addition, it is illegal for anyone to:

- Threaten, coerce, intimidate or interfere with anyone exercising a fair housing right or assisting others who exercise that right
- Advertise or make any statement that indicates a limitation or preference based on race, color, national origin, religion, sex, familial status, or handicap. This prohibition against discriminatory advertising applies to single-family and owner-occupied housing that is otherwise exempt from the Fair Housing Act.

There is also additional protection for persons with a disability. If the applicant or someone associated with them:

- Has a physical or mental disability (including hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex and mental retardation) that substantially limits one or more major life activities
- Has a record of such a disability or
- Are regarded as having such a disability

Unless a building or community qualifies as housing for older persons, it may not discriminate based on familial status. That is, it may not discriminate against families in which one or more children under 18 live with a parent, a person who has legal custody of the child or children, or the designee of the parent or legal custodian, with the parent or custodian's written permission. Familial status protection also applies to pregnant women and anyone securing legal custody of a child under 18. Exemption: Housing for older persons is exempt from the prohibition against familial status discrimination if the HUD Secretary has determined that it is specifically designed for

and occupied by elderly persons under a Federal, State or local government program, or it is occupied solely by persons who are 62 or older, or it houses at least one person who is 55 or older in at least 80 percent of the occupied units, and adheres to a policy that demonstrates an intent to house persons who are 55 or older. A transition period permits residents on or before September 13, 1988, to continue living in the housing, regardless of their age, without interfering with the exemption.

Home seekers and housing providers must know their rights and responsibilities as well as the social and business advantages that accrue through honoring both the spirit and letter of fair housing laws. Home seekers and housing providers also need to learn how the law is implemented and how the laws work for them. Home seekers need to know when housing providers are discriminating against them and to distinguish discriminatory acts from other actions housing providers may take that are not discriminatory. Knowledge of fair housing laws provides an opportunity to learn about the benefits of diversity and diverse talents, doing business in a more open market, providing housing in a way that allows all residents in the community to grow in understanding, spirit, and community.

Other Applicable Laws

The following civil rights laws and regulations apply to all grantees and families participating in the self-help housing program. The following laws and regulations can be accessed from either the HUD or USDA web sites.

HUD: <http://www.hud.gov/>

USDA: <http://www.rudev.usda.gov/>

- Federal Fair Housing Act
- Title VI of the Civil Rights Act of 1964
- Section 504 of the Rehabilitation Act of 1973
- Age Discrimination Act of 1975
- Title II of the Americans with Disabilities Act of 1990
- Section 109 of the Housing and Community Development Act of 1974
- USDA Rural Development's regulation found at 7 CFR 1901 Subpart E also Incorporates Title VI & Title VIII (1901.201/2)
- Title VIII (additional protected classes: sex, religion, disability & familial status).
- Title VI nondiscrimination agreement (1901.202(d))

- Record keeping requirements: racial & ethnic data ((1901.202(g))
- HOME Grants, although not a civil rights law they are a major HUD source of Federal Financial Assistance in housing

An organization building five or more units and receiving Federal Financial Assistance from one contracting authority, such as USDA, may be covered by several other non-discrimination laws, as well. Any related activities that are connected to this Federal Financial Assistance funding may also be covered under the Civil Rights Restoration Act. (Federal Financial Assistance includes the RD 502 and 523 programs.) The Federal agency providing the assistance is responsible for compliance issues that may arise. For example, USDA, Rural Development is responsible for compliance issues regarding the 502 loans and the 523 grants.

Also, if your organization receives CDBG and HOME Grants, then HUD's 109, Title VI and Section 504 nondiscrimination requirements may apply to you. Section 504 includes program accessibility requirements.

The Americans with Disabilities Act and related information, including requirements for accessibility can be accessed from the HUD web site <http://www.hud.gov/>. Only "public entities" are covered by Title II of the Americans With Disabilities Act and must comply with the program's accessibility requirements. State and local governments, as well as agencies thereof, are "public entities."

Fair Housing Marketing

Affirmative Fair Housing Marketing Plan

Under Rural Development regulations, self-help agencies must prepare an Affirmative Fair Housing Marketing Plan when five or more houses are involved. This is part of the TA Grant application process. Grantees should pay close attention and follow the instructions when filling out the Affirmative Fair Housing Marketing Plan.

There are several requirements for an adequate Plan. Accurate information must be used. The racial makeup of the community where the project is located must be included in the project plan. The purpose of this is to determine which racial groups are least likely to apply for available housing. The marketing plan must then be designed to attract those “least likely” groups. The advertising is to cover the entire market area, but a special marketing effort must be directed to the racial group that is least likely to apply for housing. This special outreach effort must occur 90 days before the housing is available for sale or rent. Then a marketing program should be developed using media that will reach the entire market and media that will reach the designated “least likely” groups.

An authorized Rural Development official must sign the Plan “approved” or “disapproved.” The grantee would then modify the disapproved Plan and resubmit it for approval. Once approved the Plan must be made available and posted in a prominent place for public inspection. When the project is underway, Rural Development is required to monitor the Plan for compliance.

Fair Housing Advertising

In order to comply with the Fair Housing Act, there are certain requirements that must be met. The following is a description of the requirements that pertain to advertising.

I. The following words, phrases, symbols, and forms typify those most often used in residential real estate advertising to convey either overt or tacit discriminatory preferences or limitations. In considering a complaint under the Fair Housing Act, the Department will normally consider the use of these and comparable words, phrases, symbols, and forms to indicate a possible violation of the act and to establish a need for further proceedings on the complaint, if it is apparent from the context of the usage that discrimination within the meaning of the act is likely to result.

- (a) Words descriptive of dwelling, landlord, and tenants. White private home, Colored home, Jewish home, Hispanic residence, and adult building.

(b) Words indicative of race, color, religion, sex, handicap, familial status, or national origin

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(1) Race -- Negro, Black, Caucasian, Oriental, American Indian.

(2) Color -- White, Black, Colored.

(3) Religion -- Protestant, Christian, Catholic, Jew.

(4) National origin -- Mexican American, Puerto Rican, Philippine, Polish, Hungarian, Irish, Italian, Chicano, African, Hispanic, Chinese, Indian, Latino.

(5) Sex -- the exclusive use of words in advertisements, including those involving the rental of separate units in a single or multi-family dwelling, stating or tending to imply that the housing being advertised is available to persons of only one sex and not the other, except where the sharing of living areas is involved. Nothing in this part restricts advertisements of dwellings used exclusively for dormitory facilities by educational institutions.

(6) Handicap -- crippled, blind, deaf, mentally ill, retarded, impaired, handicapped, physically fit. Nothing in this part restricts the inclusion of information about the availability of accessible housing in advertising of dwellings.

(7) Familial status -- adults, children, singles, mature persons. Nothing in this part restricts advertisements of dwellings which are intended and operated for occupancy by older persons and which constitute housing for older persons as defined in part 100 of this title.

(8) Catch words -- Words and phrases used in a discriminatory context should be avoided, e.g., restricted, exclusive, private, integrated, traditional, board approval or membership approval.

(c) Symbols or logotypes. Symbols or logotypes, which imply or suggest race, color, religion, sex, handicap, familial status, or national origin.

(d) Colloquialisms. Words or phrases used regionally or locally which imply or suggest race, color, religion, sex, handicap, familial status, or national origin.

(e) Directions to real estate for sale or rent (use of maps or written instructions). Directions can imply a discriminatory preference, limitation, or exclusion. For example, references to real estate location made in terms of racial or national origin significant landmarks, such as an existing black development (signal to blacks) or an existing development known for its exclusion of minorities (signal to whites). Specific directions which make reference to a

racial or national origin significant area may indicate a preference. References to a synagogue, congregation or parish may also indicate a religious preference.

(f) Area (location) description. Names of facilities, which cater to a particular racial, national origin or religious group, such as country club or private school designations, or names of facilities, which are used exclusively by one sex, may indicate a preference.

II. The selective use of advertising media or content when particular combinations thereof are used exclusively with respect to various housing developments or sites can lead to discriminatory results and may indicate a violation of the Fair Housing Act. For example, the use of English language media alone or the exclusive use of media catering to the majority population in an area, when, in such area, there are also available non-English language or other minority media, may have discriminatory impact. Similarly, the selective use of human models in advertisements may have discriminatory impact. The following are examples of the selective use of advertisements, which may be discriminatory:

(a) Selective geographic advertisements. Such selective use may involve the strategic placement of billboards; brochure advertisements distributed within a limited geographic area by hand or in the mail; advertising in particular geographic coverage editions of major metropolitan newspapers or in newspapers of limited circulation which are mainly advertising vehicles for reaching a particular segment of the community; or displays or announcements available only in selected sales offices.

(b) Selective use of equal opportunity slogan or logo. When placing advertisements, such selective use may involve placing the equal housing opportunity slogan or logo in advertising reaching some geographic areas, but not others, or with respect to some properties but not others.

(c) Selective use of human models when conducting an advertising campaign. Selective advertising may involve an advertising campaign using human models primarily in media that cater to one racial or national origin segment of the population without a complementary advertising campaign that is directed at other groups. Another example may involve use of racially mixed models by a developer to advertise one development and not others. Similar care must be exercised in advertising in publications or other media directed at one particular sex, or at persons without children. Such selective advertising may involve the use of human models of members of only one sex, or of adults only, in displays, photographs or drawings to indicate preferences for one sex or the other, or for adults to the exclusion of children.

III. Fair Housing Policies and Practices. When officials investigate complaints of housing discrimination, they will evaluate whether or not the following policies and practices of the Act have been carried out:

Use of Equal Housing Opportunity logotype, statement, or slogan. All advertising of residential real estate for sale, rent, or financing should contain an equal housing opportunity logotype, statement, or slogan as a means of educating the home seeking public that the property is available to all persons regardless of race, color, religion, sex, handicap, familial status, or national origin. The choice of logotype, statement or slogan will depend on the type of media used (visual or auditory) and, in space advertising, on the size of the advertisement. Table I indicates suggested use of the logotype, statement, or slogan and size of logotype. Table II contains copies of the suggested Equal Housing Opportunity logotype, statement and slogan.

Use of human models. Human models in photographs, drawings, or other graphic techniques may not be used to indicate exclusiveness because of race, color, religion, sex, handicap, familial status, or national origin. If models are used in display advertising campaigns, the models should be clearly definable as reasonably representing majority and minority groups in the metropolitan area, both sexes, and, when appropriate, families with children. Models, if used, should portray persons in an equal social setting and indicate to the general public that the housing is open to all without regard to race, color, religion, sex, handicap, familial status, or national origin, and is not for the exclusive use of one such group.

Coverage of local laws. Where the Equal Housing Opportunity statement is used, the advertisement may also include a statement regarding the coverage of any local fair housing or human rights ordinance prohibiting discrimination in the sale, rental or financing of dwellings.

Notification of fair housing policy -- Employees. All publishers of advertisements, advertising agencies, and firms engaged in the sale, rental or financing of real estate should provide a printed copy of their nondiscrimination policy to each employee and officer.

The following three tables may serve as a guide for the use of the Equal Housing Opportunity logotype, statement, slogan, and publisher's notice for advertising:

Table I

A simple formula can guide the real estate advertiser in using the Equal Housing Opportunity logotype, statement, or slogan. In all space advertising (advertising in regularly printed media such as newspapers or magazines) the following standards should be used:

Size of advertisement	Size of logotype in inches
½ page or larger	2x2
1/8 page up to 1/2 page	1x1
4 column inches to 1/8 page	1/2 x 1/2
Less than 4 column inches	Do not use

In any other advertisements, if other logotypes are used in the advertisement, then the Equal Housing Opportunity logo should be of a size at least equal to the largest of the other logotypes; if no other logotypes are used, then the type should be bold display face which is clearly visible. Alternatively, when no other logotypes are used, 3 to 5 percent of an advertisement may be devoted to a statement of the equal housing opportunity policy.

In space advertising, which is less than 4 column inches (one column 4 inches long or two columns 2 inches long) of a page in size, the Equal Housing Opportunity slogan should be used. Such advertisements may be grouped with other advertisements under a caption, which states that the housing is available to all without regard to race, color, religion, sex, handicap, familial status, or national origin.

Table II

Illustrations of Logotype, Statement and Slogan.



Equal Housing Opportunity Logotype:

Equal Housing Opportunity Statement: We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the Nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.

Equal Housing Opportunity Slogan: "Equal Housing Opportunity."

Display of Fair Housing Posters

Participants in Rural Development programs are required to display Equal Housing Opportunity Posters in English and Spanish, in areas with a significant Spanish-speaking population, in the following locations:

- All business offices, model homes, and construction sites of all new single family housing subdivisions until all dwellings are sold.
- Business office, model apartments, and at the construction sites of new multi-family housing projects. In addition, the poster must be placed at the business office of existing multi-family housing projects. If a project does not have an office, participants must provide a protective case for the poster to be placed near the resident manager's office.
- Business offices of real estate agents, brokers, auctioneers, and dealer contractors doing business with Rural Development under the rural housing programs.

Participant Selection and the Membership and Labor Agreement

Grantees must follow all fair housing guidelines when screening participants for the self-help program. HUD and USDA can provide additional training materials for advertising and marketing. Included in these materials are the allowable questions a grantee can and cannot ask when interviewing potential self-help participants.

Two of the most important ways to ensure that you can prove that you are following all applicable fair housing laws are consistency and documentation. Is there written selection criteria and is this criteria consistently applied to all families?

It is also important to be mindful of the underserved population in your area. What about households with members having disabilities? The participants must complete 65% of construction labor tasks. A participating family may use a substitute to perform the labor with prior approval of the Grantee and the Rural Development State Director. A substitute is only permitted when the participating family is incapacitated. (1944.403 (k)) Is there ever a concern about a participant's ability to live independently? For households with disabled members, the fair housing regulation prohibits questions that go to the nature and extent of disability, except when determining program eligibility, provided it is asked of all participants. (Provisions can be made when a family cannot meet the terms of the membership agreement because a new disability may have occurred.)

Is there proper accessibility upon request? Upon request, accessibility modifications may be included at the request of the prospective homeowner and financed under the 502 program, up to the program mortgage limit. USDA 504 regulation (7CFR 15b.16) requires that assisted programs and activities be program accessible. Title II of the Americans with Disabilities Act requires the same as the USDA 504 regulations.

Recipients of Federal Financial Assistance are required to provide requested modifications to the assisted housing they own. Under HUD's interpretation of its own regulations, this includes freestanding, single family units, so long as they are in packages of five or more under the same contracting authority. This obligation is limited by a showing that to do so would create a fundamental program change or undue financial and administrative burden.

Are the participants treated equally? In both reward and punishment the participants should be treated equally. The best way to follow this rule is to stick with the rules laid out in the membership agreement. Do not let one participant change their house in the middle of construction and then say no to another. That would constitute unfair treatment and could be considered discrimination. The same could be said about a participant that falls behind in their labor hours, follow the rules in the agreement. If the first participant that falls behind has to have a meeting to explain themselves and the next participant has work stopped on their house for the same level of being behind, the organization is being discriminatory. Treat all the participants equally.

Identifying and Solving Potential Fair Housing Problems

Contact Rural Development or HUD immediately if you believe a potential fair housing problem exists. The sooner you receive technical assistance on the matter the better. Use mediation and all available resources, such as HUD's conciliation process, Rural Development, or other legal sources.

It is important to understand the complaint process. HUD investigates Title VIII complaints. For a complaint to receive attention, it must be filed within one year of the alleged incident. There is a Memorandum Of Understanding between HUD and USDA, which defines the roles of HUD and USDA/Rural Development in potential fair housing and civil rights complaints. Either HUD or USDA/Rural Development may investigate Title VI, 504, or Age complaints, depending on the funding source. Both may concurrently investigate such complaints if there is dual-funding. If you have any questions or need information regarding a potential fair housing or civil rights issue, immediately contact the USDA or HUD office.

HUD is ready to help with any problem of housing discrimination. If someone thinks their rights have been violated, the Housing Discrimination Complaint Form is available for them to download (at www.hud.gov/hdiscrim.html), complete and return, or complete online and submit; or they may write HUD a letter, or telephone the HUD Office nearest them. They have one year after an alleged violation to file a complaint with HUD, but the complaint should be filed as soon as possible.

When filing a complaint, the complainant needs to tell HUD their name and address, the name and address of the person the complaint is against (the respondent), the address or other identification to the housing involved, a short description to the alleged violation (the event that caused the complainant to believe their rights were violated), the date(s) to the alleged violation.

HUD also provides a toll-free TTY phone for the hearing impaired: 1-800-927-9275, interpreters, tapes and Braille materials, and assistance in reading and completing forms. HUD will notify the complainant when their complaint is received. Normally HUD will also notify the alleged violator of the complaint and permit that person to submit an answer, investigate the complaint and determine whether there is reasonable cause to believe the Fair Housing Act has been violated, and notify you if it cannot complete an investigation within 100 days of receiving the complaint.

HUD will try to reach an agreement with the person the complaint is against (the respondent). A conciliation agreement must protect both you and the public interest. If an agreement is signed, HUD will take no further action on the complaint. However, if HUD has reasonable cause to believe that a conciliation agreement is breached, HUD will recommend that the Attorney General file suit.

If HUD has determined that a State or local agency has the same fair housing powers as HUD, HUD will refer the complaint to that agency for investigation and notify the complainant of the referral. That agency must begin work on the complaint within 30 days or HUD may take it back.

If immediate help is needed to stop a serious problem that is being caused by a Fair Housing Act violation, HUD may be able to provide assistance as soon as a complaint is filed. HUD may authorize the Attorney General to go to court to seek temporary or preliminary relief, pending the outcome of a complaint, if:

- Irreparable harm is likely to occur without HUD's intervention
- There is substantial evidence that a violation of the Fair Housing Act occurred

Example: A builder agrees to sell a house, but after learning the buyer is black, fails to keep the agreement. The buyer files a complaint with HUD. HUD may authorize the Attorney General to go to court to prevent a sale to any other buyer until HUD investigates the complaint.

If, after investigating the complaint, HUD finds reasonable cause to believe that discrimination occurred, it will inform the complainant. The case will be heard in an administrative hearing within 120 days, unless the complainant or the respondent wants the case to be heard in Federal district court. Either way, there is no cost to either party.

If the case goes to an administrative hearing, HUD attorneys will litigate the case on the complainant's behalf. The complainant may intervene in the case and be represented by their own attorney if they wish. An Administrative Law Judge (ALA) will consider evidence from the complainant and the respondent. If the ALA decides that discrimination occurred, the respondent can be ordered:

- To compensate for actual damages, including humiliation, pain and suffering.
- To provide injunctive or other equitable relief, for example, to make the housing available to the complainant.
- To pay the Federal Government a civil penalty to vindicate the public interest. The maximum penalties are \$10,000 for a first violation and \$50,000 for a third violation within seven years.
- To pay reasonable attorney's fees and costs.

If the complainant or the respondent chooses to have the case decided in Federal District Court, the Attorney General will file a suit and litigate it on the complainant's behalf. Like the ALA, the District Court can order relief, and award actual damages, attorney's fees and costs. In addition, the court can award punitive damages.

In addition, a complainant may file suit, at their expense, in Federal District Court or State Court within two years of an alleged violation. If they cannot afford an attorney, the Court may appoint one for them. They may bring suit even after filing a complaint, if they have not signed a conciliation agreement and an Administrative Law Judge has not started a hearing. A court may award actual and punitive damages and attorney's fees and costs.

If there is noncompliance with the order of an Administrative Law Judge, HUD may seek temporary relief, enforcement of the order or a restraining order in a United States Court of Appeals.

The Attorney General may file a suit in a Federal District Court if there is reasonable cause to believe a pattern or practice of housing discrimination is occurring.

The Fair Housing Act and HUD's regulations contain more detail and technical information. If you need a copy of the law or regulations, contact the HUD Office nearest you.

Additional Resources

Those responsible for housing activities should be aware that various fair housing training materials already exist. For example, HUD's Fair Housing Information Clearinghouse can provide brochures, videos, audio public service announcements, and posters produced and marketed throughout the country by the National Fair Housing Alliance (NFHA). Use of these materials can increase the grantee staff and the public's awareness of subtle discriminatory acts and provides the resources for dealing with such acts. HUD's Fair Housing Information Clearinghouse also publishes a catalog of its sizeable collection of fair housing materials produced under the HUD Community Housing Resource Board (CHRB) Program, Fair Housing Initiatives Program (FHIP) and the Fair Housing Assistance Program (FHAP) across the country.

USDA, Rural Development national, state, and local offices can provide training and materials for your organization.

Legal Practices For The Group Coordinator

There are many laws that govern fair housing and lending practices. In addition to Fair Housing and other laws mentioned above, there are additional laws that a Group Coordinator should be familiar with.

Home Mortgage Disclosure Act of 1975 – Requires some depository institutions to make reports showing dollar volumes and residential mortgage and home improvement loan locations available to the government and the general public.

Community Reinvestment Act of 1977 – Imposes on federally regulated financial institutions an affirmative obligation to help meet the credit needs of the local community in which they are chartered.

Truth in Lending – Requires disclosure of items in consumer credit transactions, including residential mortgages.

Equal Credit Opportunity Act – Prohibits discrimination in credit transactions on the basis of race, color, national origin, sex, age, marital status, reliance on income from public assistance, or an applicant exercising their rights under the Consumer Protection laws.

The Fair Credit Reporting Act – In the event of a credit denial due to information received by an outside credit-reporting agency, the applicant must be informed of the name and address of the credit-reporting agency. The applicant may contact the credit-reporting agency for an explanation. However, the lender is not allowed to discuss any credit information with the applicant.

In order to abide by these and other laws, there are certain practices that the Group Coordinator should follow, and certain questions that should not be asked during the interview process.

Discrimination is not allowed. Do not discriminate for any reason. Leave any prejudices you may have at home. Rural Development Instruction 1901-E, “Civil Rights Compliance Requirements”, restates that any recipient of financial assistance (i.e., a self-help grantee) will not subject any person to discrimination with respect to their programs.

The Group Coordinator acts on behalf of the federal government as the person who takes the loan application. Because of this the Group Coordinator must be especially careful to abide by the laws while taking a loan application. The Equal Credit Opportunity Act, mentioned above, regulates this area. In order to comply with this law, there are some questions that should not be asked during an application interview. The following list should help with this task.

Motherhood – Do not ask, “Are you planning to have children?” It is okay to ask about the number and ages of dependents and about dependent related financial obligations.

Marital Status – Do not ask, “Are you divorced, single, or widowed?” It is only acceptable to ask if the applicant is married, unmarried, or separated.

Religion – No inquiry is allowed in this area.

Race, National Origin or Sex – Any question is prohibited for underwriting purposes. It is only okay to ask information for monitoring purposes, but the applicant must be advised that they are not required to give the information. These questions are asked on the application form. If the applicant chooses not to complete the Monitoring Section of the Loan Application Form, the person taking the application must note the applicant’s race and or national origin from visual observation or surname, and note that the answers came from “visual observation”.

Income – Because this is a federally subsidized program, the law requires that applicants must disclose income from alimony, child support or separate maintenance.

The Group Coordinator should not tell an applicant whether or not they will qualify for a self-help housing loan. This is the responsibility of Rural Development. However, the Group Coordinator can counsel participants about if and when they should submit an application. This should be done after a careful review of a family’s income and credit status, and not before. The Group Coordinator can advise an applicant that “Based on the information that you have provided, it appears to us that you do not meet the minimum eligibility requirements. If you believe we are mistaken, you may contact the local Rural Development Office for a clarification. If they believe

that you meet the preliminary processing standards, we will be happy to complete the preparation of a loan application for your family.” If a potential participant request that their application be submitted to RD and they are denied, there will be a mediatory waiting period of 6- months before the application can be resubmitted.

An “Authorization to Release Information” Form, Form RD 3550-1, (Attachment # 9) should be obtained from all clients to ensure that the client has given permission to the Group Coordinator to gather information about/for them. This is especially important when dealing with personal credit information. Releases must be obtained BEFORE a credit report is ordered by the self-help agency. We recommend that this form be obtained with the Pre-Application Interview Form.

(Attachment # 6)

According to HUD regulation 7610.1 REV-4, 4-8, “Nothing in the Fair Credit Reporting Act precludes a counseling agency from disclosing a credit report to a client.” If a grantee is also a counseling agency for HUD, the present contract does not preclude disclosure to the client. If a grantee/counseling agency contracts with a credit bureau for credit reports, whether or not disclosure can be made depends on the terms of the contract between the grantee/counseling agency and the credit reporting bureau. The prudent practice by the group coordinator/ counselor is NOT to have the counseling agency’s copy of the credit report on his or her desk or in the client’s open file during a counseling session. The group coordinator/counselor should use notes taken from the report prior to the client’s arrival for the counseling session.

It is also important to respect the privacy of the potential participants. To this end, all of their personal information should be kept confidential and meetings with them should be held in private, to the extent that is possible. A group coordinator/counselor is liable for civil suit when a client’s civil rights are violated by sharing confidential information which was related to the counselor under the assurances of confidentiality. Files, where the applicant information is kept, should not be widely accessible and should in a secure (locked) place in the office when it’s not being used by designated staff. Every staff member should not have, and does not need to have, access to this information.

Group Coordinators are not lawyers; therefore they should not provide legal counsel or advice, just information and assistance. They should also make sure that the participants are making their own decisions. It is not the Group Coordinator’s role to make decisions for the client, just to educate them so they can make their own informed decisions. In this regard, maintain basic ethical practices in regard to the clients. Be competent, respectful, professional, truthful, and without actual/potential conflicts of interest.

As mentioned earlier in this chapter, it is important to abide by fair housing laws when it comes to advertising. Follow the plan laid out in the Affirmative Fair Housing Marketing Plan and include the fair housing logo or symbol on all recruitment efforts.

Participant Recruiting and Program Marketing

Introduction

One of the most important jobs of a Group Coordinator is the recruitment of participants. Without participants, the program builds no houses and benefits no one. For many programs this is also one of the most challenging tasks. It is important not to get discouraged. The Group Coordinator may talk to 300 families to find six that qualify for a group.

No matter what happens, there are three important rules to follow:

- Do not get discouraged.
- Try something new.
- Plan ahead.

Developing a Recruitment Plan

By the time the Group Coordinator is receiving this training, hopefully the families for the first group are ready to close their loans and start building. So, a lot of work has already gone into recruitment. Investigate what has been done in the past and find out what worked and what did not. This information will help a great deal when looking for the next group of applicants.

Also, review the Affirmative Fair Housing Marketing Plan that was required to be completed and turned in with the Final Application. The strategies laid out in this document, such as where to advertise and who to contact, need to be carried out for the remainder of the program. Rural Development may conduct a review at the end of the program to ensure that this was followed.

In order to successfully locate the next group of applicants, there needs to be a plan. The following five steps will help in the development of a recruitment plan. Be sure to allow enough time to accomplish each step. After the plan is finished ask yourself, “are you getting your message out to the most potential applicants and are you doing it in the most economical way?”

Step One – Know Your Target Market

Where is the self-help program’s target market located so you can reach them? Are they at work, church, home, clubs, PTA, etc? What radio stations do they listen to? What programs, what time of day? What papers do they read? What are their favorite sections to read and on what days do they read them? What stores do they go to and when? (Laundromats, gas stations, grocery stores, restaurants, etc.) In order to get this information:

- Ask the people who respond to recruitment efforts – (See Attachment #1, Recruitment Survey and Attachment # 2, Market Research Survey)
- Ask social service agencies –They might assist in surveying their clientele by using the market research form.

Step Two – Analyze the Information

Look at the information that has been collected and determine where and how the most families can be reached.

Step Three – Investigate

Contact organizations, employers, churches, radio stations, newspapers...etc. Let them know about the program and find out how they can help to get the word out. What are the costs and are there other free methods available?

Step Four – Plan and Make Decisions

Look into the effects that your decisions will have. Take into consideration staffing and other job responsibilities. Can other staff members provide assistance or is it all your responsibility? What are the **time frames** and dates for program objectives? How much time is available to locate these applicants? **Cost** is also a very important factor; how much is in the budget for marketing and advertising? Remember, free advertising may not always be the best way to get your message to families, but the same may also be true for costly methods. It costs more to mail 200 flyers than to advertise in local paper...but with the right mailing list you may directly reach more very low-income households than through advertising in the paper.

After all of the factors have been considered, decide how the program can most effectively be promoted. If advertising is a viable option, decide where and when the advertisements should be placed and how long they should run. There are many ways to promote the program. See “Recruitment Methods” for some ideas.

Step Five – Develop a Message

Before the media is contacted or brochures are developed, you need to know what it is you want to say. (An important thing to remember when it comes to advertising is that the equal housing opportunity logo or symbol must appear in all advertisements.)

The message is not and should not be intended to tell them everything about the program. It only needs to interest them enough to take the desired action. The five elements of a message are:

1. Attract Attention

To attract the attention of a passerby or a newspaper reader an “attention getter” is needed to create interest.

- “Self-help homeowners are happy homeowners”
- “You can say with pride ‘I did it myself!’”
- “Ask me how to join the \$14,000 club!”
- “Learn a trade and gain a home at the same time”

2. Stress Advantages & Benefits of Self-Help Housing

The recruitment message should be directed at what the families need and/or want, not just what the program provides. Ask yourself, “What are the qualities and characteristics about the home that make it attractive to the potential participants and what do they get out of it personally?”

- Product – the home itself
- Price – the low cost of the home, the low interest rate and the money they save
- Self – learning skills, improving their life

Make a list and prioritize the benefits for your potential participants.

See the sample chart of benefits on the next page for some ideas.

Benefits of Self-Help Housing

Self-help housing is different things to different people. Decide which aspects are important to those being recruited and incorporate these aspects into the message. To incorporate too many benefits tend to confuse people and reduce the impact of the message. Concentrate on the strongest appeal for each individual group.

Sample Chart of Potential Benefits

Product – Stress Advantages

Price – Stress Value

Self – Stress Improvement

<p><i>If the message stresses the aspect of the home itself, detail its advantages. Examples:</i></p> <ul style="list-style-type: none"> - Modern, convenient, well built - Energy-efficient - Quality materials - Maintenance free - Designed to meet your needs - Fully inspected by local building officials - Modern appliances (insulated windows, wall-to-wall carpeting, and energy saving appliances) - The appeal of the houses themselves – feature photographs of finished subdivisions and floor plans 	<p><i>If the message discusses the cost, stress affordability, not that it is for “very low income” or that they are subsidized, this negatively categorizes people. Examples:</i></p> <ul style="list-style-type: none"> - House payments based on applicant’s ability to pay - No down payment - Save money by self-help - The investment benefits of home ownership, and the appeal of earning your “down-payment” - Invest in your own home – invest in your future - Cost savings of owning a modern, energy-efficient home - Own a home without breaking the household budget - Affordable financing enables homeownership now - Best financing for new construction in the country 	<p>Examples:</p> <ul style="list-style-type: none"> -A sense of accomplishment -Independence and self-reliance -Making a good home -Improving yourself -Doing better for yourself -Being happy and secure -The appeal of working in a group and really “knowing your neighbors” -Providing a better, safer environment for your family -Satisfaction of “doing it yourself”, along with developing construction skills -The homeowner’s dream come true: getting out of the “perpetual renter” trap
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3. Prove what you say is true

There are different ways of proving that your message is truthful. Four tactics that can be used: testimonials, comparative quality, reputation and successful performance. Testimonials are created when someone that has gone through the program in the past speaks of its benefits. Quality comparison could be used between a self-help home and contractor built homes. If the organization has a good name in the community, use its reputation to get interested applicants to believe in the program. Successful performance is another strategy that can be tried after the first group has been completed. People can then be shown how well a self-help program works and how nice the homes are.

4. Persuade

Get potential participants to grasp the idea that they too can enjoy the benefits and rewards of becoming a homeowner. This is a large task because many never thought that homeownership was a possibility for them.

5. Ask for action

Ask the people that see an ad, read a flyer, or hear about it on a TV segment or radio announcement, to make a decision and act on it. Whatever action it is that you want them to take, ask them to do so: call today, come by the office, attend a community meeting, mail in a coupon...etc. Make it easy for them to do this. Have a pocket of informational cards on a poster or tear off telephone numbers on a flyer.

Attachment #3 contains sample advertisements and brochures that have worked for other Self-Help organizations.

Recruitment Methods

There are many ways to get the message out once it has been defined. There is no such thing as one method being superior to another at this point. What works in one area may or may not work in another. Try many different ways until you find several that work well in your area. Also, always remember to include the Fair Housing logo on all advertising materials. The following is a list of some methods to try.

Newspapers

Both daily papers and weekly shoppers should be evaluated as to their ability to reach the target market. Keep in mind that both have ways to offer paid and free advertising methods.

Feature articles provide full coverage at no cost. See if the paper will do a public interest story on potential builders, actual builders or previous builders to give the program positive press. (How owning a home has or will change a family's life.)

Advertisements – Positioning is critical in newspaper advertising because most people do not read the entire paper. There is no chance of families seeing the ad if it is in the wrong place. The sports section might be great, but the real estate section may not be appropriate, simply because many very low-income households do not believe they can be homeowners.

Classified ads work great in some areas.

Activities announcement can be used to announce community meetings.

Radio

Ask the station for its target audience and segmentation according to time. The morning programs usually have a larger target listening area. Radio stations also have paid and free advertising available. Free talk shows, interview shows, classified ad shows, public service announcements (PSA), spot radio ads are all possibilities. Local radio stations may have talk shows where you and/or Rural Development personnel could be the guest.

Television

The self-help program could be featured on the local news, local community forum type programs, or mentioned through a public service announcement.

Flyers, posters, handouts

Develop simple, easy to read, attractive flyers for public distribution. Rural Development offices, stores, laundromats, CAP agencies, social service agencies, community bulletin boards, post offices, and utility offices are all good options of places to display information. They should be simple, attractive, and informative.

Brochures

Brochures are probably the best marketing tool used. Design a brochure with enough information so an interested person will call for more information. Brochures should have the name of the organization, the telephone number, floor plan, basic information about the program, and any additional information that would be useful. Brochures should be placed in locations where your target market frequents. Some of these might be supermarkets, laundromats, restaurants, and waiting rooms in such locations as hospital, doctor and dentist offices, Department of Human Services and Health Departments.

Direct mailings

Direct mailings can be expensive compared to other methods, but with the right list it can be more rewarding than a newspaper ad. Church mailing lists, or waiting lists for subsidized rental housing could all be used by the self-help agency.

A less expensive method of direct mail could be enlisting the assistance of social service agencies, AFDC agency, local employers and the like, to stuff flyers into their mailings and/or paycheck envelopes.

Community meetings

Holding a community meeting brings a number of people together to explain the self-help program and its requirements. Slide shows and videos can be used to help the potential participants visualize what the program entails. This is also a good time to provide information about your organization including any past housing efforts completed.

Trade shows, human service fairs, and mall exhibits

Consider having a booth at the local human services fair and other events. While these may be a good way to see a lot of people, consider the time and effort taken compared to reaching the target market. Are the potential participants going to be at the location where you are setting up?

Organizations, colleges, trade schools, headstart, and migrant education centers

Community Action Agencies often have the best handle on how to reach the population you hope to serve. Other contacts: local community development block grant programs, housing authority, etc. These ideas are all good for getting you directly to the families or for referrals. Pass out newsletters, flyers, or accept speaking engagements to explain the program. Meet with social service agency councils (inter-agency) to share the Rural Development program and explain the process. Write to all social service agencies concerning the availability of funds and income guidelines. Invite their clients to apply.

Churches

Meet with local ministerial associations. Churches are one of the best ways to disseminate information in the community and rural areas. Post announcements in church bulletins, newsletters, or on bulletin boards, talk to congregations, challenge churches to sponsor potentially eligible families within their congregation; all are possibilities of partnering with local churches.

Local governments

Local governments may be able to provide leads and referrals of potentially eligible families.

Local employers

Find employers that have a pay structure that supports the 502 program's income guidelines. Educate employers whose employees would benefit and ask for their assistance in reaching their workers. Post promotional material on bulletin boards, in paycheck envelopes, conduct special meetings, or set up a table in their lunch/break room.

Other

Contact members of low-income apartment complexes and arrange to pass out literature and host a tenant's meeting to see if anyone is ready and willing to move on to homeownership. Determine if letters can be sent to persons on the waiting list for subsidized rental housing. The word of mouth method can be more focused by sending letters to current borrowers, letting them know you are seeking more clients and ask them to spread the word. Meet monthly with a core group of social service representatives and brainstorm on how to reach the people who need the housing you have to offer.

Market Research

To minimize the trial and error in recruitment, it is important for you to know which methods of recruitment have worked best and which ones are reaching your target market. To accomplish this you will need to survey those who have responded to your recruitment efforts. Attachment #2-Market Research Survey and Attachment #1-Recruitment Survey are questionnaires that may help to make these determinations. As families call in response to your recruitment efforts, take a few minutes to complete these surveys.

You must continually review and revise, if necessary, the program's recruitment strategies. Failure to do this will result in decreased recruitment activities. Once your program is up and running, you will gain another, and usually the best recruitment tool – "word of mouth".

The News Release

Although simple in structure and style, the news release serves as a major vehicle for communicating with the media. A better understanding of its purpose, design, and uses, can also improve the chances of getting published.

In order to get the message out to the public, you probably will want to contact the local media. But how? When seeking publicity for an organization, the following guidelines should be useful.

Decide on the message. There may be many things to tell, but the key is to figure out what might be of interest to the public. Is it a new program, a change in location, or a special event?

Select the media. The message and intended audience determines which publication should be contacted. The biggest is not always the best. A community weekly or a special interest publication may be more likely to run the information because of its direct local impact or strong interest by their particular readership.

Put it in writing. Prepare a properly written release. (See Content and Structure sections page 43)

Mail to the right person. The City Editor is appropriate for general news items or if you are unsure of the title or department to which it should be addressed. It is very important to send only one release to a publication. This avoids the possible duplication and a risk of misunderstanding, factors which can result in not getting releases published in the future.

Mail by the deadline. For a daily newspaper, this is usually about a week before the event. Community weeklies, community calendars, and specialized publications will require a longer lead-time. It may be two to three weeks, or even longer.

A checkup phone call is not necessary. A daily newspaper receives hundreds of requests similar to yours and space and time considerations alone forbid running everything submitted.

Send a thank you note for any publicity the agency receives.

Content of the Release

Familiarize yourself with publications you may wish to use for publicity. Find out what they print and the kind of audience they reach.

Select information of interest to a large part of the publication's readership. Age, income, geography, activities, etc. of the general public are some characteristics to consider.

Remember the "5 W's" – who, what, when, where, why, and sometimes how. (See Structure page 44) Be sure they are all in the story.

Keep it brief. Include the important information at the beginning of the story using only the details that are absolutely necessary.

Write in a simple, factual style. Avoid creative, clever or overly wordy sentence structures.

Avoid opinions unless they are attributed to a person mentioned in the article. As in "the effects would be devastating," according to Jane Doe, Executive Director. As the writer, do not insert your own opinions.

Don't assume what a person would think or say. Contact them directly for an answer.

Be accurate. Make certain of all of your facts, such as dates, times, locations, names or titles. Also, be careful when you use figures or statistics.

Put a hook in your story. This is what makes the article of interest or newsworthy. Is this a new program? Is it the first of its kind? How is it unusual? Are you offering solutions to a problem in the community?

A word about names. The first time a man or woman's name is mentioned use both the first and last name. Thereafter, refer to them by their last name.

Unrequested photographs are seldom used. Newspapers will almost always use their own photographs for such opportunities. Do not send a photo you wish to have returned. If possible, submit only black and white glossy prints no smaller than 5x7 inches.

Structure of a News Release

When it's all said and done there are just two simple rules for writing your own news stories:

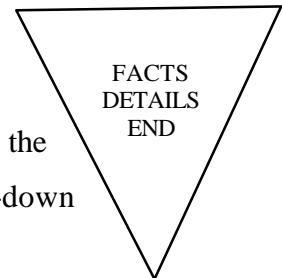
Rule #1 – Keep sentences and paragraphs short and clear.

Rule #2 – Place all of the facts at the beginning of the story with quotes, expendable details, and other information in the middle and the end.

The first rule speaks for itself. Ideally, news story sentences should be 16-21 words long. Paragraphs rarely should consist of more than three sentences. Often one sentence constitutes an entire paragraph. Since you are limited in the number of words you can put into a sentence, make every word count. Choose action words that convey a message, describe a situation, or carry weight.

For example: “The ABC Self-Help Housing Corporation will hold its annual Art Auction at Maple Dale Country Club on March 31 at 7 PM.” This lead paragraph succinctly tells you who (ABC Self-Help Corporation), what (Art Auction), when (March 31 at 7PM), and where (Maple Dale Country Club). Subsequent paragraphs detail the mission and works of the ABC Self-Help Housing Corporation, officers and organizers names, the type of works that will be up for auction, and how the proceeds will be used.

The second rule, placing vital facts in the first paragraph, is called the “inverted pyramid” because news stories can be drawn to look like an upside-down triangle.



When writing a news release, start with a headline and incorporate the two rules.

If the release runs more than one page, be sure to type the word “-MORE-“ at the bottom of each continuing page. When you reach the end of the story, sign off with the symbol “-30-“ or “-END-“. This tells the newspaper's typesetter that the story run is over.

Attachment #4 contains sample news releases to help get you started.

Other Media Tips

When the Media Calls

Most of the time, we seem to be trying to attract the media's attention. But what happens when a reporter contacts us? They may be calling in response to a news story that appeared in the national media, and are seeking a local angle, or the self-help agency may have been chosen as the focus for a featured social issue (the homeless, child abuse, the elderly, etc). Whatever the case, it is

important to remember that this is a wonderful opportunity for the agency. This can easily be forgotten when suddenly facing the challenge of being an articulate agency spokesperson.

Requests from the media do not often allow much time to prepare and interviews are usually very short. Because of this, saying it right the first time is quite important. Live interviews, or those on tape or film, do not allow for mistakes. And once printed, mistakes can be more permanent since readers can study it, make copies, and distribute it to untold numbers.

These pitfalls can be avoided by being a relaxed and effective representative. Before an interview begins:

Be certain of the identity and affiliation of the reporter (name, title, station, publication).

Determine the reason for the interview. Is it to explain the purpose of your agency? Discuss a basic issue or service? Present a positive image to a particular audience? Highlight an upcoming event?

If you are not the right person to talk with, refer the reporter to someone in the agency who is appropriate. Occasionally an outside source may be recommended. Notify the person you have given as a referral immediately to inform them that the reporter may be calling.

If you don't know how to answer a particular question, simply say you don't know. Offer to get the information to the interviewer as quickly as possible, and avoid incorrect or rambling uncertainties. If you cannot answer at the time, but will later, explain why and when you expect to address the question.

If you have time, develop a list of key points you wish to make during the interview. These can be statements, agency positions, facts or arguments that convey your intended messages.

What if your schedule does not allow you to take the time for an interview when a reporter happens to call? If so, or you feel it is essential to take time to prepare, find out the publication's deadline and arrange to call them back.

You may refuse to answer certain questions when they violate confidentiality rules, legal restrictions, or agency policy. Don't say "no comment" but explain your refusal clearly and politely.

During the Interview

Regardless of the medium - print, radio, or television - some general guidelines follow.

Background information. Your interviewer might be a specialist on the topic or may welcome pertinent information or suggested questions and directions you may have to offer. This information might be provided directly before a taped phone interview or for a more in-depth interview scheduled for a later time.

Work in a “quotable quote”. Say something the listeners or readers will remember and that makes an essential point. It can be the agency motto, a memorable phrase, or this year’s campaign theme. Try to get it in early; to increase the likelihood the quote will be used.

Don’t hide the truth or attempt to hide problems that are being addressed. Present them as positively as possible. Talk about what is being done to correct shortcomings and stress the plans underway. Avoid “No Comment”. If you are not sure of the answer, say you don’t know and get back to them as soon as possible.

Personalize your answers. Use anecdotes, illustrations, and personal accounts where you can. “When I was a teenager...” or “One of our clients said....” or “As a taxpayer myself...”.

Avoid agency jargon. Don’t assume your listening and reading audience has the same familiarity with the subject as you do. Don’t refer to agencies or programs by their initials (RHS, WIC, MSSH, etc.) unless they are well known by the general public.

Only state your agency’s position since everything you say will be considered just that. Use phrases like “Our agency believes...” and “We feel...”, rather than “I think...”. Be sure what you say reflects official agency policy or guidelines.

Rephrase any negative or objectionable questions the interviewer may ask. Always reply positively and use your own words, rather than repeating the words in question.

On the Radio

Radio, since it is a voice only, electronic medium, has some special considerations.

Your voice projects your entire image. The listening audience therefore assumes a great deal from it. Your voice can lend credibility and interest by listeners to what you say or it can turn them away.

Your appearance is still important, even though the audience won’t see you. Your confidence is increased when you look your best.

Good posture aids your voice as well as your appearance. On radio, sitting straight allows you to speak using your diaphragm, which in turn allows you to speak longer without your voice becoming hoarse, high, and thin.

The microphone. This may intimidate you, but it is very similar to a telephone. It merely lets you speak with others who are far away. Radio is a personal medium, so speak into it as if you were talking with one person.

Vocal problems like a hissing “S” or popping “P’s” may be accented by talking directly into a directional tabletop mike. Speaking slightly above it or off to one side will reduce these problems.

Live call-in programs are becoming more popular, particularly on radio. If you are invited to appear on one, inform your family, friends and co-workers so they can phone in relevant questions which point to your agency's desired message.

The Television Appearance

Your appearance is important since television is primarily a visual medium. It does not permit overly broad gestures or a loud speaking voice commonly associated with public speaking. Moderate gestures used for emphasis are best. Always remember to keep them within camera range.

Your attire helps project the image you want. Your attire should be selected with regard to the audience and the host. You may consider wearing your most conservative business outfit. Going with an appearance that clearly says "professional" will usually work best.

Avoid certain colors and color combinations, such as white and prints with small dots, thin white strips or busy patterns. Their bright images will prove distracting to the viewer.

Color opposites such as red/green, blue/orange, or yellow/purple should be avoided.

Check your appearance before your television interview, dress in the outfit you plan to wear, and sit before a full-length mirror. See how it looks. Is it flattering, or does it ride up or bulge? If you are not happy with your choice, change it. Ask the opinion of others if you are not sure.

In the studio the microphone is usually attached to your blouse or jacket (lapel mike), or suspended overhead by a boom or pipe (boom mike). Speak conversationally, without taking any special considerations.

A guest editorial is where you appear alone to present an opinion. Speak directly to the camera as if you are talking to your audience. The camera is your viewing perspective and this gives you more involvement with them.

A group appearance means your attention is toward the host and the other guests on the show. In this situation, direct your conversation to them rather than the camera.

Filming on location which will usually mean at your agency, requires a quiet room with enough space for a camera crew as well as the interviewer and yourself. Also, sufficient electrical outlets and capacity is needed for the camera and lighting equipment.

It may be possible to receive a videotape copy of the program. You may be requested to furnish a blank tape.

The Section 502 Mortgage Loan Program

Introduction

Rural Development (RD) provides a very important ingredient to the self-help program by offering financing to individual participants for all of the construction and land related costs. A basic understanding of this program is needed to perform the duties of a Group Coordinator.

RD, through the Section 502 Homeownership Loan, provides attractive financing to purchase a building lot, to purchase materials for the construction of the home, and to pay for certain construction tasks that will be subcontracted. The financing is loaned directly to the borrower from RD. The terms are the most attractive of any loan available from virtually any source.

While the labor and construction is a group effort, each participant must qualify and obtain a loan individually from RD. In order to qualify, a participant must fall within the income guidelines set by RD, must have demonstrated repayment ability, must have a good credit rating, and should have a low debt load. Because the 502/self-help loan process can be complicated for the individual, the grantee staff will pre-screen applicants for program eligibility and prepare the application packages for Rural Development.

The 502 Loan Program shall not be denied to any person based on race, sex, national origin, color, religion, marital status, age, physical or mental disability, receipt of income from public assistance, or because the applicant has exercised rights under the consumer protection act.

Section 502 Loan Program is governed by the regulations in 7CFR 3550. Group Coordinators should have a copy of HB-I-3550, DLOS Field Office Handbook, which will provide a more detailed description of the loan program. This handbook can be accessed at <http://rdinit.usda.gov/regs/hblist.html>.

Loan Purposes & Uses

Loan Purposes - With respect to Self-Help Housing, the 502 loan program can be used to build, rehabilitate or improve a dwelling that will be used as a permanent residence.

Loan Uses - Improvements financed with loan funds must be on land which after closing, is part of the security property. In addition to acquisition, construction, repairs, or the cost of relocating a dwelling, loan funds may be used to pay for:

- Reasonable expenses related to obtaining the loan, including legal, architectural and engineering, technical, title clearance, and loan closing fees; and appraisal, surveying, environmental, tax monitoring, and other technical services; and personal liability insurance fees for Mutual Self-Help borrowers.
- The cost of providing special design features or equipment when necessary because of a physical disability of the applicant or a member of the household.
- Reasonable connection fees, assessments, or pro rata installment costs for utilities such as water, sewer, electricity, and gas for which the borrower is liable and which are not paid from other funds.
- Reasonable and customary lender charges and fees if the Rural Development loan is being made in combination with a leveraged loan.
- Real estate taxes that are due and payable on the property at the time of closing and to establish an escrow account for real estate taxes and hazard and flood insurance premiums as well as other related costs.
- Fees to public and private nonprofit organizations that are tax exempt under the Internal Revenue Code for the development and packaging of loan applications, except for loans related to the purchase of an Rural Development Real Estate Owned (REO) property. (Mutual 523 Grantees are not eligible to receive packaging fees for RD self-help housing loans.)
- Purchasing and installing essential equipment in the dwelling, including ranges, refrigerators, washers or dryers, if these items are normally sold with dwellings in the area and if the purchase of these items is not the primary purpose of the loans.
- Purchasing and installing approved energy savings measures and approved furnaces and space heaters that use fuel that is commonly used, economical, and dependably available.
- Providing site preparation, including grading, foundation plantings, seeding or sodding, trees, walks, yard fences, and driveways to a building site.

Loan Terms

Repayment Period

- The repayment period will not exceed the expected useful life of the property.
- 33 years is the most common term for the 502 Program.
- 38 years if the annual adjusted income does not exceed 60% of median and extending the term is necessary to show repayment ability.

Interest Rates

Definitions

Simple Interest: Simple Interest is calculated on the outstanding principal balance for a specific period.

Compounded Interest: Compounded interest is calculated on the outstanding principal balance plus any accumulated interest.

Daily Accrued Interest: Daily accrued interest is charged on the daily principal balance. With this type of interest the day that the loan payment is credited to the loan account matters.

Interest Accrued Monthly: This is interest that is charged on a monthly basis. Always the specified amount of interest and principal are applied regardless of when the monthly payment is made and applied to the loan. Usually if payments are made late, a late fee is charged rather than more money going to interest and less to principal.

Amortization Schedule: A table showing the loan payments by equal periodic payments calculated to retire the principal at the end of a fixed period and to pay accrued interest on the outstanding balance. The unpaid balance of the loan, after each payment is made, is shown on the schedule.

PITI: Principal, Interest, Taxes and Insurance

The 502 Mortgage Loan is based on SIMPLE INTEREST ACCRUED MONTHLY. For self-help the first loan payment is due 30 days from the date the RD converts the loan from a construction loan to a permanent loan and CSC (Central Servicing Center) takes over service of the loan. Payments are due on that date every month thereafter. If the loan payment arrives 15 days past the due date a late fee of 4% is applied to the account.

The 502 Loan Program has 2 interest rates:

- *Actual interest rate*, fixed for the duration of the loan, is the interest rate used in the Truth-In-Lending calculations, shown on the Mortgage Note at closing and is the government's current cost of borrowing. The actual interest rate will be the lower of the rates in effect at the time of loan approval or loan closing.

- *Effective interest rate* varies and is determined by amount of payment assistance that is granted to the borrower. Each year the borrower's circumstances are reviewed to determine if the amount of payment assistance should be adjusted, this adjustment affects the interest rate that the borrower pays.

Loan Features

Down Payments

No down payments are required for a 502 loan, in contrast to the 5%-20% found on the conventional market. While normal 502 loans can receive up to 100% financing, participants who build using the self-help method achieve equity in the property through the savings realized from the construction of the home.

Applicants are expected to reduce their need for loan funds when the cash value of their net assets exceeds the limits defined. Only the assets of the borrowers who are parties to the note are considered.

- If the cash value of non-retirement household assets is greater than \$7,500 for non-elderly households or \$10,000 for elderly households, the cash value in excess of these amounts must be used to reduce the loan amount.
- For a non-retired applicant, if the market value of retirement assets is greater than the applicable adjusted median income limit, the cash value of assets in excess of that amount must be used to reduce the loan amount. For retired applicants, if income is derived from retirement assets alone or retirement assets and other retirement income, the applicant will not be required to use retirement assets as a down payment.

Market Value – The dollar value on the open market.

Cash Value – The market value less reasonable expenses to convert the asset to cash.

The exception to the asset limitation occurs in those cases in which a family is experiencing non-reimbursed medical expenses in excess of 3% of annual income. Rural Development can increase the asset limit by the amount of the medical expenses in excess of 3% of the annual income. Medical expenses in excess of 3% of annual income are explained in the “Adjusting Income” section.

Types of Assets

The following types of assets must be considered.

Non-retirement assets including:

- Savings accounts and the average 6-month balance of checking accounts;
- Stocks, bonds, savings certificates, money market funds, and other investment accounts;
- Equity in real property or other capital investments;
- Trust funds that are available to the household;
- Lump-sum receipts, such as inheritances, capital gains, lottery winnings;
- Personal property (such as jewelry) held as an investment; and
- Cash value of life insurance policies.

Retirement Assets including:

- Amounts in voluntary retirement plans that can be withdrawn, such as individual retirement accounts (IRAs), 401(K) plans, and Keogh accounts; and
- Amounts in other retirement and pension plans that can be withdrawn without retiring or terminating employment.

The following types of assets are not considered.

- The value of necessary items of personal property, such as furniture and automobiles;
- Assets that are part of any business, trade, or farming operation in which any member of the household is actively engaged;
- The value of an irrevocable trust fund, or the value of any trust over which no member of the household has control;
- Interests in American Indian trust land; and
- For income calculations, any assets on hand that will be used to reduce the amount of the loan.

Loan Payments During the Construction Period

Mortgage payments are deferred during the construction period.

- The participant's first mortgage payment is deferred until thirty days after move-in and is triggered when the local office converts the construction loan to a permanent loan by changing the interest rate in the system and assigning the loan a new loan number. The conversion to a permanent loan signals CSC (Central Servicing Center) to take over servicing responsibilities.
- The participant makes no construction interest payments during the construction period.

Construction Interest

Interest accrues on the loan during the construction period based on the subsidized interest rate. Funds for the construction loan are disbursed in advances that accrue interest and are based on the borrower's equivalent interest or floor rate. The amount of interest that accrues on the loan during the construction period is amortized into the mortgage at the end of the construction period. Because of this accrual, we recommend that the drawdowns be kept to a minimum to cover immediate needs, as opposed to making 2 or 3 large drawdowns during the construction period. Fewer and larger drawdowns will increase the amount of the borrowers' mortgage loans at end of construction.

Construction Loan Balances

Loan funds that remain after construction may be used for any additional authorized loan purposes. The use of these funds must be agreed upon by both the borrower and Rural Development and will be documented. If no agreement can be reached the funds will be applied to the borrower's outstanding principal balance.

Loan funds that are in excess of 10% of the loan balance, which are applied to the outstanding principal balance, will be re-amortized into the account to reduce the borrower's monthly payments.

Moratoriums

Moratoriums are another feature of the 502 Loan Program. A moratorium suspends the borrower's requirement of making monthly payments for up to a 2-year period. A moratorium is a temporary solution that is intended to help a borrower recover from financial difficulties without the risk of foreclosure. The moratorium can include the escrow payments.

Moratoriums can be granted to borrowers who, due to circumstances beyond their control, are temporarily unable to make the scheduled payments for any of the following reasons:

- When the borrowers repayment income falls at least 20% within 12 months and only after they have been considered for an increase in payment assistance.
- When the borrower must pay unexpected and non-reimbursed expenses resulting from an accident, illness, injury, or death of a family member.
- When the borrower must pay unexpected and non-reimbursable expenses resulting from damage that has occurred to the property when adequate hazard insurance was not available.

Extra Payments

Payments in excess of the regular payment will be applied to the loan in the following order:

- 1) To any outstanding fees and charges:
- 2) To reduce the loan's principal balance.

A prepayment of the scheduled payment, as well as a reduction of principal balance, is permitted. A reduction of 10% of the loan balance is required before the loan can be re-amortized to reduce the borrower's monthly payments.

Escrow Accounts and Payments

To help the borrower accumulate the amounts that are needed to pay the real estate taxes, insurance premiums and other assessments when they become due, RD requires borrowers to establish an escrow account. The borrowers' monthly mortgage payment includes 1/12th of the estimated annual taxes and insurance bill. These funds are included in the borrower's regular monthly payment and deposited into the escrow account. RD maintains this account and pays these bills on behalf of the borrower when they become due.

On new construction loans, escrow accounts are not established at the time of loan closing because loan payments are not due during the construction period. Borrowers will be counseled by both Rural Development and the self-help organization that they are responsible for the payment of taxes that become due during construction. The borrower is also responsible for the initial escrow deposit when construction is completed.

Funds for the payment of taxes during construction and for the initial escrow deposit (including both taxes and insurance) can be handled by one of two methods:

1. Taxes that must be paid during the construction period and the initial escrow deposit can be included in the loan amount. This option is at the discretion of the applicant and subject to loan underwriting standards. The applicant is responsible for delivering the tax bill to the self-help organization so that the loan check can be issued to pay the taxes. Any shortages in funding the initial escrow account are the responsibility of the applicant.
2. Taxes that must be paid during the construction period and the initial escrow deposit are paid for from personal funds. The applicant pays the tax bills when due and provides a copy of the tax bill to Rural Development.

Payment Assistance

Payment subsidies are used to make the 502-loan program affordable to low and very low-income households. All new borrowers with RD will receive their subsidy in the form of “Payment Assistance”.

Payment assistance is granted to qualified low and very low-income borrowers to assist them in homeownership by subsidizing a portion of the interest due on the monthly payments. Payment assistance is the difference between the amount due at the promissory note rate and the rate that the participant pays. It looks something like this:

P&I payment at Note Rate of 8%	\$397.98
P&I payment at 1% Rate	\$164.31
Payment Assistance is the difference between	\$397.98
and	\$164.31
Payment Assistance	\$233.67

The participant's payment is applied in the following manner:

Participant P & I Payment	\$164.31
Principal at Note Rate (8%)	-\$ 28.65
Interest Paid by Borrower	\$135.66
Interest Paid by Rural Development	\$233.67

Sample Amortization Schedules					
Interest Rate	Pmt #	Principal	Interest	P& I	Loan Balance
8%	1	28.65	369.33	397.98	55,400.00
	2	28.84	369.14	397.98	55,371.35
1%	1	118.14	46.17	164.31	55,400.00
	2	118.24	46.07	164.31	55,281.86

The participant will pay the greater of:

- The payment amortized at the equivalent interest rate (EIR); or
- The payment based on the floor rate.

(If the loan is leveraged, only the EIR method is used.)

The actual payment assistance the borrower receives the first year of the loan is not calculated by RD until after completion of the house. Over the construction period many variables (household income, household size, subsequent loans, construction interest, etc.) can change the payment assistance amount estimated during eligibility and loan approval. Any changes during this time will only effect the participant's payment and payment assistance amount.

Payment Assistance Renewal

Payment assistance agreements are valid for a 12-month period and require re-certification at the end of the period. If the borrower's income or household composition changes during the 12-month period, then the amount of payment assistance could decrease or increase accordingly. The borrower must notify RD if any adult household member changes or obtains employment, the household composition changes, or if the income increases by more than 10%. The borrower's monthly mortgage payment remains affordable depending on their circumstances.

When the adjusted income reaches a level that RD feels that the borrower can obtain financing in the conventional market, the borrower will be asked to do so.

Recapture

Borrowers can receive a substantial amount of payment subsidy over the life of their loan. The Section 502 Loan Program requires borrowers to repay a portion of the payment subsidy received when title to the property transfers or the borrower ceases to meet the occupancy requirements. The amount repaid to the government is based on a percentage of value appreciation. This value appreciation is calculated after closing cost, original equity, all lien holders' balances, capital improvement value, and principal reductions due to payments at both note rate and subsidized rate are deducted from the sales price or market value of the property. The percentage of value appreciation that is paid back to the government is based on the average interest rate that the borrower has paid during the life of the loan and the length of time that the borrower has had the loan and ranges from 9% to 50% or the actual amount of subsidy received by the borrower, whichever is the lower amount. The Recapture feature of the 502 Loan Program is more detailed. You can find more information on Subsidy Recapture by going to HB-2-3550, DLOS Centralized Service Center, Chapter 2, Section 5: Recapture. (<http://rdinit.usda.gov/regs/hblist.html>)

Site Requirements

Rural

- Must be located in a rural area:
 1. Open country and communities with populations up to 10,000, OR
 2. Cities with populations over 10,000 but not in excess of 20,000 that are outside the Metropolitan Statistical Area (MSA) and that have a lack of mortgage credit.
- The property must have direct access from a street, road or driveway, meeting the requirements of 1924-C.
- The lot size is one that cannot be subdivided into two or more adequate sites under existing area zoning requirements.
- An acceptable lot must have an adequate water and wastewater system. Lots that accommodate an individual, central or privately owned and operated system and that meet the applicable water and/or wastewater disposal system requirements of RD Instruction 1924-C and must be of adequate size as required by the State's Dept. of Health or other

regulatory agency. Private companies that inspect individual wells and septic system drain fields as well as local or state regulatory agencies must verify in writing that the privately owned water and waste water system comply with the Safe Drinking Water Act and the Clean Water Act.

- The property must meet the environmental requirements contained in 1940-G and 426.2. All mortgage loan applications will receive the appropriate level of environmental review.

Modest Site

- The value of the land cannot exceed 30% of as-improved market value of the property unless the State Director waives it. A waiver is possible when the site cannot be subdivided and the cost is typical for the area and is evidenced by the appraisal and the practices of other lenders.

Ownership Requirements

If ownership of the property is to be other than Fee Simple (joint or individual) refer to 7 CFR Part 3550, section 3550.107.

Fee Simple - A fee simple estate is one in which the owner is entitled to all the rights related to the property. It is the highest type of ownership in real estate known to law. It means that the owner can do anything with his land allowed by law.

Individual Ownership - Single ownership in a fee simple title means that all the rights, privileges, and responsibilities (such as payment of taxes) belong solely to one party. This party may be an individual, a corporation, a not-for-profit organization or any other legally recognized entity. Rural Development permits only individuals and legally appointed guardian or conservator acting as an individual to hold title to the property.

Joint Ownership - as it implies, joint ownership is when two or more parties share ownership rights and responsibilities. With joint ownership, no one party can make any disposition of the real property or, of rights to it, which would affect the rights of the other owners without their consent, such as mortgaging the property without the consent of the other owner. There are some jurisdictions where one joint owner is free to dispose of his interest in the property without the consent of the others; in other jurisdictions a joint owner is denied such a privilege.

Modest Dwelling Requirements

Houses financed by this program must be modest in that the cost cannot exceed the cost of other modest housing in the area and cannot have prohibited features.

- Loans will not be approved for houses that contain in-ground swimming pools or structures designed for income producing facilities or purposes. Home-based operations such as childcare, product sales, or craft production that do not require specific features are not restricted.
- New construction must meet the requirements of 1924-A, including the thermal performance standards in 1924-A, Exhibit D.

Maximum Loan Amount and Cost

The dwelling costs cannot exceed the maximum dollar limitation that is established by RD, which is based on the cost of modest housing in the area. For the self-help program the appraised value cannot exceed the RD limit. The cost of the property, including the combined cost paid by the RD loan, loans from other sources, or the applicants own funds, and the value of a site already owned by the applicant, cannot exceed the RD limit.

- The appraisal fee, tax servicing fee and the initial contribution to the escrow account are the exceptions when a loan can exceed the limit if approved by the State Director.

Exceptions to the Maximum Loan Amount and Cost

Area and individual exceptions are permitted to allow the cost of the dwelling financed to exceed the maximum dollar limitation when the existing mortgage limit is insufficient to provide for adequate housing. The State Director can approve increases of \$20,000 or less. The Deputy Administrator, Single Family Housing must approve larger increases.

- Area exceptions must contain specific data and documentation to prove that the limit is insufficient for adequate housing and that the modest housing costs in the area exceed the maximum loan limits, or that a community has different maximum loan limits, usually because of a specified high cost area.
- Exceptions to the loan limit are permitted when it is necessary to accommodate the specific needs of the family, to correct overcrowding, or to accommodate a household member with a disability.

Eligibility Requirements

Current Housing Requirements

The applicant cannot own an existing dwelling except to:

- Refinance an existing loan under certain conditions.
- Purchase a new dwelling if the current dwelling is deficient in that it lacks complete plumbing, adequate heating, is dilapidated or structurally unsound, has an overcrowding condition that will be corrected with the new loan, or that is uninhabitable.
- To make necessary repairs to a property that is financed with an affordable non-RHS loan.

Current homeowners with an RHS loan may receive a subsequent loan.

Ability to Obtain Other Credit

The applicant must be unable to secure the necessary credit from other sources at terms and conditions, which the applicant can reasonably be expected to fulfill. The application will be screened to determine if “participation” from another lender is possible.

- If the applicant has only an undivided interest in the land to be improved, those co-owners must also be unable to provide the improvements with their own resources, or obtain the necessary credit elsewhere, either individually or jointly with the applicant.
- Rural Development will provide information on area lenders participating in the 502 “guaranteed loan program” and “participation loan program” to all applicants who are required to seek other credit.

Citizenship Requirements

- The applicant must be a citizen of the United States or a non-citizen who qualifies as a legal alien (*they meet the criteria in section 214 of the Housing and Community Development Act of 1980, 42 U.S.C. 1436a*).
- When the application indicates that the applicant is a non-citizen, evidence of lawful admission to the US is required and will be obtained by Rural Development personnel. Verification is required only when they indicate on the application that they are not US citizens.

Age/Capacity Requirements

- The applicant must be considered an adult under state law and have the legal capacity to incur a loan obligation or
 - An applicant with a court appointed guardian or conservator who is empowered to obligate the applicant in real estate matters is eligible for the loan.
- Assume that an applicant has the legal capacity to enter into a loan unless there is evidence to indicate otherwise.

Residence Requirements

The applicant must have the potential ability to personally occupy the home on a permanent basis. Typically, military or active duty personnel or full time students will not be granted loans unless:

- Military personnel will be discharged within a reasonable period of time, usually within 1 year of the loan and the family will occupy the home if the borrower is transferred to another duty station before discharge.
- Full time students who intend to make the home a permanent residence and there are reasonable prospects that employment will be available after graduation.

If after obtaining a loan the borrowers' employment transfers the family, the borrower can rent the property for up to 2 years while the property is on the market however the borrower's payment will be graduated to the full note rate.

Full Disclosure Requirement

The applicant must provide truthful information when applying for the program. Those who give false information or fail to disclose relevant information will be denied program assistance.

Suspension or Debarment Requirement

If an applicant has been suspended or debarred from participating in Federal Programs, they are not eligible for this program.

Credit Requirement

Applicants must have a credit history that shows that they have a willingness to meet their obligations when due. Credit history over the last 3 years will be evaluated.

Indicators of Unacceptable Credit History

Unless Rural Development determines that the cause was beyond the applicant's control the following criteria would indicate unacceptable credit.

- No credit history. A lack of credit history reflected on a credit report may be mitigated if the applicant can document a willingness to pay debts through submission of a third party verification, copies of canceled checks, or other acceptable documentation for monthly obligations, such as rent, utility, phone, doctor's bills or other recurring debt payments.
- 2 or more debt payments that were 30 days late within the last 12 months. This can include 2 late payments on a single account. Late payments may be waived if the Rural Development loan significantly reduces shelter costs and contributes to improved debt payment ability.
- Foreclosures that have been completed within the last 36 months.
- Outstanding Internal Revenue Service (IRS) tax liens or any other outstanding tax liens with no satisfactory arrangements for payment.
- Two or more rent payments that were 30 days or more late within the last 2 years. If there has been no other credit problems within the last 2 years of general credit history, only the past rental year will be considered. Instances of 2 or more late payments can be waived when the loan results in a significant reduction of shelter costs and contributes to improved debt repayment ability.
- Outstanding collection accounts with a record of irregular payments and no satisfactory arrangement for repayment, or collection accounts that were paid in full within the last 6 months, unless the applicant has been making regular payments previously.
- Non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months prior to date of application.
- Agency debts, which were settled within the past 36 months, unless the debt was paid in full, at least 12 months prior to the date of application.
- Delinquency on a federal debt.
- A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months except:
 1. A bankruptcy in which:

- Chapter 7 Bankruptcy in which the debts were discharged more than 36 months before the date of application; or
 - Chapter 13 where the applicant has successfully completed a debt restructuring plan and has demonstrated a willingness to meet obligations, when due, for the 12 months prior to the date of the application.
2. A satisfied judgment more than 12 months before the date of the application. *An applicant with an outstanding judgment obtained by the United States Federal Court, other than United States Tax Court, is not eligible for a Section 502 loan. This requirement cannot be waived.*

(Always refer to Rural Development Handbook 1-3550 for current credit guidelines).

Exceptions to Unacceptable Credit History

Sometimes, credit history has adverse indicators that are a result of circumstances that were beyond the control of the applicant. When these indicators occur it does not necessarily reflect the applicant's willingness to meet obligations as they become due. Rural Development will consider the reason for adverse credit and may grant an exception to the standard.

Exceptions may be considered by the loan approval official (except for Federal Judgments) when documentation is provided that:

- Circumstances were temporary and beyond the applicants control and have been removed. Examples: loss of job, delay or reduction in benefits, other loss of income, or an increase in expenses due to illness, death etc.
- When the adverse action or delinquency was the result of a refusal to make full payment because of defective goods or services or some other justifiable dispute relating to the goods and services contracted for, or purchased.
- The loan will significantly reduce the shelter cost.
- When the applicant is delinquent on a Federal Debt and the loan benefits the federal government. *(Not to be confused with a judgment obtained by the United States in a Federal Court.)*

Types of Income

The 502 program requires the calculation of three types of income for eligibility.

ANNUAL INCOME is the basis for the computation of adjusted income and includes income from all household members except live-in aids, foster children and foster adults that are living in the household and earned income of minors.

ADJUSTED INCOME is used to determine whether or not the applicant is income-eligible for the program and to determine the amount of payment assistance that the applicant will receive.

The household's annual adjusted income cannot exceed the adjusted income limit for that family's size and for the county in which they will live, at the time of loan approval. Congress has determined that the 502 Loan Program must serve the low and very low income rural borrower. Low and very low income limits are determined by Rural Development and follow HUD Guidelines.

These income limits can be found at:

http://www.rurdev.usda.gov/RHS/SFH/SFH_DIRECT_LOAN_INCOME_LIMITS.HTM.

- *Very Low Income* does not exceed 50% of county adjusted median income for the family size.
- *Low Income* does not exceed 80% of county adjusted median income for the household size.
- *Adjusted Median Income* is noted for each family size within a county and is 100% of median income in the county.
- *Percentage of adjusted median income* is determined by dividing the household's adjusted income by the adjusted median income figure for that particular family size within the county that the property is or will be located.

REPAYMENT INCOME is used to determine if the applicant will be able to repay the loan and only the income from household members who will be party to and sign the note will be counted. Income from *live-in aids, foster children and foster adults that are living in the household and earned income of minors* WILL NOT be counted.

Annual Income

Definitions

Live-In Aides - Persons living in the household for the sole purpose of providing essential care and well being for an elderly or disabled household member. Live-in aids cannot be related to a household member and would not be living in the unit except to provide essential supportive services.

Minor - For the purposes of determining adjusted annual income, this definition is restricted to persons under 18 years of age. Neither the head of household nor spouse may be counted as a minor. Foster children are not counted as minors for determining annual or adjusted annual income.

Annual Income is the sum of "specific" kinds of income. Calculating annual income is the first step used in determining adjusted annual income.

Annual income is a determination of expected income for the next 12 months, for all members of the household except income from live-in aids, foster children, foster adults and earned income from minors. Historical data of the past 12 months or fiscal year can be used if expected income is difficult to determine based on current circumstances. Examples include seasonal employment, self-employment, and commission.

Employment income, part-time and full time, is computed by:

- Hourly Wage x 2080 Hours (or anticipated hours for part-time)
- Weekly Wage x 52 Weeks
- Bi-weekly wage x 26 Weeks
- Monthly Wage x 12 Months
- Bi-monthly Wage x 24 Pay Periods

If the spouse or any other adult member of the household is not employed but there is recent history of employment, that person's employment will be projected unless the person provides a statement that he/she does not intend to resume employment in the foreseeable future or during the term of the payment assistance agreement (1 yr.). The former employer will be contacted to confirm that employment has been terminated. If the adult is actively seeking employment, a similar

statement will be obtained and should include an agreement that the applicant will notify Rural Development immediately upon re-employment.

Annual Income Includes:

- *Gross Wages and Salaries* (before payroll deductions), *overtime pay, commissions, fees, tips, bonuses, and other compensations for personal services* of all adult members of the household. Cost of living allowances or proposed increases of income that will take place before loan approval, loan closing or the effective date of payment assistance will be counted.
- *Net Income* from farm, business or profession. (Schedule C of IRS Form 1040)
 - (i) Expenses for business or farm expansion, capital improvements, or “principal” payments on capital indebtedness will be counted as income. In accordance with IRS regulations, a deduction for the interest paid on the amortization of the capital indebtedness is allowed.
 - (ii) Farm and non-farm business losses are considered “0” in determining annual income.
 - (iii) A deduction from income, based on straight-line depreciation, is allowed in the manner prescribed by IRS regulation, when the deduction is based on an itemized schedule showing the amount of straight-line depreciation.
 - (iv) Cash or asset withdrawals taken from the farm, business, or profession by a member of the household is counted as income. When the withdrawal is for reimbursement of cash or assets invested in the operation by a member of the household, it is not counted as annual income.
 - (v) Verified business expenses such as lodging, meals, and fuel, for business trips made by salaried employees, without reimbursement, is not counted as annual income and can be deducted from their income figure. An example would be a long-distance truck driver.
 - (vi) For home-based businesses, any housing related expenses for the property being financed that are claimed as business expense deductions for income tax purposes, are counted as annual income. Such expenses would include mortgage interest, property taxes and insurance.
- *Interest, dividends, and other net income* (of any kind) *from real or personal property* including:
 - (i) Income from a trust fund received by any adult member of the household;

(ii) Withdrawals of cash or assets from an investment except when it is a reimbursement of cash or assets invested by a member of the household;

(iii) When the household has net family assets in excess of \$5,000, net income will be the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook rate as determined by Rural Development.

- The full amount of periodic payments from *Social Security* (including benefits received by adults on behalf of minors or by minors intended for their own support), *annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar periodic receipts*. Deferred periodic amounts from supplemental income and social security benefits that are received in a lump sum amount or in prospective monthly amounts are not counted.
- Payment from *unemployment and disability compensation, worker's compensation and severance pay* when these payments are in lieu of earnings.
- Periodic allowances, such as:
 - (i) *Alimony and child support* awarded in divorce decree or separation agreement. These payments will not be counted if the applicant certifies that payments are not received and documentation is provided that reasonable efforts have been made to collect payments through the official entity responsible for enforcing payments;
 - (ii) *Recurring monetary gifts or contributions* from someone other than a member of the household.
- All *regular pay, special pay* (except for hostile fire) and *allowances* for armed forces personnel who is the applicant or spouse, whether or not the family member lives in the home.
- *Public Assistance* except as indicated. *AFDC is counted as annual income while food stamps and fuel assistance are not*.
- The first \$480, per child, received for *Adoption Assistance Payments*.
- The first \$480 of *earned income from a full time student* 18 years or older, except parties to the note.

The following are never considered when calculating annual income.

- Income from the employment of persons under the 18 years of age, except parties to the note and their spouses.

- Income from live-in aids and income directly received by foster children or foster adults.
- Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the applicant, who are unable to live alone).
- Temporary, nonrecurring, or sporadic income (including gifts).
- Lump-sum additions to family assets such as inheritances, capital gains, insurance payments including under health, accident, hazard, or worker's compensation policies, and settlements for personal or property losses.
- Amounts that are granted specifically for, or in reimbursement of, the cost of medical expenses.
- Earnings in excess of \$480 for each full-time student 18 years old or older, except parties to the note and their spouses.

In addition to the above list, those non-asterisked items listed on the **Repayment Income** list (on page 76) are never considered as annual income.

What is the annual income of the following household?

1. Income of \$5,000 from a trust fund established by the grandfather. The income is received by the household adults for living expenses of a 16-year-old minor living in the household.
2. 10 shares of GM stock sold for \$75, which was purchased for \$45.00
3. A \$150,000 business that is owned and operated by the applicant. Taxable income from the business last year was \$8,000.

Answers:

1. \$5,000 from a trust fund. (Income is paid on behalf of the minor to the household adults for living expenses for the minor.)
2. \$0 from the sale of the stock. This was a one-time income. If the applicant owns more stock, income will be calculated in net asset income.
3. \$8,000 from the business. Only net income is used in the calculation.

Adjusted Income

Definitions

Person with a Disability

A person who has a physical or mental impairment that substantially limits one or more major life activities, including functions such as caring for one's self, performing guide tasks, walking, seeing, hearing, speaking, breathing, learning and working; has a record of such an impairment; or is regarded as having such an impairment.

Elderly family

1. A person who is the head, spouse, or sole member of a family who is 62 years of age or older, or who is disabled, and is an applicant or borrower, or
2. Two or more persons who are living together, at least one of whom is age 62 or older, or disabled, and who is an applicant or borrower; or
3. In the case of a family where the deceased borrower or spouse was at least 62 years old or disabled, surviving household members shall continue to be classified as an elderly family for the purpose of determining adjusted income, even though the surviving members may not meet the definition of elderly family on their own, provided:
 - a. They occupied the dwelling with the deceased family member at the time of the death;
 - b. If one of the surviving family members is the spouse of the deceased family member, the family shall be classified as an elderly family only until the remarriage of the surviving spouse; and
 - c. At the time of death of the deceased family member, the dwelling was financed under Title V of the Housing Act of 1949.

Full-time Student

A person who carries at least the minimum number of credit hours considered to be full-time by the college or vocational school in which the person is enrolled.

Household

All persons expected to be living in the dwelling, except for live-in aids, foster children and foster adults.

Annual Income is adjusted to determine if the household meets the income guidelines as established by HUD for their area. Adjusted income is also used in determining the amount of payment assistance that a participant will receive thereby determining the amount of their monthly payment. To compute adjusted income, deduct from Annual Income:

Dependent Deduction

A \$480 deduction is allowed for each member of the household who qualifies as a dependent.

- 17 years of age or younger,
- 18 or older and “disabled”,
- 18 or older and a “full-time student”

(Do not deduct for the applicant, co-applicant or spouse , or foster children.)

Child Care Expenses

The amount reasonably expected to pay for the care of minors (12 years or younger) to the extent that a family member can be gainfully employed, actively seek work or able to further his or her education.

- In the case where childcare enables a family member to work, the expenses deducted do not exceed the amount of annual income earned by the household member enabled to work.
- In the case where the expenses enable a family member to go to school, the family member need not be a full-time student.

No other adult member of the household can be available for the care of the children. If the childcare provider is a household member, the cost of the childcare cannot be deducted.

Full documentation is required in the loan docket to qualify for the deduction.

Elderly Household Deduction

A household that qualifies as elderly receives a \$400 adjustment to annual income.

- The head of the household, spouse or sole member of a family who is party to the note must be 62 years of age or older, or an individual with a disability.
- A family where the qualifying family member has deceased, the surviving household members will continue to be considered “elderly” for the purposes of determining adjusted income. There are other determining factors - see definition

Deduction for Medical Expenses (for Elderly Households only)

Medical expenses anticipated for the upcoming twelve months can be deducted from annual income for elderly households if the expenses:

- Will not be reimbursed by insurance or other source; and
- When combined with any disability assistance expenses are in excess of 3% of annual income.

Typical medical expenses are:

- Services of physicians and other health care providers
- Services of hospitals and other health care facilities
- Medical premiums
- Prescriptions and nonprescription medicine
- Dental expenses
- Eyeglasses and eye examinations
- Medical or health products or apparatus (hearing aids, wheel chairs, etc.)
- Live-in or periodic medical care (e.g., visiting nurses or care attendants)
- Periodic payments on accumulated medical bills

If the household qualifies for the medical expense deduction, expenses for the entire family are considered. When estimating medical expenses for the upcoming year, Medicare or other health insurance premiums and ongoing prescriptions are easy to document. Others will need to be based on historical data. Count only that portion of the bill that is likely to be paid in the upcoming year.

Calculating Medical Allowances

Annual Income	\$7,000
Medical Expenses (not covered by insurance or other sources)	\$ 800
$(\$7,000 \times .03 = \$210)$	
$\$ 800 - \$210 = \$590$	
Allowable deduction \$590	

Care of Household Members

Reasonable expenses for the care of an individual with disabilities in excess of 3% of annual income may be deducted from annual income if the expenses:

- Enabled the individual with disabilities or another family member to work;
- Are not reimbursable from insurance or any other source; and

- Do not exceed the amount of earned income included in annual income by the person who is able to work as a result of the expenses.

Typical disability expenses are:

- Care attendant to assist an individual with disabilities with activities of daily living directly related to permitting the individual or another family member to work.
- Special apparatus, such as wheelchairs, ramps, adaptations to vehicles or work place equipment, if directly related to permitting the individual with disabilities or another family member to work.

Sample Adjustment Calculations

1 Person Household

Annual Income	\$12,500.00
Allowable Deductions	-0-
Adjusted Annual Income	\$12,500.00

3 Person Household (1 minor child)

Income Husband	\$ 10,400.00
Income Wife	\$ 8,500.00
Annual Income	\$ 18,900.00
Adjustment child cares (\$50/Wk x 50 weeks)	\$ 2,500.00
Adjustment Minor dependent	\$ 480.00
Annual Adjusted Income	\$ 15,920.00

5 Person Household (3 minor children; elderly co-applicant)

Income Husband	\$10,000.00
Income Wife	\$11,840.00
Annual Income	\$21,840.00
Adjustment minor dependents (\$480 x 3)	\$ 1,440.00
Adjustment elderly deduction	\$ 400.00
Annual Adjusted Income	\$ 20,000.00

Repayment Income

Repayment income is the amount of income that is available to repay the loan. Repayment income is used in the calculation of the housing debt to income ratio and the total debt to income ratio.

Only the income from persons who will be party to the note is counted. Income must be a dependable source of income. Items marked with an asterisk (*) are also counted for annual income.

- **Gross Wages and Salaries* (before payroll deductions), *overtime pay, commissions, fees, tips, bonuses, and other compensations for personal services* of all adult members of the household. Cost of living allowances or proposed increases of income that will take place before loan approval, loan closing or the effective date of payment assistance will be counted.
- **Net Income* from farm, business or profession. (Schedule C of IRS Form 1040)
 - (i) Expenses for business or farm expansion, capital improvements, or “principal” payments on capital indebtedness will be counted as income. In accordance with IRS regulations, a deduction for the interest paid on the amortization of the capital indebtedness is allowed.
 - (ii) Farm and non-farm business losses are considered “0” in determining annual income.
 - (iii) A deduction from income, based on straight-line depreciation, is allowed in the manner prescribed by IRS regulation, when the deduction is based on an itemized schedule showing the amount of straight-line depreciation.
 - (iv) Cash or asset withdrawals taken from the farm, business, or profession by a member of the household is counted as income. When the withdrawal is for reimbursement of cash or assets invested in the operation by a member of the household, it is not counted as annual income.
 - (v) Verified business expenses such as lodging, meals, and fuel, for business trips made by salaried employees, without reimbursement, is not counted as annual income and can be deducted from their income figure. An example would be a long-distance truck driver.
 - (vi) For home-based businesses, any housing related expenses for the property being financed that are claimed as business expense deductions for income tax purposes, are counted as annual income. Such expenses would include mortgage interest, property taxes and insurance.
- **Interest, dividends, and other net income* (of any kind) from *real or personal property* including:
 - (i) Income from a trust fund received by any adult member of the household;

- (ii) Withdrawals of cash or assets from an investment except when it is a reimbursement of cash or assets invested by a member of the household;
- (iii) When the household has net family assets in excess of \$5,000, net income will be the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook rate as determined by Rural Development.
- *The full amount of periodic payments from *Social Security* (including benefits received by adults on behalf of minors or by minors intended for their own support), *annuities, insurance policies, retirement funds, pensions, disability or death benefits*, and other *similar periodic receipts*. Deferred periodic amounts from supplemental income and social security benefits that are received in a lump sum amount or in prospective monthly amounts are not counted.
- *Payment from *unemployment and disability compensation, worker's compensation and severance pay* when these payments are in lieu of earnings.
- *Periodic allowances, such as:
 - (i) *Alimony and child support* awarded in divorce decree or separation agreement. These payments will not be counted if the applicant certifies that payments are not received and documentation is provided that reasonable efforts have been made to collect payments through the official entity responsible for enforcing payments;
 - (ii) *Recurring monetary gifts or contributions* from someone other than a member of the household.
- *All *regular pay, special pay* (except for hostile fire) and *allowances* for armed forces personnel who is the applicant or spouse, whether or not the family member lives in the home.
- **Public Assistance*
- *Adoption assistance payments* in excess of \$480 per adopted child
- Payments received for the care of *Foster children or foster adult*. Foster adults are unrelated to the applicant and are usually individuals with disabilities who are unable to live alone.
- *Reparation* payments paid by a foreign government arising out of the Holocaust.
- *Earned income tax credit*
- The amount of *student financial assistance* received by household members
- *Refunds or rebates received for property taxes* paid on the dwelling unit under state or local law.

- Any other revenue which *Federal statute exempts* from being considered income or used as a basis for determining eligibility for a Rural Development loan, payment assistance, or denying or reducing Federal financial assistance or benefits to which the recipient would otherwise be entitled. Additional financial assistance that is considered exempt under Federal Statutes includes:
 - (i) Imminent Danger Duty Pay to a service person, applicant or spouse, away from home and exposed to hostile fire.
 - (ii) Payments to volunteers under the Domestic Volunteer Service Act of 1973, including, but not limited to:
 - a. National Volunteer Antipoverty Programs that include Volunteers In Service To America (VISTA), Peace Corps, Service Learning Programs, and Special Volunteer Programs.
 - b. Nat'l Older American Volunteer Programs for persons age 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Service Program, and National Volunteer Programs to Assist Small Business and promote Volunteer Service to Persons with Business Experience, Service Corps or Retired Executives (SCORE), and Active Corp of Executives (ACE).
 - (iii) Payments received from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the "In Re Agent Orange" product liability litigation.
 - (iv) Payments under the "Alaska Native Claims Settlement Act" or "Maine Indian Claims Settlement Act".
 - (v) Income from certain sub-marginal land held in trust for certain American Indian Tribes.
 - (vi) Payments or allowances under the Low-Income Home Energy Assistance Program.
 - (vii) Payments from the Job Training Partnership Act.
 - (viii) Income from the disposition of funds of the Grand River Band of Ottawa Indians.
 - (ix) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the court of claims, or from funds held in trust for an American Indian tribe by the Secretary of Interior.
 - (x) Payments received from programs funded under the Older Americans Act of 1965.
 - (xi) Value of the food stamp allotment provided to eligible families under the Food Stamp Act of 1977.
 - (xii) Any other income exempt under federal statute.

- Amounts paid by a State Agency to a family with a *developmentally disabled* family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
- Payments received on *reverse amortization mortgages* (these payments are considered a draw down on the applicant's assets).

Income Excluded from Repayment Income

- Income from the employment of persons under the 18 years of age, except parties to the note and their spouses.
- Income of live-in aids and income directly received by foster children or foster adults.
- Temporary, nonrecurring, or sporadic income (including gifts).
- Lump-sum additions to family assets such as inheritances, capital gains, insurance payments including under health, accident, hazard, or worker's compensation policies, and settlements for personal or property losses.
- Amounts that are granted specifically for, or in reimbursement of, the cost of medical expenses.
- Earnings in excess of \$480 for each full-time student 18 years old or older, except parties to the note and their spouses.

Ratios

Repayment income must be adequate to meet repayment ratios. Meeting these ratio guidelines will show repayment income. Two ratios are considered when determining repayment ability:

PITI Ratio

PITI includes Principal + Interest + Taxes + Insurance. If a participation loan is involved PITI will also include the principal and interest on the participation loan. The PITI Ratio is calculated by dividing the monthly PITI, for the proposed loan, by the family's repayment income.

When the PITI ratio for participant's who are 60% of median income and below exceeds the maximum appropriate ratio, the applicant can be considered for a 38-year loan term. This consideration will only be given if all other options have failed.

Total Debt Ratio

Total Debt (TD) is calculated by dividing the family's total monthly debt by their repayment income.

Total Debt includes:

- PITI for the proposed loan
- Homeowner and other assessments on the proposed property
- Long-Term Obligations which have a remaining repayment period of more than 6 months
- Alimony and child support payments
- Other Short Term Obligations that are considered to have significant impact on repayment ability
- No less than the minimum payment on revolving credit cards or the actual payment if higher.

Ratio Caps

	PITI Ratio	Total Debt Ratio
Very Low Income	29%	41%
Low Income	33%	41%

Income used for determining repayment ratios is the repayment income for the applicant, co-applicant and any other member of the household who will be a party to the note. Applicants are considered to have repayment ability when they do not exceed the appropriate PITI ratios and the TD ratio.

Additional Co-applicants - Other adults in the household with adequate and dependable income can join in the application as co-applicant. Combined incomes and obligations will be used in determining repayment ability.

Co-signers - Co-signers cannot be a member of the household. They must be willing to be responsible for the debt. The credit and repayment income of co-signers is evaluated in the same manner as for the loan applicants. In order for a co-signer's repayment income to increase the repayment ability of the applicant, the co-signer must demonstrate the willingness and ability to make the full required loan payment within the applicable PITI and TD ratios. The co-signer is not entitled to any interest in the security or borrowers rights.

For exercise in calculations of ratios go Attachment #13: Ratio Sample Calculations and Attachment # 14: PITI & TD Ratio Sample Calculations.

Intake and Screening

The first contact with a potential participant will most likely be over the phone. Even during this initial contact there are questions you should ask and information that should be shared. Please refer back to “Legal Practices for the Group Coordinator” for acceptable and unacceptable questions as they relate to the Fair Housing Laws.

As you gather general information about the applicant, here are some questions to ask for a more complete picture. This information could provide some immediate red flags for both you and the inquirer.

- **Income:** Ask for the actual weekly, bi-weekly or monthly wage. Many people will over estimate or under estimate their yearly earnings. It is better to compute their income and adjustments in the beginning even though you are working with estimated figures. Does the applicant fall within the guidelines? Many people think that they do when they actually do not.
- **Employment Income:** Is it dependable?
- **Credit:** Do you have credit? Is it good, fair or poor? Do you have a lot of debts? Ask if any bills have been turned over to a collection agency.
- **Marital Status:** Is the applicant married, unmarried, or separated?
- **Present Housing:** Does the applicant already own a home? Is it adequate? This includes mobile homes.
- **Citizenship:** Are they a U.S. citizen?
- **Family Size:** What size family do they have? What are the ages and sexes of the household?

The following is some information about the program to give during the first contact:

- **Self-Help Concept:** Participants work together as a group under the supervision of a construction supervisor to help build each other's homes. Because the participants perform a considerable amount labor, the loan amount is reduced making the homes affordable.

- Homeowners' Responsibilities: Work every weekend and at all other scheduled times during the week. Working at the construction site is mandatory from the beginning of construction to the end of construction.
- Homes are started at the same time and completed at the same time. Some work is sub-contracted out: Electric, plumbing, excavation etc.
- Examples of Participant's work: Clearing land, framing the house, painting, etc.
- No Down Payment: Payments begin after construction is completed.
- Monthly payments: Based on household size and the adjusted income, payments could range from \$_____ to \$ _____ (payments to be determined by each grantee).
- Loan term: 33 years with an option of a 38-year term under certain conditions.

Be honest and clear about the program from the beginning. It will save a lot of time in the long run. Be honest about the hard work involved, the length of time required, the time and labor commitment the participants are expected to make, and present a realistic picture of the self-help process.

The information that the applicant furnishes must be as accurate as possible. Encourage the applicant to be truthful because falsehoods or omissions can cause them to be dropped from the program.

Recruitment Realities: You will have numerous contacts before recruiting a group. Several families will hear about the program and contact you who don't meet the program guidelines. Curiosity will attract many in the beginning. You will also find some that are initially very enthusiastic and later never return phone calls or meet their appointments. Once this happens, it is best to let them go, no matter how badly you may need them. To persuade any participant to remain in the program will ultimately lead to a participant who becomes a problem on the construction site, one who does not show up at the construction site, or one who drops the program after construction starts.

Sometimes families are pessimistic about their chances. They may think their chances of filling that one slot in five are impossible, when actually the odds are very good if they meet the qualifications.

Self-Help organizations should maintain a participant waiting list. It is recommended that this list of interested participants includes their address, household size, and annual income. Other factors may be important to summarize on your waiting list, these might include items such as

occupation and desired location for building. Maintaining a participant waiting list will assist in recruiting eligible participants and is an important element in the grant application process for the self-help housing program. Use of an intake form helps to provide the source information for the participant waiting list.

An initial intake and screening must be completed by all potential applicants. This intake is best completed on the Self-Help Housing Pre-Application Interview form (Attachment # 6). We recommend that this form be mailed to potential participants, along with a Self-Help Program Information Sheet (Attachment # 7), for their completion and return or provided to potential participants at community meetings. Self-Help organizations will perform the screening process from this form.

502 Loan Processing Steps

- Collect information on Self-Help Housing Pre-application Interview Form (Attachment #6), Credit Information Release Form (Attachment # 8), Authorization to Release Information, Form RD 3550-1 (Attachment # 9).
- Pull on-line credit report
 - Credit review, evaluation and counseling, if needed
- Send a letter requesting an appointment and notify applicant of information to bring to interview (Attachment # 10)
- Hold Application Intake Interview and collect information on Form RD 410-4, Uniform Residential Loan Application Form
 - Calculate PITI and ratios
 - Have applicants sign forms
- Order verifications
- Complete file documentation
- Update Residential Loan Application Form, Form RD 410-4
- Submit file to Rural Development
- Truth in Lending and Estimate of Settlement Costs are mailed, by RD, to applicants
- Rural Development will review application file for completeness

- Additional information will be requested by Rural Development
 - Residential Mortgage Credit Report
 - Verification of Employment (Rural Development may allow grantee to order and receive VOE's)
- Monthly payment, payment subsidy and maximum loan amount is determined by Rural Development
- Rural Development holds Applicant Interview
- Determination of Eligibility is made by Rural Development. A Letter of Eligibility or other formal notification is issued.
- Appraisal information and other docket requirements submitted to Rural Development
 - Lot Option
 - Legal Description of the property
 - Direction map
 - Complete set of House Plans
 - Plan Certification, Form RD 1924-25
 - Cost Estimates
 - Plot Plan, Survey
 - Development Plan (FmHA 1924-1 required by some states)
- Appraisal is ordered and received by Rural Development
- Loan Approval & Obligation is made by Rural Development
- Loan Closing Preparations
- Loan Closing

Working With The Participants

Forming a Group

In order to create a self-help group, there are a series of events that must occur. The first event is recruitment, which has already been discussed. The second phase is determining 502 eligibility and processing the loans; the particulars of processing are discussed in detail in the 502 Processing Guide. The 502 loan-processing overlaps the third phase, which involves the forming, organizing, and training the group. This third phase can be just as hard to do successfully as the first two and it is important to have a plan in place to guide the process. This chapter will help create a guide for the Group Coordinator to follow.

When Groups Should Be Formed

The point at which participants are invited to form groups depends on the policy of the self-help program. It is recommended that, after an initial informational meeting, groups be formed when you are reasonably sure that applicants will be deemed eligible by Rural Development and that the applicants appear willing to seriously commit themselves to the self-help program.

Losing participants from formed groups can be detrimental to the program. Losing a participant can not only weaken the groups' "bonding" process, but can also add pressure to the Group Coordinator's schedule. Instead of having two-to-three months to find qualified applicants, the process may have to be compressed to two-to-three weeks. This also increases the workload of the local Rural Development office. This being said, NEVER, EVER talk a participant into remaining in the program when they indicate that they wish to drop from the program. We know that it is difficult to replace a participant, especially when an entire group's construction start may be delayed but you must trust us when we say that a participant talked into the program will not have the commitment needed to see the project through. Group dynamics and problems will be inevitable.

Although you cannot stop participants from dropping out altogether, the dropout rate can be minimized through the process by which groups are formed. Make sure the participants understand, as much as possible, about the work and commitment that will be required of them. It is also helpful to have alternate applicants. Having applicants in reserve to replace a participant that may decide to drop from the program prior to or after loan closing can take the pressure off everyone, staff and other group members.

Homeownership Training

This is a sample outline of how self-help agency might combine the self-help process and preconstruction meetings with homeownership counseling. This outline takes a participant from their first informational meeting through their loan approval and starting the preconstruction meetings. It also helps to blend the formation of a group with the processing of the 502 loans. Some of the following information is covered in the Self-Help Preconstruction Meetings Guide.

A. Orientation meeting (group)

This session is to introduce the self-help housing program; provide background about the self-help organization; and to present an overview of the technical assistance provided, 502 mortgage loans, family labor requirement, and the benefits of self-help housing.

- **“Building Dreams” video presentation on self-help housing**
- **Self-Help Participant Guide** (Attachment # 5)
- **Pre-Application Interview Form.** Utilizing the Pre-Application Interview Form (Attachment # 6), helps to determine if applicants meet basic program qualifications and income requirements. This form can be completed at the meeting or provided to interested individuals to be returned to the self-help agency completed.

B. Prescreening Interview (individual)

Pre-screening for the Self-Help Program is determined from information obtained on the Pre-Application Interview Form (Attachment # 6). Financial information such as income and debt load, employment history, housing needs, household size and structure, and previous ownership experience is assembled. Estimated housing payments are determined. After prescreening an appointment is scheduled to proceed with the application process or to develop a counseling plan for the family.

- **Credit report ordered and received prior to the appointment**
- **Identification of needs and development of counseling plan** is established by both Group Coordinator and family. In this plan the steps a family will need to take to re-establish credit are determined. The goal is that the family will be ready and able to participate in the program at a later date.

- **Uniform Residential Loan Application** (Form RD 410-4) is taken if the credit report and basic information from the Pre-Application Interview Form are sufficient to meet processing requirements.
- **Employment and other verifications are ordered**
- **Homework is assigned**
Encourage the family to discuss their methods for handling financial issues. The family should also fill out a spending plan that will assist them in developing a budget.

C. Initial Budgeting Session (group)

The purpose of this session is to assist the participants in the development of spending plans and priorities and to initiate a discussion on credit issues.

- **Video presentation** – on budgeting/financial management.
- **Budgeting priorities exercise** -- designed to help participants identify their individual priorities on how to spend money, and then to agree jointly on budget priorities for the entire family. This exercise can be located in the Pre-Construction Meeting Guide.
- **Discussion on family spending values** -- family spending values are discussed to identify individual spending values and to recognize that differences exist within the family so that prioritizing can be accomplished.
- **Case study** -- a sample family story is used for the development of a budget so that families can better prepare their own budgets in the future. This case study can be located in the Pre-Construction Meeting Guide.

D. Financial analysis (individual)

- **Credit report reviewed** -- problems are identified and corrective action is discussed. If problems or errors exist the family is counseled on how to resolve them. If severe credit problems exist, the Group Coordinator helps to develop a plan that, if followed, should eventually resolve the problem and enable the family to consider homeownership.
- **Budget analysis.** A specific, in-depth family budget is developed. A projected budget is prepared reflecting future spending patterns and as a demonstration of how the 502 mortgage payment and additional homeownership expenses will "feel" in comparison to their current rent payment.

- **How much credit can one afford and danger signals of over use.** The projected budget shows limitations on the amount of credit a family can afford. The danger signals of over-indebtedness are discussed.
- **Savings goals** are established and a plan is developed to assure a family has the necessary out of pocket expenses for loan closing and the moving and set up expenses needed at the end of the construction period.

E. **Supplemental counseling (individual)**

Remedial counseling is provided for families that have unique situations or for families who have problems that will not permit them to participate in this construction group.

- **Credit problem identification** -- A work plan for problem resolution and/or correction of credit reporting errors is developed with the family. Substantial work is undertaken with the family not only to develop a plan of resolution, but also to make sure the plan is followed and progress is being made. Extra credit reports may need to be obtained and regular contact is maintained over a period of time.
- **Analysis of money problems** -- resulting from value conflicts, unrealistic goals, emotional spending habits, or planning deficiencies. A discussion of sources and causes of money problems takes place with the family. An understanding of the source can often help alleviate the problem. The discussion revolves around the causes of the money problems and a plan for resolving them is determined.
- **Identification of goals** -- A discussion of personal and family goals sets the stage for planning.
- **Planning for goals** -- Upon determination of personal and family goals, priorities are set and plans, including time frames to attain them are developed.
- **Budget development** -- may be necessary when a client seems to have very little aptitude for budgeting skills. In these situations, a plan and projected budget may not be enough. Plans are developed on a weekly basis and regular assessment of the family's success following a budget plan is made to assure the family is ready and has made the commitment to budget planning. In order to help these families it may be necessary to use a daily or weekly money manager, spending plans, and additional case studies for practice.

- **Budget maintenance** -- Methods for long-term budget maintenance, to obtain their desired goals and resolve their problems, are discussed.

F. Pre-construction educational meetings (group)

There is additional information that the participants need to know. These topics can be covered in the preconstruction meetings. The Self-Help Preconstruction Meetings Guide can be your guide for these additional meetings and contains information such as basic banking skills, the cost of credit, maintaining good credit, availability and selection of building lots and house plans, homeownership responsibilities, property taxes and insurance, home maintenance, review of loan closing procedures and documents, membership agreement and team work, as well as construction procedures and techniques. Individual homeownership counseling can continue throughout the preconstruction meeting phase and on into construction as called for by the need and individual counseling plan.

Group Officers

One of the ways group structure is provided is through the election of officers. Each self-help group is expected to elect officers. While some organizations have these officers elected during preconstruction meeting phase, other organizations wait until the group starts construction before the election takes place. Their rationale for this is that the group leaders that develop during the preconstruction phase are not necessarily the ones that develop on the construction site. These officers are expected to provide leadership to the group's members and to conduct the group's business with the Group Coordinator's assistance. The positions usually include the President, Vice President and the Secretary/Treasurer.

The self-help agency or the group may decide that extra positions or committees are required. For example, the officers could appoint (by a majority vote) a labor manager. This person would assist the Construction Supervisor in keeping records of hours worked by each member and notifying the Construction Supervisor who is available for construction work.

Keeping Track of Participant Hours

It is very important to keep track of the participant hours. This needs to be done on a regular basis, with some measure taken when a participant falls behind. It lets the participants know that they are accountable for their actions if their required hours are not put in.

Some groups let this task slide in the beginning of their new program, assuming that everyone is so excited that participants will not slack off for a while. This leads the participants into thinking that no one is really aware of the hours they are putting in and that no one is keeping track of whether they are putting the required amount.

It is recommended that the hours be monitored weekly in the following manner. Have a time sheet at the job site on which participants are required to sign in and out. If the Membership Agreement has a “timekeeper” position, that person can be responsible for ensuring that a new sheet is on site every week and that the other participants remember to sign in and out. The hours need to be tallied by participant and verified by the Construction Supervisor who then gives that sheet to the Group Coordinator on a weekly basis. The Group Coordinator then needs to track these hours and to follow the membership agreement rules when participants fall behind. If this is done on a regular basis there is a better chance that the participants will take the consequences seriously and try their best to keep up with the required work schedule. (See Attachment # 15)

Enforcing the Building Group Membership and Labor Agreement

It is difficult to pull a group together once they have run amok. If a self-help organization loses control of a group, it is not easily regained. For this reason, it is important to make sure that little problems do not lead to bigger ones. The group’s attention must remain focused on the common goal: finishing their houses. It may need to be clarified, over and over again if necessary, that the only way to reach the goal will be through strict adherence to the labor commitment pledged by each member of the group when he or she signed the membership agreement.

As stated in the previous section, it is crucial that the Building Group Membership and Labor Agreement (Attachment # 11) is enforced. If a participant is falling behind in labor hours, the steps outlined in the membership agreement must be followed. This will not only let that participant know that they are responsible for those hours, it will also show the other participants what will happen if they too fall behind. This cannot be stressed enough. If one participant is getting away with putting less than the required hours in with no consequences, other participants will start to slack off as well. Sometimes it is hard to follow the rules and be strict, but the program will be better off in the long run.

Aside from labor contribution, there are other important rules and regulations that must be consistently enforced.

- Do not allow children under a certain age on the job site

- Do not let other people always put in hours for a participant
- Do not allow drinking or drugs on the job site
- Do not let people work that are under the influence
- Do not allow participants to make any changes to their home or add any amenities after Rural Development has approved the loan.

All of these instances can lead to other participants wanting the same treatment, or can cause delays, and resentment among the participants. As long as the rules are enforced and applied consistently, many problems will be avoided. To not enforce and apply the rules consistently could lead to legal ramifications and Fair Housing issues.

Holding Participant Meetings

It is important that even after construction starts the participants continue to hold meetings on a regular basis. At these meetings the Construction Supervisor should review the progress of the homes, the future plans, and current problems should be discussed. These meetings provide the perfect opportunity for the participants to renew their motivation, air out their differences, continue their education on becoming homeowners, or acquire new building skills that they will need.

These meetings can be held anytime and anywhere, although it is not recommended that they be held at the construction site where there are so many other distractions.

Encourage the group officers to take charge of these meetings. The officers elected by the group may have never been in a leadership role and will need guidance to ensure that they know how to lead a meeting. Assist these officers by giving them some tips on how to conduct meetings. They need not follow “Robert’s Rules of Order”, but minutes should be taken and members should speak in turn, etc.

Terminating a Participant

To resolve a problem with a particular participant in a group it may become necessary to remove that participant from the self-help program. Inform the participants up front what constitutes unacceptable behavior and that the participants run the risk of being removed if they exhibit this behavior. Unacceptable behavior may be defined as failure to attend mandatory group meetings, failure to meet the conditions of the membership agreement, acts of omission or false information in the loan application, acts of theft or vandalism at the job site, or persistent actions that endanger any member of the group or any situation that might.

This is a very tricky area of the self-help program. Every attempt must be made to resolve the problem before it comes to the point of termination. Keep Rural Development involved and informed of the situation, before termination occurs and work with Rural Development for work out plan.

If termination occurs during the construction phase, the participant has already closed on the 502 loan and is the owner of the property and the house on it. The best possible scenario is for the participant to agree to turn their mortgage over to a replacement applicant that is approved and ready to start working on the construction site. Some agencies have the financial ability to purchase the house from the participant and keep it in the program. If the participant chooses to retain ownership, they will need to find a contractor who will complete the home for additional construction costs. The participant must also be able to financially handle the additional payment of a subsequent loan. If the participant cannot afford a subsequent loan, Rural Development will then call the loan due and payable, which starts the foreclosure process. When faced with foreclosure, a participant will usually transfer title back to Rural Development. As you can see, this is not simple solution. Terminating a participant is never an easy decision but one that, on occasion, has to be made.

Communication

Introduction

Communication is taken for granted by all of us. We believe that just because we can read, write, speak and listen, we are good communicators. But communication is more than merely transmitting and receiving words. It is transferring *meaning*. This is done not only in the words we choose but also in our body language and in the way we deliver our message.

The Group Coordinator needs to communicate often and effectively to successfully fulfill their job duties. They will be speaking individually to participants, to the participants as a group, to those in the community during recruitment, and to Rural Development during loan processing.

Communication is a complex and imperfect process and can be a frustrating experience. Everyone has finished a conversation at one time or another thinking that the other person was difficult to talk to and wondering if the other person fully understood what was said.

Communication Style

One reason for our frustration is that we are communicating in different styles. Communication style is the way we send and receive messages. Everyone has a different style. One approach to becoming a more effective communicator is to observe the different ways people communicate, to recognize the different styles and to understand the nuances of these different styles.

Style alludes to the behavior patterns we use in dealing with other people. Each of us has a generally consistent and identifiable behavioral style. Since our individual values and priorities are much the same day to day, we behave in situations today the way we behaved in comparable situations in the past. We each play different roles in certain situations but after the role is over we go back to our basic style...the behavior that is comfortable and satisfying to us.

We all have developed our own unique style and behavior patterns, but as unique as we are, we have shared traits with others that have a similar style. These similarities can be recognized in such activities as the way we communicate, make decisions, approach a problem, and meet other people.

There are four basic communication styles. To identify these four styles, we need to look at communication in two dimensions.

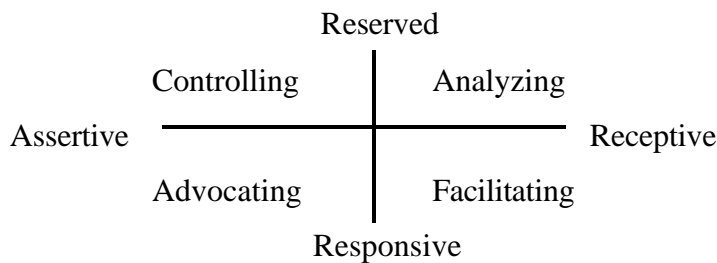
- **The use of power when we communicate.** On one end is the *assertive* communicator. This is the one who initiates and dominates the conversation. On the other side is the *receptive* communicator who is very happy to let others start and lead the conversation.
- **The use of emotion when we communicate.** Again, at one end is the *responsive* communicator who is expressive and open. On the other side is the reserved communicator who shows little emotion.

By measuring these two dimensions, power and emotion, four communication styles emerge.

Advocating - Facilitating - Analyzing - Controlling

Communication style is a result of behavior and not motivation; therefore different communication style can be identified by behavior characteristics.

There are no good styles or bad styles - only styles that are different.



Advocating – Is an assertive-responsive person; this person tends to be enthusiastic and open to new ideas.

Facilitating – Is a receptive-responsive person; this person tends to be warm, friendly and tactful when dealing with others.

Analyzing – Is a receptive-reserved person; this person tends to be patient, thorough, precise and will study all the alternatives.

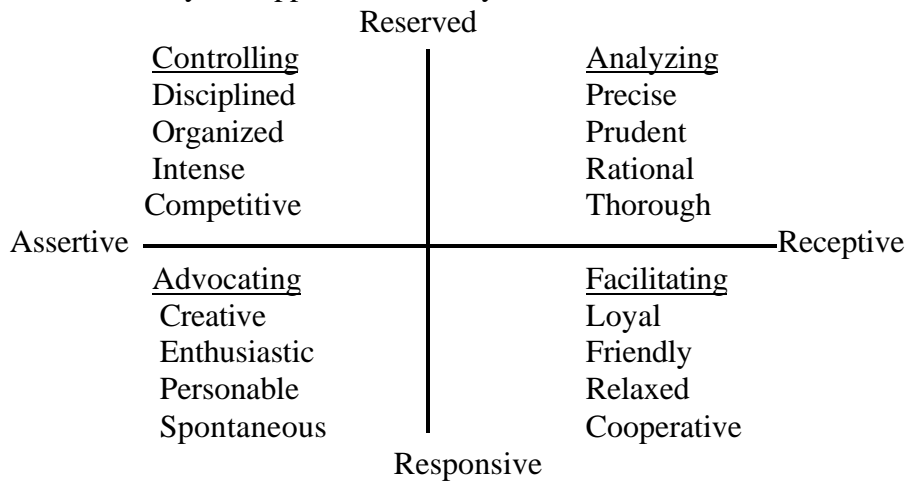
Controlling – Is an assertive-reserved person; this person tends to make decisions quickly and independently and is goal-oriented.

Characteristics of Each Communication Style

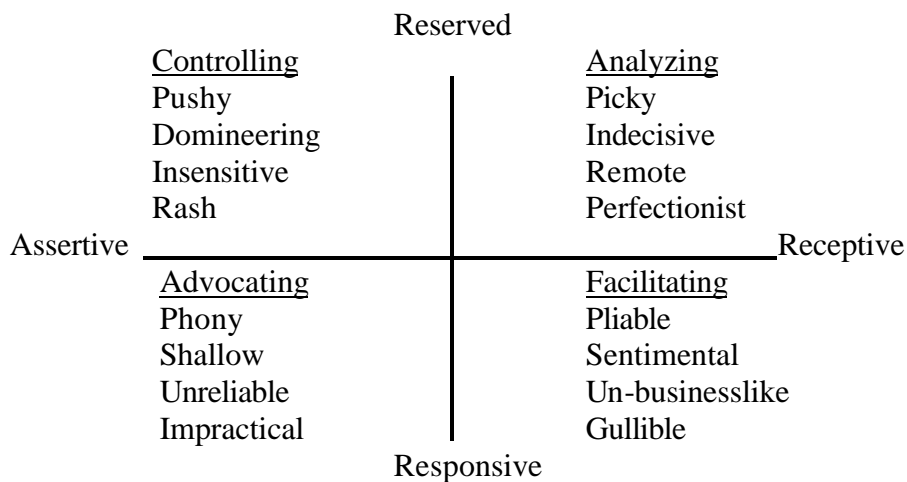
We all exhibit characteristics of each style, but our behavior will emphasize one style more than the other three. The list describes typical behaviors of each communication style. When we recognize a style, we do it not in judgment but as descriptive to improve communication and to solve

problems. By looking at these characteristics, it is easy to see why communication problems can arise, especially with opposite communication styles. There are no common dimensions in either power or emotion.

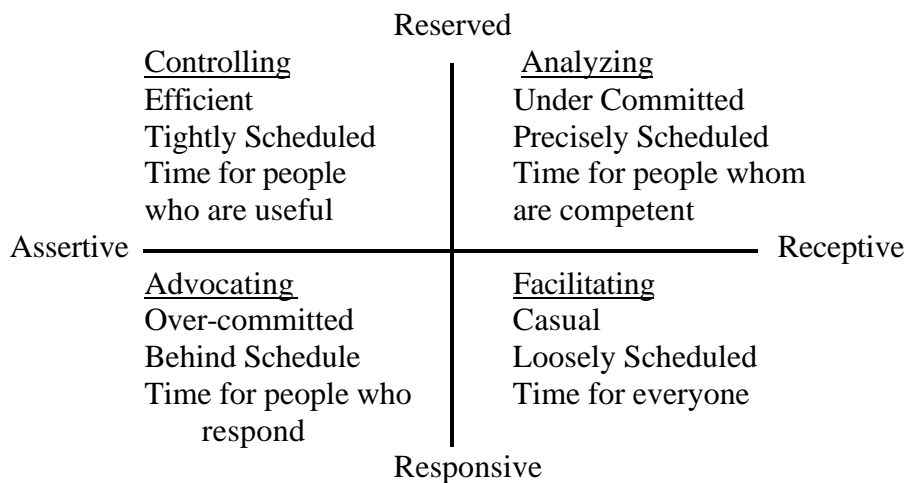
Strengths: When a style is applied effectively.



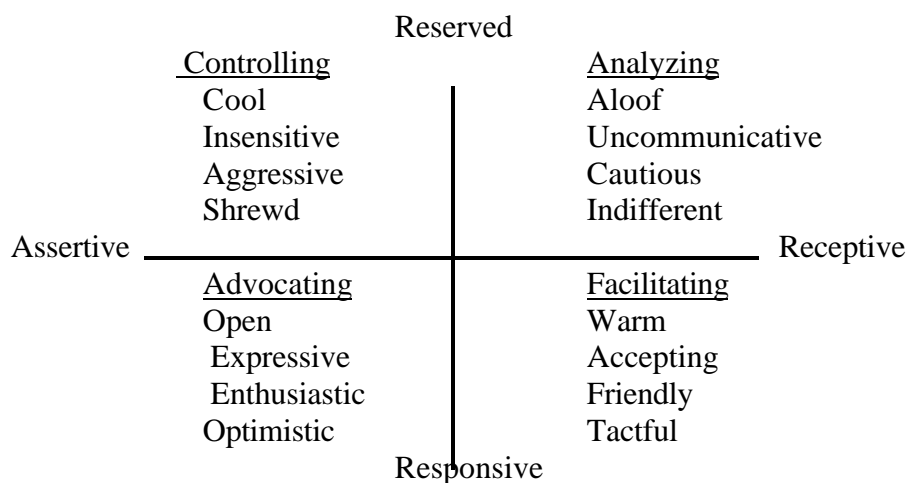
Misconceptions: When a style is overused or seen by a person who is of a different style, especially of the direct opposite.



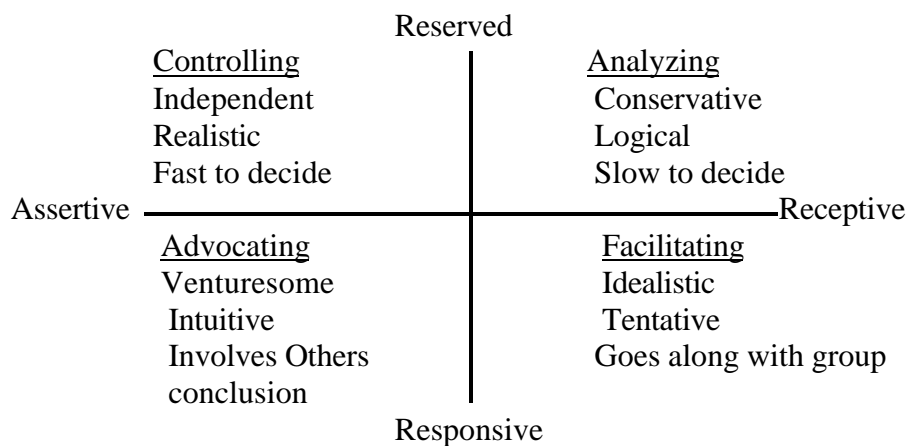
Use of Time:



Behavior with Others:



Decision-Making Approach:



Name someone you know well who fits the description of each style:

Controlling style:_____

Description: *An assertive –reserved person; is structured, competitive, and goal oriented.*

Analyzing style:_____

Description: *A receptive – reserved person; is patient and through; is task oriented.*

Facilitating style:_____

Description: *A receptive – responsive person; is warm and relaxed; is people-oriented.*

Advocating style:_____

Description: *An assertive – responsive person; is aggressive with feeling; is idea oriented.*

Given all of the different activities of a Group Coordinator, list at least one key Group Coordinator activity that a person of each style would be ideally suited to perform:

Sample Activity

Controlling: *likes to make decisions quickly and independently.*

Analyzing: *will be thorough and precise when studying alternatives.*

Facilitating: *is warm, friendly, and tactful when dealing with others*

Advocating: *is a person enthusiastic and open to new ideas.*

If your style is different from a client you are working with, it is likely that the client may feel uncomfortable with you. If the difference is significant, you and the client may find it difficult to deal with each other.

Example: A controlling-style client meets a facilitating-style Group Coordinator. "Good morning Mr. Jones. How are you today? Isn't it just a lovely fall day? We haven't had a fall like

this for the past 2 years. Oh!! You want some information about the self-help program. Well, it is a great program. I know you'll love it."

What is happening in this scenario? In all likelihood, Mr. Jones is very frustrated with the situation. While the Group Coordinator is building "rapport" before getting into the details of the program, Mr. Jones sees her/him as sentimental and un-business like. He has to get back to work and yet he sees the Group Coordinator so friendly and sociable that the interview will likely last the entire day. Not really the kind of person that can get to the point and act decisively on his behalf.

Now reverse the roles: Imagine a controlling-style Group Coordinator and a facilitating client. The Group Coordinator may be seen as pushy, domineering, insensitive and rash. So confident in his or her skills that the client doesn't feel that the Group Coordinator will listen to him/her. So intent on achievement, that the client feels that her/his feelings are being ignored.

An analyzing style client might describe an advocating style Group Coordinator as phony, shallow, impractical, and unreliable. So anxious to make things happen that he/she makes snap decisions.

An advocating style client may describe an analyzing style Group Coordinator as picky, indecisive, remote, and a perfectionist. So concerned about being right that he/she will not answer questions.

In addition to these initial characterizations, people with different styles see and hear things from different perspectives. They will often draw different conclusions about the same event. Because of this inability to connect through communication, they will probably not feel comfortable with each other.

Adapting Your Style

By taking the behavior characteristics one step further, we can draw conclusions as to what potential clients are looking for in a Group Coordinator. This can help us to predict where there will be communication problems and it can help us to adapt our own communication style to more effectively communicate our message to the client.

By adapting a Group Coordinator's style of *delivery* to reach Mr. Jones, here's how it might go: "Good afternoon Mr. Jones. How may I help you? Yes, you have come to the right place. We have helped 50 families to build their homes right here in _____. Self-Help Housing is "

The Group Coordinator is now communicating to Mr. Jones in a style that he understands.

Three steps were taken to change this interaction:

- recognize your style
- recognize your client's style
- adapt your message so that it is heard, understood and accepted by the client.

What Clients of Each Style Look for in a Group Coordinator/Interviewer

The *controlling style* client is looking for a candid and pragmatic Group Coordinator. One who is direct, who gets to the point quickly, and does not waste time with nonsense. One who approaches things in a practical manner - with confidence, efficiency, and decisiveness.

The *analyzing style* client is looking for a reliable and competent Group Coordinator. One who can be counted on to follow-up and follow-through on commitments; one who will spend the time necessary to understand the client's situation before offering advice; one who does his/her homework, who is prepared, but will admit when he/she does not have the answer.

The *facilitating style* client is looking for an accepting and friendly Group Coordinator. One who will show interest in his/her personal situation; who will take the time to get to know him/her; one who will be a trusted friend and thoughtful advisor.

The *advocating style* client is looking for an open and enthusiastic Group Coordinator. One who is active and energetic; who has ideas and is willing to share them; one who is open to new ways of seeing things and new ways of doing things; one who is willing and able to act fast and get things done quickly.

How to Adapt Your Style to Reach Each Style

To reach the controlling style client –

- Be well-organized
- Avoid introductions and small talk
- Be brief, concise and to the point
- Expect questions and answer them directly

Explanation

- Has it worked?
- Expected results

- Probabilities and bottom line

To reach a facilitating style client –

- Be casual and friendly
- Allow time to get to know him personally
- Be thoughtful, considerate and accepting
- Ask about concerns of others family/friends

Explanation

- Will it help?
- Impact on people
- Personal assurance and trusted advice

To reach an analyzing style client –

- Be well organized and prepared
- Allow time to gather data – listen and take notes
- Be thorough, logical and stick to business
- Ask about questions and concerns

Explanation

- How it works?
- Proven record
- Alternatives and consequences

To reach an advocating style client –

- Be open and enthusiastic
- Allow time to hear and respond to his views and ideas
- Be sure to identify and recognize his achievements
- Expect him to go on tangents and share personal information

Explanation

- Could it work?
- Conceptual
- Little data
- Make sure it is clear to him/her

The difficulty encountered when adapting your behavior to reach a client will vary. It depends on the degree of differences between the styles. The greater the differences, the greater the difficulty and the greater the need to adapt.

Barriers to Communication

There are a host of other barriers to communication aside from differences in communication style. The following is a list of problems that can be encountered; most of these are very easy to avoid if caution is used.

Insufficient Information – Telling someone to do something without being specific enough leading to confusion.

Unclear Language – Talking in such a way that what is said is not clearly understood by the other person; also, not being patient enough to clarify the discussion.

Anticipating – Thinking that you already know what the other person is saying and reacting before that person completes their comments.

Sidetracking – Easily getting off the subject and onto points unrelated to the original idea.

Unclear Expectations – Not communicating the deadlines or priorities for different assignments. Characterized by frantic, last minute calls for completed jobs.

Disinterest – Seeming to listen to questions or concerns half-heartedly and discounting them with either no statement, or simple reactions, such as okay or uh-uh.

Time Rush – Not listening or communicating effectively because of being late or having to meet appointments or deadlines.

Double Message – Stating one thing to someone but acting in a way that is not in line with that statement. This inevitably creates distrust.

Pre-Judging – Making conclusions about another person's personality, attitude, or abilities on the basis of appearance, gesture, speaking styles, or other mannerisms.

Interruptions – Acting or speaking before the other person has completed his statement.

Lengthy Statements – Saying something in more words and time than is needed.

Over-Reaction – Expressing a greater level of emotion than is appropriate. Saying something too strongly.

Unresponsiveness – Avoiding conversation, not initiating discussion, withholding information, speaking in short, and curt answers.

Indirect Orders – Being indirect in telling a person what to do.

Absolute Authority – Ordering a person to do something without giving any reason or explanation of purpose for the job.

Good Listening

And finally, communication is a two-way street; half of effective communication depends on listening. Here are some “good listening” suggestions.

Stop talking – You cannot listen if you are talking.

Put the Client at Ease – Help the client feel free to talk.

Show the Client that You Want to Learn – Look and act interested. Listen to understand rather than to reply.

Remove Distractions – Don’t doodle, tap, or shuffle papers. Close a door if possible to limit outside noise.

Empathize with the Client – Try to put yourself in the client’s place so that you can see his or her point of view.

Be Patient – Allow the client a sufficient amount of time to talk without interrupting. Don’t start for the door or walk away.

Hold Your Temper – An angry person gets the wrong meaning from words.

Go Easy on Argument and Criticism – This puts the client on the defensive. They may “clam up” or get angry. Do not argue; even if you win you lose.

Ask Questions – This encourages the client and shows you are listening. It helps to develop points further.

Stop Talking – This is the first and last because all other commandments depend upon it. You just can’t do a good job listening while you are talking.

Challenges In Providing Affordable Housing

Issues Facing Participates

There are some common issues that many households face. For those situations that are outside the agency's focus, be prepared to help these families by knowing where to refer them for assistance.

1. Employment and financial
 - Insufficient income and poor employment history
 - Inadequate credit and budget management
 - Lack of sufficient consumer information resulting in unwise purchases
 - Discrimination
 - Effects of inflation
2. Legal problems and inability to afford legal assistance
3. Frequent and costly medical and health problems
4. Discrimination and race relation problems
5. Family and marital difficulties
6. Frequent and unpredictable crises which prevents planning for the future
7. Lack of information about existing community services
8. Frequent educational problems of dependent children
9. Frequent negative encounters with service agencies which builds an air of distrust toward all such programs
10. Lack of understanding of housing laws and real estate procedures
11. A high incidence of mental illness, emotional problems, drug and/or alcohol abuse, or suicide.

Group Coordinator Training Guide

Every client faces many issues, problems and difficulties. Every problem encountered by the participant relates to and reinforces other problems. At times you may wonder:

- Is there anybody else out there to network within the community?
- What are the social agencies in your area that deal with:
 - Jobs
 - Training
 - Food Programs
 - Energy Assistance
- Are there any Federal and State Agency programs available?
 - Who
 - Where
 - What's available
 - Who's Eligible
 - Under What Circumstances
- Are there any Technical Colleges and/or Junior Colleges in your area?
 - Career counseling and testing
- Know your local employers!
 - Be aware of the local employment picture

Have a list by your desk of all agencies/departments with phone numbers. Some potential phone numbers might include:

- Salvation Army
- Food Stamps
- Fuel Assistance
- Lawyer's Referral Service
- Legal Aid

- IRS Taxpayer's Assistance
- HUD
- Family Services
- Department dealing with Child Support Issues
- Department of Public Welfare
- Department of Public Utilities
- Department of Employment
- Consumer Credit Counseling Service
- Better Business Bureau
- Consumer Protection Agency

What is NIMBY?

“Not In My Back Yard”, NIMBY, is a term used to describe a group's desires to prevent certain land uses near their homes or communities. Although people have NIMBY attitudes about almost every type of development from shopping malls to school facilities, NIMBY commonly refers to citizen-directed actions aimed at preventing the development of low-income, affordable or special-use housing. Every community—no matter how small or large, how rural or urban, how poor or wealthy its population—has citizens who object to the development of low-income and special-use housing next door. NIMBYism is often associated zoning ordinances implemented by large urban jurisdictions; however, developers or rural low-income and special-use housing must also combat community opposition. In fact, it has been found that minimum density requirements and lot and unit size requirements, which can prohibit affordable housing development, are often higher in rural areas.

NIMBYism is about more than over-regulation. NIMBY attitudes are rooted in Americans' fears and suspicions of people who are different than themselves. The differences that trigger NIMBYism include race, income, source of income, national origin, ethnicity and family status. Unfortunately, many localities' zoning codes have institutionalized, often under the guise of protection of community environment quality, NIMBY attitudes.

Group Coordinator Training Guide

The NIMBY phenomenon not only hurts individuals and groups who are excluded from decent housing, it prevents communities of all sizes from enjoying the benefits of diversity. Diverse communities offer a rich life experience and enhanced opportunity to live our country's best values. Unfortunately, NIMBYism is self-perpetuating.

Group Motivation

Developing Winning Teams

The self-help program already has two tools that can help create group motivation and develop teams. The first tool is the overall pre-construction meeting process. The Preconstruction Meeting Guide provides details of the various types of meetings that are important for the families, but the overall process of the meetings and your role throughout the meetings and the construction process are also important. The second tool is the written membership agreement. Modifying how these two tools are viewed and utilized will help to develop effective pre-construction meetings and winning teams.

Pre-Construction Meetings

The first tool is the pre-construction meeting process. This series of meetings with the participants will set the stage for the interaction dynamics, the environment and will clearly outline what is expected / needed from the participants during this long process. It is during this time, that you are modeling your communication skills as well as setting the stage -or- the standard for positive interactions with the program staff, participants; as well as others with whom the participants will be meeting on the construction site. It is important to make the most out of the meetings through the use of teambuilding and coaching techniques. There are various roles that you will be playing as you move through the preconstruction process into construction and ultimately to the goal of home completion.

Your Role:

As the group coordinator or construction supervisor involved with the self-help program, you have multiple responsibilities. The participants will be looking to you for guidance as a teacher, coach and at times, a counselor. You ultimately will set the stage for a successful program right from the beginning. As you continue to move through the process with the participants, you will begin to notice ongoing changes, both subtle and obvious. Sometimes it will be hard to recognize which “hat” you are wearing.

Your role is changing because as the participants move through the pre-construction process their needs are changing, and so your role will continue to change and evolve.

What are these roles? There are three major roles that you will assume throughout this process. There will be times when you will be assuming one role with one participant, and another role with another participant. This will depend upon their needs at the time. These roles are *teacher, coach, and counselor*.

Teacher:

Teacher - This role is clear. You will be disseminating information for the participants to learn. They will look to you for guidance and demonstration. If you are the group coordinator, they will look to you for guidance with loan information, signing checks, and their hourly commitment. The construction supervisor will encounter participants with a wide range of talent and experience. Many participants are not experienced in physical labor and will need to learn the basics of construction. This includes tool identification, tool safety, etc. Teaching can take place inside the preconstruction meetings, as well as on the job site. This will be an ongoing process as the participants acquire new skills, work on their houses and work with one another. People learn information in a variety of manners. Some learn best by written word, some learn best by demonstration and others learn by oral instruction. You will vary your teaching techniques according to the participants and the information that is being relayed.

Coach:

The next role is that of a coach. We have all experienced coaching in one form or another. A good coach can adapt their style of interactions with the group participants.

“Coaching” is a three-part process. This three-part process involves *Educating, Developing and Counseling* and it is used to bring out the best performance in individuals, teams and organizations.

The “*educating process*” is most recognizable in the beginning of the pre-construction meetings. The participants are brand new and completely unfamiliar with their surroundings. In the beginning, the meetings will be defining such things as their environment, their responsibilities, and

their “culture”. During the first couple of pre-construction meetings, the participants want a lot of direction. They need a lot of direction, but they also want this direction. Some participants will have some working knowledge of tools, some construction knowledge, self-help knowledge, or homeownership knowledge. However, at this point they are still unable to fulfill their responsibilities under the Membership Agreement. At this point they don’t even know what their responsibilities are! From the participant’s perspective, everything is going to be difficult before it gets better or easier.

At this stage, the group coordinator assumes more of the role of a teacher than of a coach. As a teacher, you will give the group a lot of direction. Think of it as an “Orientation”. To relate this orientation to our own experiences think back to the start of a new job. What if someone had said, “Hi, here are the office keys, and we go home at five.” When you started a new job, did you ever have to wonder, “Where do I park my car? How do I get my paycheck? When do I get my paycheck? How do I transfer the call?” The participants have similar basic orientation questions, not only at the first pre-construction meeting, but also the first time that they are at the construction site. At this stage the participants are encouraged to meet and to get to know others in the group. They are not looking to build relationships at the first meetings. They want to become familiar with their environment. Remember, during the first few pre-construction meetings and the first couple of times at the construction site, the participants are experiencing a lot of environmental changes.

They also need to know what their self-help job responsibilities are – they need to take ownership of their responsibilities that are detailed in the Membership Agreement early in the process.

It is through the pre-construction meetings, that you will guide the group to develop their team “culture”. When you help them define their culture, they will not need to do it later on through the grapevine or through assumption and conjecture. This will enhance the construction process during the stressful weeks and months ahead. The participants will know how to relate to one another as well as how they can expect others to act/react.

The next part of coaching is developing. “*Developing*” happens after the participants have been involved in the program for a period of time. Participants will develop at different rates. Each participant will have that point of recognition, when they suddenly realize and become painfully aware of everything that is going to be required of them for the next several months. This can be referred to as the “ah-ha” moment. It can happen while they are participating in the pre-construction meetings –

or- working on the job site. They will start to align themselves with other like-minded people in the group and may start to form cliques. They will start to sum up the other group members and they will begin to make judgments about their abilities.

Your role now is one of a Coach. They expect to be able to come to you and share information. As a coach you create an environment where people feel comfortable taking the initiative, asking a question, and expressing themselves. When an environment is created where people feel that they are going to be punished for taking an initiative and making mistakes, they will hide the mistake, blame it on someone else, or not take the initiative at all. They expect to be able to come to you even when they have made mistakes and know they will not be “reprimanded”. As the coach, you can continue to encourage the participants to ask questions about the construction process. They should not be made to feel that they have asked a dumb question. Remember the old saying “ There is no such thing as a dumb question”

Being a good Coach is a supportive role. There are some obvious times when the role of coach is needed.

Coaching is needed when teaching a new skill. This applies to the pre-construction meetings as well as on the construction site. There are many times during the entire self-help process that participants have to learn new skills, new tasks, and new methods. Any time a new skill is needed, they need to have training and support.

Coaching is needed when a team member may need self-confidence in completing a specific task. You will need to recognize when it is not a skill problem but a lack of confidence. Encourage people and increase their level of self-esteem.

Coaching is needed when people are going through a transition or change. People have varying degrees of uneasiness when it comes to change and as group coordinator you will need to help them through it.

Coaching is needed when people feel overwhelmed with tasks. Understand that the participants want to do a good job but are feeling overwhelmed at times.

Counseling:

The next role is that of a counselor. “Counseling” is an individualized problem solving technique that addresses persistent roadblocks to good performance. Counseling involves 1) identifying performance problems, 2) confronting the problems directly and 3) involving individuals in the solution. There are some obvious times when counseling is needed.

Counseling is needed when we have to work with a difficult person or attitude. Changing an attitude is an inside job. We cannot “fix” another’s attitude, but it can be brought to their attention. There may be a participant that works but doesn’t get along with the rest of the group, or there may be a participant that works, but they persist in gossip and creating group turmoil. Be very specific in what you say. Identify the skills and positives attributes that they bring to the team and identify the issues that are causing the problems. Sometimes, it is necessary to explain what is expected of them.

Counseling is needed when a team member is bringing personal problems to the group and it is affecting others. People will inherently have personal problems. The key is not to let it effect the time that they are working on the job site.

Counseling is needed when there is repeated feedback from the participants or the construction supervisor that a problem exists.

Counseling takes a lot of time. If a participant has recurring negative behavior, it is important to counsel them again immediately during or after such behavior is exhibited. Let them know in a positive way that you are monitoring the problem.

People excel at different levels. Throughout the coaching process, it is important to provide feedback in both the positive and negative form. Feedback should be given on a daily basis. It is easy to give the Rah! Rah! But more difficult to give feed back when it is negative and must be done through the counseling process. Coaching requires a reward and consequence system. The self-help program has one already built into the program. The reward is Homeownership. The consequences are outlined in the Membership Agreement.

Basic Guidelines for Coaching for Top Performance:

Be a model - It is a key teaching tool but also it sets the stage for trust and credibility. Be where the game is played. You have to experience what is going on out on the construction site.

Listen and observe - Listening and observing first hand is the only way to learn what your team is doing and thinking.

Think and speak success - Positive thinking and communication produces good energy and high output.

Build to strengths - Discover and support people's attributes rather than focusing on their weaknesses.

Celebrate Success - Don't neglect to celebrate successes. Hailing a job well done empowers and inspires both individuals and their teams.

Accept mistakes - So they can be used as a learning tool.

Communicate - Don't keep secrets; let your team in on what is going on. Let them know that they are a vital part to the success of the construction group.

Focus on each team member - Take time to focus on each team member separately, respecting his or her individuality and special needs.

Support and feedback - Provide consistent support and feedback that is timely, specific and encouraging.

Membership and Labor Agreement

The Building Group Membership and Labor Agreement (Attachment # 13) has many components. Also, membership agreements vary from agency to agency. The content of the membership agreement is very important to the overall success of the program.

When applicants are recruited the self-help program is discussed - what will be required of them and how the agency will assist them to achieve their goal of homeownership. It is during the pre-construction meetings that the group coordinator and the construction supervisor review the details of this contract. It must be made clear that the participants are being held accountable to fulfill the requirements in the membership agreement.

This agreement outlines the construction responsibilities; the labor exchange commitment; the general rules of the group; and grievance procedures. It is through the membership agreement that the participants begin to take ownership of their responsibilities. How the membership agreement is presented to the participants will have a large impact on how they receive it and comply with it. It is important to stress the value of the contents of the membership agreement. If you don't place value on the membership agreement and if the agency members do not follow the terms within the agreement, how can you expect the participants to value the agreement, to comply with its terms and accept ownership of their responsibilities? It is crucial that the membership agreement is enforced - And enforced consistently. If a participant is falling behind in labor hours, the steps outlined in the membership agreement must be followed. The participants need to hear from you what is expected of them. They need to know what the rules are and how they will be enforced. They need to know what their role is and how their participation will affect the entire group's role. They need to know that the success or failure of the program is contingent upon equal participation on every participant's part. Take time to go over the membership agreement with the participants during the pre-construction meetings. Make sure you know that the participants understand all of its terms. This is crucial to their ownership and participation in the self-help program. Treat this membership agreement just like an employment contract and a job description. If these things are done, the end result is "You will own the home of your dreams". These are the opportunities and benefits to joining this team. They must understand that in order to take ownership of those benefits, they need to take ownership of those responsibilities. AS LONG AS THE RULES ARE ENFORCED AND APPLIES CONSISTENTLY, MANY PROBLEMS CAN BE AVOIDED.

For many people in our program, this is the only avenue available to them for home ownership. This will be the biggest undertaking of their lives. At times, you will need to assume the role of teacher, coach and counselor.

Effective Leadership

The following is a list of some other very effective leadership qualities that can aid in motivation.

- **Understanding** - Don't judge individuals because of their situation, put yourself in their place and be empathetic.
- **Respect** - Treat them as any other individual, an equal not an employee of yours or someone below you.
- **Listening** - Pay attention to what they are really saying to you in the initial stage and later on. You might find reasons why they should or should not get involved with self-help.
- **Explaining** - Be clear about what is involved in the program and on the construction site, explain the tasks well.
- **Caring** - Make their problems important to you.
- **Support** - Many problems will come up during the construction period, try to be supportive of their situation.
- **Honesty** - Don't trick people into joining the program under false pretenses - help them realize how much hard work is involved - but also how much they will get out of it.
- **Interest** - Show interest in their lives.
- **Advocate** - Make them feel like you are on their team - doing the best for them.
- **Credibility** - Don't give them any reason not to believe what you say.
- **Trust** - Don't share things they have told you with others.
- **Fairness** - Don't treat one participant better than another, it puts the participants against each other and you.
- **Confidence** - Inspire their confidence in you by acting intelligently and responsibly.
- **Positivity** - Try to avoid being negative about the program with them - you are the authority figure and their first self-help contact.
- **Energy** - Inspire them by your lead of being excited and ready to dig in to the program.

- **Personality** - Let them also see that you are a real human.
- **Appreciation** - Make them feel as if you appreciate the work they are doing.

Effective leaders have a clear sense of what they are trying to do, they have a real respect and caring for people, and they celebrate successes. The gift is listening and caring and making each feel that they are a very important piece of the larger picture.

In order to become a great coach:

- Find a great coach
- Observe, ask questions, and listen
- Recall the attributes of great coaches you have known
- Identify developmental needs (areas you need to work on)
- Develop a training plan
- Participate in seminars, read good materials, seek opportunities to learn new skills whenever possible
- Detail your plan according to specific work place behaviors you want to start, stop or change in order to develop your skills
- Implement the plan
- Monitor progress

Coaching skills can be developed through hard work, open mindedness, a passion for the game, and a real caring for the people who play it. It is an ongoing process of learning and communicating, listening and responding that yields enriching rewards.

Symptoms of a Weak Self-Help Group

As a self-help grantee, every effort is made to recruit the applicants, explain the program to them, assist them with loan approval and closing, and provide the required preconstruction meetings.

Sometimes though, when the participants get into construction, the grantees realize that the group of participants, the construction “team”, is falling apart before their eyes. As a grantee you have

houses to produce, a time frame in which they must be built, and a set amount of money to cover the administrative expenses to produce these results. The group is disintegrating and you are spending a lot of effort in crisis management. It can be a pretty dismal picture. Unfortunately it is a reality that happens in some groups.

When it does happen you will need to determine “*where the problem lies*”? To help you find the answers it might help to look at the *symptoms of a weak team*.

- Procrastination - Once you have identified procrastination as the culprit, you will need to investigate the reasons for it and then fix it.
 1. It might be that the procrastinator is not sure of how to begin the task or work and is taking a wait and see attitude. “Let’s see if any one else gets this started”.
 2. Another reason for procrastination might be that the procrastinator doesn’t have the resources they need to start the job. Resources can be anything from materials, to decisions needed from others, or instructions on what to do.
- Lack of ownership – When applicants are recruited you talk to them about the self-help program, what will be required of them and how the agency will assist them to achieve their goal of home ownership. Then you have them sign a contract and call it a membership agreement (Attachment 8). This agreement outlines the construction responsibilities, the labor exchange commitment, the general rules of the group, and grievance procedures. When you spot early warning signs in a team player that there is a lack of ownership in their responsibilities to this agreement, bring it to the participant’s attention. Explain again their responsibilities to the contract.
- Conflict – Attitude problems and conflicts among team members will not help you achieve your goals. When conflict between participants or individual participants occur you have to determine why it exists. Is it favoritism or the perception of favoritism? If so, can more communication on your part eliminate that perception? Is one team member carrying a greater share of the responsibilities? If so, you need to balance the workload so it doesn’t seem to be unfair. It seems that in most groups there will be a number of individuals that are extremely motivated and in the initial stages of construction will contribute a significant number of hours on the construction site over and above the required amount. Your initial reaction is “WOW” this is great! Be for-warned - these participants soon burn out and become frustrated with those participants who are just able to

put in the required hours. This situation WILL lead to conflict among group members. Counsel the participants early on to pace their efforts.

- Missed Deadlines – Does the group realize that when a deadline is missed it has an impact on others? Are they even aware that the grant has a deadline and how the construction of the group's homes fit into that deadline? Do they understand that small missed deadlines invariably delay larger deadlines? An appreciation of schedules, deadlines and producing results is something that could be discussed with the group during the preconstruction meetings, getting their input on the importance of deadlines and results. How do any of us feel when we meet a deadline, especially a big one? Whew – wow, we have more energy! When the group is on the construction site and they begin to miss deadlines a coach needs to use techniques to encourage, motivate, and help bring the project and the group back to a cohesive and productive unit.
- Wasted Resources – Have you ever been working on a project or task for an upcoming meeting and just spent a good portion of time on it, only to be told that the meeting had been cancelled? Do you remember what your first response was? Do you remember how you felt? The largest wasted resource is "Labor". It is difficult enough for us as employees to deal with it without being demoralized and frustrated. Can you imagine how the participants feel when they are looking at several months of labor, intense months on the construction site in addition to their employment? Let us try to prevent this from happening, but when it does let us put ourselves in their position and understand.

Dealing with Problems

The family agreement must contain a formal set of grievance procedures. The "grievance procedures" must recognize the possibility of problems:

- Between the group members
- Among the construction supervisor and the group
- Among the group and the agency
- Among the group and the Rural Development staff

The procedure to resolve or mitigate a grievance must be logical and just. If faced quickly and directly, the group can resolve most of the problems occurring among the group's members.

When a problem interrupts construction progress, the construction supervisor and/or Group Coordinator must act decisively to eliminate the source of the problem. The members should be encouraged to bring complaints to the weekly group participant meetings. At these weekly meetings, the construction supervisor and/or the Group Coordinator, along with a neutral member of the staff, should facilitate the complaint portion of the session. The preferred outcome of this session is for the group to come to a consensus on how the problem should be resolved and in accordance with the membership agreement. It can never be stressed enough that once the participants sign the membership agreement, all parties, including the grantee and staff, must consistently follow and comply with the terms of the agreement.

If the parties fail to agree to the consensus of the group, the construction supervisor and/or Group Coordinator should attempt to resolve the problem. This may at times prove difficult; especially if the construction supervisor, another self-help agency staff member or Rural Development, are one of the persons directly involved in the disagreement.

If the construction supervisor and Group Coordinator are unable to resolve the problem, then a formal request is made to the self-help agency's program manager and executive director or the Rural Development local office staff to assist in resolving the crisis. This request should be written. The request must present the problem and the surrounding issues in an unbiased manner.

In order to help avoid conflict, discuss potential problems with the group before they arise. During the pre-construction or participant meetings, go over the following list of problems, possible causes and potential solutions that may occur during construction. Knowing about these before hand may help participants avoid them or handle them effectively during construction. This activity will also help the Group Coordinator and construction supervisor think of different ways around the problems that may confront them.

Situation #1: *The construction group has a bad attitude and will not cooperate with the construction supervisor or the grantee staff.*

Possible Causes: *Lack of detailed communication between the participants and the grantee. Personality conflicts between members. Weather conditions. Construction supervisor's personality. Attendance is not regular by all individuals. Problems with subcontractors. Racial or ethnical differences.*

Potential Solutions: *Grantee staff needs to identify the problem and understand participant make-up, personalities, and background. Grantee needs to spend time on the site reminding participants how the program works. Hold regular group meetings. Conduct workshops for participants and grantee. Visit to job site by Rural Development.*

Situation #2: *When the interior work starts, participant morale drops. They want things to move as fast as they did in the framing stage.*

Possible Causes: *Participants are naturally anxious to move into their new homes. Considerable time has already been spent and it seems like it has been forever. Nature of the work, the participants have not received the proper training. Subcontractor delays. Proper tool shortage.*

Potential Solutions: *Proper construction planning and scheduling. Keep the participants up to date on the overall progress. Encouragement (compliments) by the construction supervisor and grantee. Plan for more tool purchase or rental. Schedule a field trip to a finished/occupied home to show the participants what they have to look forward to. Motivate or remove a slow/unreliable subcontractor or supplier. Explain the construction process so each member can understand it.*

Situation #3: *Individual participant wants to work on the interior of their home and does not want anyone else to come in and help.*

Possible Causes: *Selfishness. Personality conflicts. Concerned that the work will not be done to their standards.*

Potential Solutions: *Have more group meetings so that all the participants will feel friendly towards each other. Have a group outing, such as a picnic or potluck dinner. Explain the mutual self-*

help concept again in detail and include the timelines for completion. Point out that the work so far has been done up to standards and the interior work will be also.

Situation #4: *An individual/participant does not show up to work, even on their home, and when they do come, it is usually late.*

Possible Causes: *Illness, lack of morale, change in work schedule, did not clearly understand the requirement that they had to show up for all work parties.*

Potential Solutions: *If illness is a critical condition, require them to get substitute labor; if not, then they must show up for work or potentially lose their home. Determine if the construction supervisor or just the lack of progress is the cause of the morale issue. Explain the requirements and discuss the membership agreement individually. Remind them of what they are working towards; the end product is a home of their own.*

Maintaining Group Cooperation

Generally, after the group comes out of the pre-construction phase, the group members believe nothing can stop them. This sense of euphoria will last a few months, generally through the initial construction activities. Once progress begins to stall, the construction supervisor and Group Coordinator must be prepared to supplement the group's faltering conviction. There are many methods of group dynamics to use to attain this goal, such as:

- Set clear goals
- Change the group's pace
- Keep the group informed of its progress
- Develop a reward or bonus system

Ultimately, the group members must accept responsibility for what happens during construction. Remember, the group members are providing the labor and, after all, these are their houses. For the group members to accept their mutual responsibility of building houses by pooling their labor, the construction supervisor and Group Coordinator need to encourage them to identify as a group.

Potential problem areas should be discussed with the group during the pre-construction meetings. Acceptable solutions to the problems can be incorporated in the family agreement. Discuss these sample problems:

- Handling nonparticipation of a participant.
- Judging quality of a participant's labor performance.
- Stopping disruptive behavior on the job site.

These potential problem areas need to be introduced and ask the group how it will handle them. **REMEMBER:** make it clear to the group members that they must monitor their own behavior and solve their own problems as much as is possible.

Over time, the group will divide in to natural leaders and followers. Encourage the leaders to be the group's officers. Encourage this by insisting that the officers themselves, not you, your agency or Rural Development, solve their problems. Decisive leaders among the group can be helpful in solving internal group conflicts without involving self-help staff. Make sure the leaders are only guiding, not dominating the process.

If problems are persistent and are beyond the capacity of either the group or the construction supervisor and Group Coordinator to resolve, notify the other staff of the self-help agency and Rural Development. The construction supervisor and Group Coordinator must not let little problems grow into unsolvable messes. If an individual, a family, or the whole group is at an impasse on an issue that you have no solution for, go to your supervisor for assistance - immediately.

Conflicts will arise during the long construction process; they must be eased and eliminated before they disrupt the project. Although there are some forms of conflict, which can have positive outcomes (competitions, games, races), our major focus here is on those, which do not. The types of conflicts that arise during construction will run the gamut from annoyances to disputes to clashes. Be aware of any increasing level of tension in the group. Do not allow personality conflicts to become more than an annoyance, and work toward eliminating their causes quickly.

Keeping the Group Motivated

Motivation can be thought of in two ways:

- How to get someone to do what you want them to do.
(This is not the best way to run a self-help group because of the length and magnitude of the job.)
- How to get someone to want to do what you want them to do.
(This way takes a lot of thought and work on your part, but is easier and more beneficial in the long run.)

Every group goes through cycles of high and low motivation. Early in construction, when progress is most visible, the participants are eager and highly motivated. After three or four months of construction with delays resulting from bad weather, problems with subcontractors and suppliers, motivation and morale may be low among the individual members or the group as a whole. The Group Coordinator and construction supervisor must be able to improve the morale by motivating individual participants and the whole group.

One of the best day-to-day tools ever invented to solve this difficult problem is the compliment. Giving compliments on a regular basis does wonders. These can be as simple as any of the following examples:

- “Great work!”
- “Now you’ve got the idea”
- “Why don’t you show the rest of us how you did that?”

Another method is a competition. This can be between or within groups, or against the previous group’s progress record. Regardless of the method, the intent is to positively spur the group on.

So, who is responsible for motivating the participants? Does that job fall only on the responsibility of the Group Coordinator? Absolutely not. There are many different people that can and should have a positive effect on the participants’ attitudes towards the program. The Group

Coordinator is not alone. If there is a major motivation problem, look into all of these areas for both the cause and the solution to the problem.

The following is a list of all of the different positions that are involved in-group motivation.

- The Group Coordinator - locates the applicants and motivates them to join the self-help program. The Group Coordinator not only is responsible for transforming the individuals into a cohesive group during the preconstruction phase, but also helps to keep the participants motivated during construction.
- The Project Director – should run a good program with well prepared/trained staff. The participants will know the difference and will have an easier time throughout the process.
- The Construction Supervisor – should make the participants feel responsible and capable of carrying out important tasks. Treat the participants fairly, don't belittle or harass anyone, this turns the supervisor into their enemy, not someone they can respect and work for.
- The Rural Development staff - should help them feel positive about the loan program and the self-help project.
- The Subcontractors - should not make fun or speak badly of the project. This could make the participants question the quality of the homes or the possibility that non-skilled labor can build houses.
- The Community - has the task of really respecting the participants for all the hard work they are doing, not for making them feel their houses are inferior or that they are being given the house by the taxpayers.

What Keeps the Group Motivated

Group Activities

There are quite a few activities that will assist in motivating the participants. The following is a list that you may want to try. Instead of waiting for a motivation problem to arise, some of these activities may help keep the participants excited throughout the program.

- Meals on site - Breakfast could encourage them to be at the site on time, while lunch could provide the group with a nice break.

- Party on/off site – While bonding should have occurred during the pre-construction phase, spending time together when they are not working strengthens the bond. Remember; make it fun for them to be together.
- Group Time Sheet - Encourages a little bit of peer pressure and keeps people honest if they have to write their hours down where everyone else will see them.

Give Measurable Goals

As far as construction goes... “By the end of the weekend we should have the trusses up on three homes”...or... “Before we break for lunch we should be able to have the siding up on the front of the house”. Give goals that people can see and understand. Don’t make it too hard to accomplish or they will feel they have failed. Failing does not push people to work harder.

Responsibility

Give each person something meaningful to do on the job site. Don’t allow one person to feel incompetent. Some grantees have found that getting the participants involved with looking for the best prices on some of the construction materials empowers the participants and helps them feel very involved.

Teamwork

Two factors will determine the group’s effectiveness. The first is their ability to accomplish their goal – building the houses. The second factor is their effectiveness in their relationships. Do not overlook the opportunity to create positive team dynamics. As the team leaders, you and the construction supervisor are responsible for developing a climate of trust.

Internal and External Motivation

Internal motivation is what makes people want something. It is based on their values, beliefs and feelings. External motivation is when you offer them something if they do what you want them to do. For example - raffle off a stove, the number of chances each family has depends on how many hours they worked during the construction period.

Unmotivated individuals can bring the whole group down. The methods of motivation differ between individuals and families. Individuals respond more to a one-on-one discussion of their situation, their values, and what they can do to improve their life. A group is more motivated by some of the team activities listed above.

Values, needs, desires, money, and self-esteem are other things that motivate individuals. Self-help examples of these include:

- Values - They believe that their children will have a better life being raised in a home with a yard as compared to an apartment. They think a house brings stability and security to life.
- Needs - The participant currently has nowhere to live and is sharing an apartment with a friend that can't keep them much longer. They need shelter.
- Desires - They have always wanted a house of their own and pictured raising their family in one instead of an apartment.
- Money - They are very aware of the money they are saving themselves by providing their own labor.
- Self-Esteem - They need help with their living situation and, through their own hard work, they are able to do something to improve it. Learning a new skill.

Reporting

SHARES

SHARES stands for the Self-Help Automated Reporting and Evaluation System. It is an internet-ready application designed to manage, track, evaluate, and report on the status of the self-help program. It will also share this information with all parties that provide assistance to this program. SHARES has two distinct components. One is an informational section that includes links to other web sites that may be helpful to an organization during the time the grant is active. The second component is an automated database.

The database is the application that will be used regularly by the Group Coordinator. This allows family and grant information to be entered and reports to be generated and printed. Data will need to be entered on a regular basis since Rural Development personnel at all levels and the T & MA Contractor will be reviewing this data for monitoring, reporting, and statistical information purposes. On a monthly basis your T & MA Contractor will be using the information in the database to print a monthly report. The quarterly report, which is discussed in the next section of this guide, will also be completed through the SHARES system.

There is a considerable amount of information that will need to be entered into this system by the person designated by the Project Director, usually the Group Coordinator. The information will include detailed borrower and lot information, construction progress and grant status. Although this will take time, the reports that this system is able to generate are extremely beneficial, both to the organization, the T & MA Contractors, Rural Development, and the overall program.

There is an entire guide dedicated to training for the use of this system. Request one from your T & MA Contractor if the organization has not yet received one.

Monthly Reports

Monthly, a report using SHARES will be reviewed by your T & MA Contractor and all levels of Rural Development. This report will contain information on what the grantee has done during the preceding month and will be based on information that has been entered from the grantee's office. This report consists of information such as how much of the 523 grant money has been spent, status of

recruitment, land development, construction progress and preconstruction meetings. This report needs to be completed by the 5th of every month. Before SHARES your T & MA Contractor completed the monthly report and, although we will not be completing the report on the old format, we will still be calling grantees on a regular basis to talk about their progress.

Quarterly Reports

As grantor of the Self-Help Technical Assistance grants, Rural Development is responsible for the fiscal and programmatic oversight of a TA grantee's activities. Rural Development is also responsible for the regular monitoring and evaluation of a grantee's accomplishments, problems, and timetables.

The primary tool that Rural Development has to monitor a grantee is the quarterly report. Grantees should also use it as an assessment instrument. This report will now be completed by using SHARES. The report must be submitted on time, complete, and error free. It is due to the Rural Development Area Office by the 15th of the month following the calendar quarter (January 15th, April 15th, July 15th, and October 15th). A copy of the quarterly report will also be viewed by T&MA Contractors for their assessment of the grant's progress.

A progress report should be completed by the Group Coordinator and submitted to the Housing Director or the proper person completing the quarterly report to explain progress made for the previous quarter. The report should contain:

1. Number of families contacted.
2. Number of families willing to participate in the program.
3. Number of groups organized.
4. Progress of construction.
5. Any problems grantee encountered.

This report should become part of the quarterly report completing section 8 on the form.

Program Evaluation

After the participants move into their homes and are finished with the self-help program it is a good idea to ask them to evaluate the program. They can help by providing insight and recommendations that may improve the program. Attachment #14 is a sample evaluation form.

APPENDIX

Attachment 1: Recruitment Survey

Attachment 2: Market Research Survey

Attachment 3: Brochure and Advertisement Samples

Attachment 4: News Release Samples

Attachment 5: Self-Help Program Guide For Participants

Attachment 6: Self-Help Housing Pre-Application Interview Form

Attachment 7: Self-Help Program Information Sheet

Attachment 8: Credit Information Release Form

Attachment 9: Authorization to Release Information (Form RD 3550-1)

Attachment 10: Appointment Confirmation Letter

Attachment 11: Building Group Membership and Labor Agreement

Attachment 12: Self-Help Housing Program Confidential Evaluation

Attachment 13: Ratio Sample Calculations

Attachment 14: PITI and Total Debt Ratio Sample Calculations

Attachment 15: Participant Work Record

Recruitment Survey

1. How did you hear about the program? (Specify)

Radio: _____

TV: _____

Newspaper: _____

Shopper: _____

Poster: _____

Flyer: _____

Mail: _____

Word of Mouth: _____

Other: _____

2. Date and location of the ad: _____

3. Which ad did you see?

_____ “You can say it with pride, I did it myself”

_____ “Learn a trade and gain home ownership at the same time.”

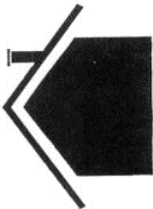
_____ “Ask me how to join the \$14,000 club.”

Market Research Survey


1. What radio stations do you listen to regularly?
During what hours?
2. What local TV news programs do you watch?
3. What papers / shoppers do you read regularly?
What days?
What sections?
4. What grocery stores, laundry facilities and stores do you frequent?
What locations?
On what days do you normally do your shopping?
5. Do you mail utility bills or pay at the office?
_____ Mail _____ Office
6. Do you ride public transportation?
7. If you had the opportunity, would you want to be a homeowner? Why?
10. Do you have any ideas or suggestions on how we, a non-profit homeownership organization, can reach your friends and neighbors to explain our program?

Brochure and Advertisement Samples

**You can own
a home
of your own!!**



Would you like to buy an exist-
ing home or help build a new
home of your own and still pay
less than you now pay for rent!



For more information please call:
COMMUNITY CONCEPTS, INC.
Homeownership Program
(207) 743-7716

Homeownership Program

**HOMEOWNERSHIP
ASSOCIATION**



*Families working together on new
home construction.*

If you are tired of paying rent, we
can help you and your family pur-
chase a pre-existing home or a new
home of your own.



If you have any questions about your
eligibility, please call:
COMMUNITY CONCEPTS, INC.
Homeownership Program
Market Square, P.O. Box 278
South Paris, ME 04281
(207) 743-7716

COMMUNITY CONCEPTS, INC.
Market Square, P.O. Box 278
South Paris, ME 04281

About buying a pre-existing home . . .

You can qualify for one of our upgraded homes.

- choice of homes located throughout Oxford and Androscoggin counties
- homes improved to modern standards
- help with down payment and closing costs
- 30 year mortgage with interest as low as 5.95%



For more information, please call:

COMMUNITY CONCEPTS, INC.
Homeownership Program
(207) 743-7716



About building your own home . . .

You can qualify for our new home building program

- energy efficient quality construction
- no down payment
- affordable monthly payments
- 33 to 38 year mortgage with interest rates as low as 1%
- the labor you provide can be worth \$20,000 - \$30,000 (sweat equity)

What you will need to qualify for your own home . . .

- not presently a homeowner
- acceptable credit history (no credit can be good credit)
- stable income within guidelines based on family size
- want to live in Oxford or Androscoggin county

Homeownership services available . . .

Homeownership training:

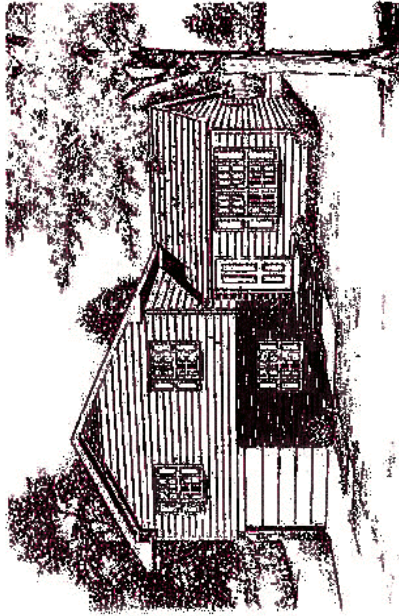
- preparing for homeownership
- shopping for a home
- obtaining a mortgage
- understanding closings
- life as a homeowner

Landlord training

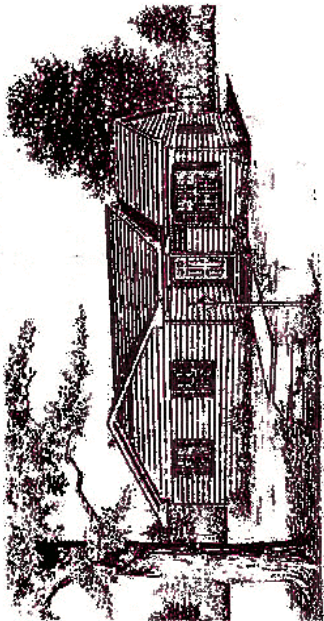
New home construction:

- assistance in planning & building a new home

AFFORDABLE NEW HOMES YOU CAN OWN



HOUSING OPPORTUNITIES MADE EQUITABLE
Holland Area Ecumenical Nonprofit Housing Corporation



Sign up now! Plans are to build 20 homes.

You are invited to pick up an application for the
Mutual Self-Help Housing Program at the offices of:

H.O.M.E.
627 Michigan Avenue
Holland, Michigan 49423

If you have any questions about the program,
please call Susan Hansen at
(616) 393-0071

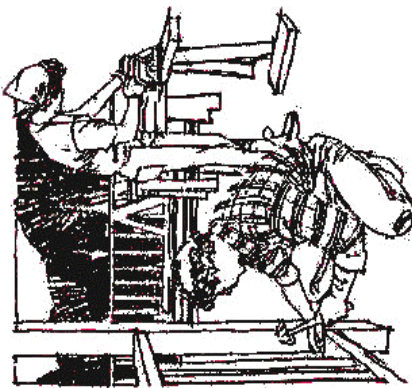


WHAT IS H.O.M.E.?



H.O.M.E., Housing Opportunities Made Equitable, is a nonprofit agency established for the purpose of developing affordable housing in Allegan and Ottawa counties.

With H.O.M.E. as your partner, you can be the owner/builder of a brand new home in rural Allegan County or Ottawa County.



HOW DOES THE PROGRAM WORK?

Mutual Self-Help Housing is a program which provides low interest loans with no down payment to eligible households. Participants are required to supply much of the labor to build the modest, pre-selected house designs.

WHO IS ELIGIBLE?

You may be eligible for this program if:

- You meet income eligibility requirements.

For example:

- individual earning no more than \$21,500
- household of 3 earning no more than \$27,650
- household of 5 earning no more than \$33,200
- household of 7 earning no more than \$38,100

- You are willing to invest the time to be trained in basic construction methods.

- You are able to provide physical labor which will be professionally supervised on the house site.

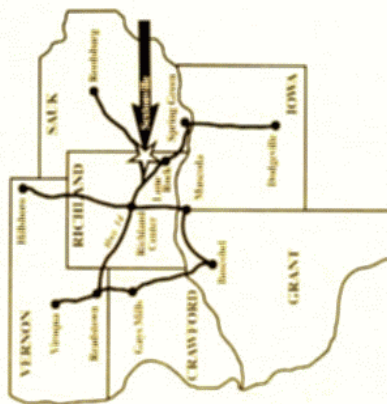


December 2002

Self-Help Housing is a new home construction program in which the borrower actually helps in the building process. Through the use of "Sweat Equity," a group of eligible families works together to build their own homes, thus lowering the total amount of the mortgage and monthly payment.

Self-Help Housing offers:

- **Low Interest Rates** (down payment assistance may be available)
- **Quality, Energy Efficient Homes** (with large lots, basements, and garages).
- **Excellent Location** (in a beautiful rural setting 8 miles east of Richland Center.



"The Mutual Self-Help Program helps people achieve the dream of home ownership."

— Wisconsin State Journal, Dec. 10, 2000

If You Have:

- ✓ A Strong Commitment
- ✓ Stable Job History
- ✓ Solid Credit Record
 - credit counseling available
- ✓ Not Owned a Home in 3 Years

This Program Is For You!

No prior building experience is needed. A skilled construction supervisor is provided. Program eligibility requirements apply.

Program participants need not be Richland County Residents.

Call NHS TODAY for an application. 608-647-4949

Building Dreams



Together

"It is just incredible to own a new house," Thiede [a Self-Help family member] said on a recent evening. "And from the first night, everybody feels like it's home."

— Wisconsin State Journal, December 10, 2000

TOP TEN REASONS TO BUILD A SELF-HELP HOME

1. Own a brand new, quality, energy efficient home with a basement and garage on a large lot in an excellent location eight miles east of Richland Center.
2. "Sweat Equity" (When your home is complete, you'll have an average \$8,000 to \$12,000 in equity from your labor.)
3. Low Interest Rates
4. Low Down Payment (down payment assistance may be available)
5. Affordable Monthly Payment
6. Learn New Skills
 - No building experience necessary — skilled construction supervisor provided
7. Get To Know Your Neighbors
8. Sense of Achievement
9. Pride of Ownership
10. Increased Property Value to the neighborhood and the community

IS THIS YOURS?



TOTAL LIVING AREA:
1,266 SQ. FT.

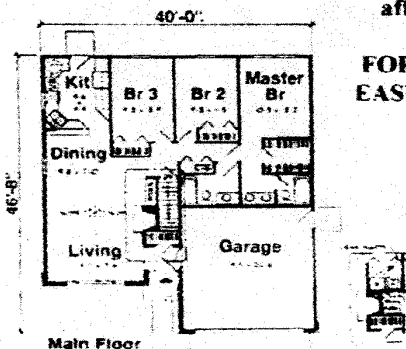
IT COULD BE!

- * No down payment
- * Low monthly house payments

What Will My Home Include?

- * Energy efficient construction
- * 2 & 3 bedroom floor plans
- * Central Heat & Air
- * Brick Veneer
- * Garage
- * Decorating Choices
- * And much More!

East Missouri Action Agency, Inc. sponsors a "Self-Help" housing program that offers affordable housing to eligible applicants.

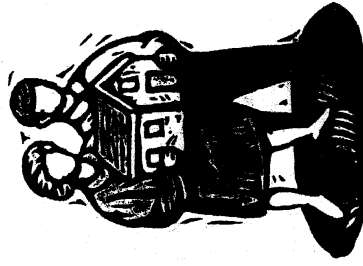


FOR MORE INFORMATION CONTACT:
EAST MISSOURI ACTION AGENCY, INC.

ATTN.: Linda Dickerson
403 Glendale, Box N
Park Hills, MO 63601-0358
(573) 431-5191 Ext.#132



*MI CASA
ES
TU CASA*



Self-Help Housing
Region II Housing
Authority

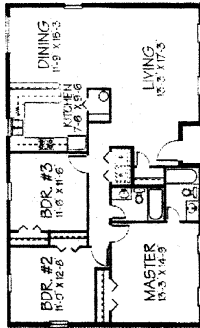
"Finding housing solutions"

IT COULD BE!



IS ONE OF THESE YOURS?

**REGION II HOUSING
AUTHORITY**
P.O. BOX 1106
LAS VEGAS, NM 87701



What will my home include?

- *Energy efficient construction
- *2 or 3 bedroom floor plan
- *Central heating
- *Thermo-windows
- *Carport or Garage



For more information,
please call:
(505) 454-0654
Ask for
Self-Help Housing

Let's Build Together

Self-help housing offers a unique opportunity for qualifying low and very low-income families to fulfill their dreams of home ownership.

As a renter, you've already experienced the futility of paying a landlord each month and having nothing to show for it. Financial experts agree that buying a home is the single most important investment that a family can make. But how are you supposed to buy a home when you have to qualify for a conventional mortgage? How many families have several thousand dollars for a down payment and can afford house payments of more than \$500.00 per month?

Region II housing authority in cooperation with USDA rural development offers families a chance to buy a home they always wanted.

Program Benefits

- ❖ No down payment.
- ❖ No monthly house payment until you move in. This means you do not have to make both your rent payment and house payment at the same time.
- ❖ Low monthly house payments. The lower your yearly income the lower the monthly house payment

What's the Catch?

The catch is that families build their own homes. Working in a group of 5 to 8 families, each family commits approximately 30 hours a week to work on the homes. It is this important commitment that makes the financing of the homes possible, but it also allows you to take the time to do a better job on YOUR home.

Requirements

- ❖ Good Credit with few credit exceptions and no default on student loans.
- ❖ Ability to pay the mortgage
- ❖ Gainful employment with a steady income.
- ❖ Must be able to pay for an appraisal and builder's risk insurance.

What if?

What if I've never built a house before?

Don't worry. Self-Help Housing hires, professionals to do the most difficult jobs, plumbing, electrical, drywall and foundations. Each job is inspected before it is approved.

Second, each building group (4 to 8 families) is closely supervised by an individual thoroughly familiar with home construction. This person will provide training in the basic skills needed to do the work.

What kind of work will I be doing?

Hammering, sawing, painting, and so forth. The construction supervisor will tell group members what to build, when to build, and how to build. Participants with NO prior construction experience have already successfully completed homes through this program.

We will help you...

1. Determine your eligibility.
2. Prepare an application for a low interest loan.
3. Form a building group.
4. Perform all-important steps during building stages.
5. Help locate land on which to build.

NEWS RELEASE

Date: May 14, 2002
Contact: John Doe
Self-Help Housing Project Director
(###) ###-####

A Special Open House for Ten Local Families

An Open House will be held tomorrow at the corner of State and Division Streets at 12:30 p.m. so ten proud families can display the homes they built themselves. Many months of hard work is over for these members of _____ Self-Help Housing Project. In the self-help program, income eligible families are able to keep housing costs down by providing their own labor in construction.

This labor, which must equal 65% of the labor necessary to build a home, enables the families to get low interest loans from USDA Rural Development without a downpayment. Some of the tasks the families have done include framing, hanging drywall, landscaping and painting among others.

After the Open House, the families will move into their new homes. If you are interested in hearing more about this program, call John at ###-###-####.

-###-

NEWS RELEASE

Date: For Immediate Release
Contact: John Doe
Self-Help Housing Project Director
(###) ###-####

_____ Provides a New Housing Opportunity

_____ plans to bring a self-help housing program to _____(City).

The organization hopes to help twenty _____ families achieve their dreams of homeownership in the next two years. In the self-help housing program, income eligible families keep housing costs down by providing their own labor in construction.

This labor, which must equal 65% of the labor necessary to build a home, enables the families to get low interest loans from USDA Rural Development without a down payment.

_____ plans on starting construction with the first group of ten in July.

To hear more about this program, attend an informational meeting next Tuesday, July 17th at the _____ Public Library, _____ Street at 7:30 p.m., or call John at ###-###-####.

-###-

NEWS RELEASE

Date: For Immediate Release
Contact: John Doe
Self-Help Housing Project Director
(###) ###-####

Awarded Grant to Provide Housing

_____ has just been awarded a grant in the amount of \$180,000. This grant was given by USDA Rural Development for the administration of a self-help housing program.

The funds will enable _____ to provide assistance to twenty _____ (City) families to build their own homes. Such oversight activities include selection of building sites, loan packaging, and construction supervision.

In the self-help housing program, income eligible families keep housing costs down by providing their own labor in construction. This labor, which must equal 65% of the labor necessary to build a home, enables the families to get low interest loans from USDA Rural Development without a down payment. _____ plans to start construction with the first group of ten in April.

Call John at ###-###-#### to hear more about this program.

-###-

NEWS RELEASE

Date: May 14, 2002
Contact: John Doe
Self-Help Housing Project Director
(###) ###-####

Local Families Embark on Challenge

Ten _____ (City) families will break ground today at the site where they will be building their new homes. The ceremony will be held on the corner of State and Reed Streets at 11:00 a.m. The families are all members of _____ Self-Help Housing Program.

In the self-help housing program, income eligible families keep housing costs down by providing their own labor in construction. This labor, which must equal 65% of the labor necessary to build a home, enables the families to get low interest loans from USDA Rural Development without a down payment. Some of the tasks the families will be doing include framing, hanging drywall, landscaping and painting among others.

_____ is currently working on assembling their next group of ten that will start construction in March. If you are interested in hearing more about this program, come to the Groundbreaking ceremony or call John at ###-###-####.

-###-

Script for HUMOROUS Radio Ad II

SOUND: hammering

AL: (friendly greeting): What are you doing?

SOUND: Hammering stops

PHIL: (pompous): I'm building my Own Self-Help House.

AL: (disbelieving): You are? I didn't know you filled out an application.

PHIL: (confused): umm. Application? What application?

AL: (business like): Persons interested in investing sweat equity into their own homes by providing some of the labor, should call ABC at ###-#### to make an appointment to fill out an application for Self-Help Housing. Then, each application is processed on a first come, first served basis. If you meet eligibility requirements, they move forward toward getting you into a quality home, like the ones on the eastern outskirts of Centerville and in the Upperville Airport View Addition, just eight miles east of Centerville.

SOUND: a building falling down (creaking of nails pulling out and sound of boards falling and general crash sounds)

PHIL: (resigned): (sigh) I... um... think I'll call ABC to get an application.

AL: (trying not to laugh): I... think that would be a good idea.

(Serious): Let ABC help YOU build YOUR own house. Call ###-#### today!
Program eligibility requirements apply. ABC is an equal housing opportunity.

INTRODUCTION

This booklet is designed to take you step by step through the Self-Help building process. We hope to clear up any misunderstandings and give you, the prospective self-helper, more insight into the total Self-help Housing Program – what to do, why to do it and how to do it.

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SELF-HELP BUILDING PROCESS

I. GENERAL INFORMATION

A. What Is Self-Help Housing?

Self-Help housing is a home construction program in which the borrower actually helps in the building process. A group of eligible participants work together to build their homes under the direction and supervision of a professional housing corporation and Rural Development. The program is designed to lower the total amount of the mortgage and monthly payment by using the borrower's labor. It also educates the new homeowner in the care and maintenance of a home by in-depth involvement in construction of the home.

B. Who May Qualify for the Self-Help Housing Program?

A family must meet Rural Development income eligibility requirements and be unable to obtain financing for a modest home from conventional lenders. Each family must also be able to repay a loan, which is demonstrated by the family's debt load and debt management.

C. Where Does Funding Come From for a Self-Help Housing Program?

Mostly the funding for both the family loans, and the grant to administer the program comes from the Rural Housing Service of the United States Department of Agriculture. In some cases churches, foundations and others who are interested in advancing the self-help housing concept may also have contributed monies to help the program.

D. How Does the Loan Program Work?

The Rural Development 502 Self-Help Loan is designed to give families who would otherwise be unable to get financing, a start in homeownership. Rural Development does this by a subsidizing process, which they call "payment assistance." This simply means that Rural Development pays part of the interest the borrower owes. The amount varies depending on the borrower's income. The least amount of interest the borrower can ever pay is one percent. The actual interest rate of these loans varies.

To qualify for payment assistance, a family must qualify according to guidelines by family size and income. Ask our office. (How to determine your adjusted income is explained on page 20.) The loans are examined every year by Rural Development to determine the family's ability to make the house payments. If their income goes up, the family will be expected to assume more of the interest rate of the loan and their payments will increase. If the family's income goes down, it is possible for this procedure to work in reverse and the payments will decrease in amount.

The homes provided by this loan must be occupied by the borrower and family and the home must be modest in size, design and cost.

E. What is the General Background and Purpose of Rural Development

Rural Development was originally a credit agency for lower income farmers who could not qualify for loans elsewhere. Its program of mortgage credit for non-farm rural and small town residents now overshadows the rest of its operations. Rural Development's function as a lender is significant because private credit institutions in rural areas are relatively few in number, smaller, and often impose more rigid terms than institutions in urban areas.

The five purposes of Rural Development's programs are:

1. To encourage the ownership and operation of family farms;
2. To attempt to bring adequate housing to rural areas;
3. To help in obtaining needed community facilities;
4. To provide economic support to farmers affected by disaster;
5. To foster economic development by providing business and industrial loans in rural areas.

F. What is the Role of Rural Development to the Self-Help Housing Program?

Rural Development will:

- Determine the eligibility of each participating family;
- Provide those eligible families with an affordable mortgage loan;
- Perform mortgage maintenance tasks, income reviews, and foreclosures on borrowers who fail to make required monthly payments;
- Make technical assistance grants to qualified organizations to pay for technical assistance and construction supervisors;
- Make loans to eligible nonprofit organizations to develop home sites to be sold to applicants on a nonprofit basis.

Rural Development is independent of local private lending institutions. The Community Development Manager (CDM) approves and originates the loan, and the agency itself continues as the contact for the borrower through its Servicing Center located in St. Louis, MO. The CDM meets with each self-help applicant prior to his acceptance into the self-help program to determine the applicant's eligibility. If the applicant has been accepted, the CDM will inspect development work as frequently as necessary to assure that construction and land development conform to the plans and specifications. The CDM will make an inspection at the earliest possible date after 100% completion of the planned development. Families are not allowed to move into their homes until the homes are declared complete by the CDM, the local building inspector and the self-help sponsoring organization. Follow-up inspections may be made after the family moves in, if necessary. Any obvious non-compliance with mortgage restrictions is cause for further inspection by Rural Development (a set of Rural Development rules is on pages 13 & 14).

G. What Is a Self-Help Organization?

A self-help organization is usually a private, nonprofit group who was given a grant from Rural Development under Section 523 of Title V of the original Housing Act of 1949 to organize and assist families in utilizing the self-help process. The self-help housing loans and technical assistance funding was initiated in 1968.

The self-help sponsoring agency is not a governmental agency, but rather a private nonprofit organization. It is made up of individuals who are concerned with the housing needs of lower income persons in rural areas. The sponsoring self-help agency works in a specific geographic area. Generally a self-help organization operates under a board of directors who receive their power from the organization's members. Former self-helpers often become organization members and directors of the board.

H. What Are Rural Development Technical Assistance Funds Used For?

A self-help organization may use technical assistance funds to:

- Hire personnel to carry out a program of technical assistance for self-help housing;
- Pay necessary and reasonable office and administrative expenses;
- Make essential equipment, such as power tools, available to families participating in self-help housing construction;
- Pay fees for training self-help group members in construction techniques or for other needed professional services.

Organizational Structure of a Self-Help Housing Organization

Self-Help Sponsoring Organization

—

Board of Directors

—

Organization Executive Director

—

Staff

—

Program

Program

Program

II. THE SELF-HELP APPLICATION PROCEDURE

A. Summary of Steps

The steps below are a summary of application steps and loan procedures. Each step will be explained on the following pages.

1. Application Forms
 - a. Rural Development Application for the 502 loan
 - b. Employment Verification
 - c. Landlord Verification
 - d. Credit Review
 - e. Privacy Act Disclosure
2. Certification or Denial by Rural Development
3. Group Formation
4. Pre-construction Meetings
5. Complete Loan Docket (forms and steps to be completed)
 - a. Offer or option to purchase
 - b. Cost estimate
 - c. Appraisal
 - d. Interest Credit Agreement
 - e. Membership Agreement
 - f. Plot Map
 - g. Location Map
 - h. Development Plan
 - i. Dwelling Specifications
 - j. House Plan
6. Loan Approval – Order Money
7. Closing
 - a. Title Insurance
 - b. Preliminary Opinion
 - c. Insurance Receipt and Binder
 - d. Building Permit
 - e. Release if necessary
8. Construction

B. Your First Meeting

In the first meeting (individual or group), the self-help sponsoring organization provides an explanation of the loan and a general description of the self-help process. At the end of the interview the family may decide if they want to apply to Rural Development for certification. You may be asked to complete a “preapplication interview form” and authorize the agency to obtain an initial credit report.

Specific house plans or details of site selection are not discussed until Rural Development declares a family eligible for a loan.

C. *Making Application*

With the initial interview, usually done in the office, enough information is compiled to begin the loan “packaging.” In order to apply, five forms must be completed by each family with the help of the self-help sponsoring organization. Those forms are:

1. Loan Application
2. Employment Verification
3. Landlord Verification
4. Verification of Deposit
5. Authorization to Release Information

Additional information and documentation will be requested depending on individual situations.

Basically, those forms provide information to Rural Development: what a family earns, whom they owe, what they own and how they spend their money. Each form will be explained in detail during the interview. The applicant usually is required to pay \$25-\$38 to have a full mortgage credit check completed by Rural Development. Your application and the information within it are confidential and are treated as such. A brief explanation of each form follows.

502 Application – This form describes the kind of loan and basis for the request by families. No family can apply if the family is eligible of a homeowner’s loan through conventional lending institutions.

Employment Verification – Rural Development asks each applicant to show proof and circumstances of employment.

Landlord Verification – Rural Development asks each applicant to show that they have been paying their rent in a reliable manner.

When all necessary information is gathered together, the application goes to the Rural Development office for review. The self-help sponsoring organization and Rural Development work out any problem together. This may involve gathering additional information, clarifying difficulties with the family, the loan package, etc.

If you have applied for a 502 self-help loan, you have applied for one of the best loans available in the country. There is no down payment, interest payments vary from as low as 1% and may increase to the current interest rate, and the family gains equity by the self-help building process. After investigating several housing alternatives, the applicant may feel s/he is not interested in this program. If the applicant has misgivings at any time during the application process, we encourage them to notify the self-help organization and talk it over with the director.

D. Certification

Rural Development will evaluate a family's application and notify the family if certification is granted or denied. The applicant is under no obligation at this point even though he is certified. If the loan is certified and the applicant wants to continue the process, the next series of steps can be taken. The period of time required to certify a family depends on the contents of each application.

E. Group Formation

As soon as a family is certified they are grouped together with other families who wish to build in the same vicinity. Usually four to ten families will constitute a group. The first official "group" meeting may come at any time after a family's certification from Rural Development.

The success of self-help housing is dependent upon the group's ability to work together. It is extremely demanding to care for a family, work a full time job and spend 30-40 extra hours a week for 8-12 months building. Added to this burden is the necessity of getting along with the others in the group, each having different work habits, personalities and values. It is important that the group have a clear understanding of their responsibilities. A group agreement is signed and some time is spent getting to know each other before construction begins. Usually the self-help sponsoring organization assigns a group worker to each group in addition to the construction supervisor.

F. What Costs Do You Pay Out of Your Pocket?

1. Insurance Policy (Paid for after the loan approval).
2. Closing Costs (Attorney's Fees).

G. Selection of Site for Building

Before Rural Development will approve a loan for closing, a suitable site for construction must be located. The site must meet the requirements and gain the approval of Rural Development. The cost of the land is a part of the total mortgage amount.

Sites for building self-help homes are quite limited. Don't expect to build wherever you like. Each site must be the right price, be within close proximity of all other sites in a self-help group, meet RD requirements and be approved by RD.

Normally the self-help sponsoring organization options available land. At times, families may be involved with their lot search. In rare cases, a plot of land in the country will be acceptable, but is not likely. The restrictions on undeveloped land effectively exclude such land from the self-help program. Most often the self-help organization will choose the sites to be built upon. The families then choose from these lots. No matter what the circumstances, all lots must have RD approval and the approval of the self-help organization.

Buying and selling land can take time. Be ready to wait. At the same time when lots are ready to be shown, you will not have several weeks to decide. If you are undecided, it will be offered to the next family in line. Land may not be found in the area you want to build in. If this happens, you have only a few choices. You can build where the self-help organization has land, wait without any guarantee from the self-help organization that land will ever be found in your area or discontinue the program.

H. Cost Estimate and Floor Plans

The self-help organization will have a selection of basic house plans that have been reviewed by Rural Development. Based on your family's needs, affordability factors, and zoning requirements, a design is chosen.

Final house plans and cost estimates are then prepared and sent to Rural Development. No changes in plans will be made after approval by Rural Development. Cost estimates are made up for each house. These estimates must be adhered to at all costs. It is important that the cost control system be effective to insure proper coordination of purchases.

I. Materials Used in Building

A group meeting will be held to explain the selection of materials available. You will be told as a group if any material changes must be made because of style deletions, price increases, specification changes, etc. The selection of materials presented when your group meeting is held, are the only choices available for your group.

All the materials have been comparison shopped to give you the best quality for the amount of money available in your loan. They meet Rural Development specifications and all applicable building codes, are approved by Rural Development.

Roofing, siding, windows, doors, cabinets, vanity, and counter tops will be selected from samples and choices available through the self-help organization. The contractor will put in all light fixtures, smoke detectors, and a range-hood fan.

Rural Development will not approve wallpaper as an initial wall finish material.

J. Loan Docket

When you have chosen a lot, a loan docket is made by Rural Development. This involves submitting several more forms that gives Rural Development information about your land and house plans. Each building site is surveyed, staked out, soil conditions are checked on undeveloped lots, and eventually building permits acquired.

Your self-help organization is responsible for collecting information for these documents and explaining the significance of each form to you. You may have the information explained and/or collected for these forms in a group meeting or individual interview. The forms involved at this stage are:

- | | |
|--------------------------------|---------------------------|
| 1. Offer or option to purchase | 2. Cost estimate |
| 3. Appraisal | 4. Association agreement |
| 5. Survey | 6. Location map |
| 7. Development plan | 8. Dwelling specification |
| 9. House plan | 10. Plan certification |

K. Loan Approval – Order Money

When all of the prior tasks are accomplished satisfactorily and the additional documentation is added to the loan package, Rural Development will approve the loan and order the mortgage money for closing. It usually takes from two to four weeks for the money to arrive. As soon as it comes, papers are prepared for loan closing.

L. Insurance

Each family is required to purchase a full coverage homeowner's insurance policy before closing. The amount of the policy needs to cover the appraised value of the home, not just the mortgage amount. The type of policy required in self-help housing is a "builder's risk" policy that converts into a homeowner's policy at the time of occupancy. The policy for the period of construction must have a multiple peril attachment, which includes a casual labor clause (working on a house for no pay), wall collapse, and theft of materials. Your paid in full receipt and insurance binder or policy must be submitted before closing to Rural Development for their records. An

insurance mortgage clause agreement is included with your notification of closing and loan disclosure, which you will receive in the mail from RD. You are to forward the mortgage clause agreement to your insurance agent, who will submit it to RD.

M. Loan Closing

Prior to closing, a staff member from the self-help sponsoring organization will assemble several other forms including:

- | | |
|---------------------------------|-----------------------|
| 1. Title Insurance or Abstract | 2. Preliminary Option |
| 3. Insurance Receipt and Binder | 4. Building Permit |

Loan closing takes place in the office of an approved attorney or closing agent. A staff member from the self-help sponsoring organization usually accompanies the family through the closing. Closing takes about one hour. At this time the particulars of the loan documents are discussed in detail.

N. How Long Does It Take to Complete the Loan Process?

Be prepared for delays. The fastest self-help loan ever processed was 45 days from the date of submitted application to RD to closing date. Usually it takes considerably longer. Some families have had to endure for more than two years. If you do not feel that a new home is worth the wait, then please do not apply to begin with. Packaging and processing loans is hard work and is time consuming. The rewards of working with genuinely interested applicants makes up for our frustration with delays. We sincerely hope that only genuinely interested applicants continue in the self-help program. If at any time an applicant feels unable to cope with any more delays, we advise investigating other housing alternatives. We have had to accept delays as part of the program, and we sincerely hope that explaining this fact to you in advance will help you understand and cope with the problem.

Delays are caused by lack of buildable sites, weather conditions, site development complexities, a family's personal problems, RD backlog, errors, etc. Sometimes a family's situation changes while they wait. Income goes up, loss of job or a move to another town causes them to be ineligible. We will inform you of the progress of your loan and any delays as they arise. Please do the same for us.

III. BUSINESS OFFICE PROCEDURE FOR YOUR LOAN

A. Cost Estimate

A cost estimate is kept on each family. The cost estimate sheet is made for your land and house cost. We try to make the estimate as accurate as possible, but at times a building project may encounter unforeseen expenses or prices on materials will take a

sudden jump. We are able to build your home within the estimate by buying quantity orders of materials and hiring contractors for several jobs. We not only look for the right price, but quality materials and workmanship and good follow-up service on the jobs.

B. Contingency

A contingency is provided for the unexpected and emergencies. If your bill is over the cost estimate when buying materials, this overrun is taken out of the contingency. If you under spend on any item, the amount goes into the contingency. The contingency money in your loan cannot be touched until the very end of the program. When your home has been declared 100% complete by Rural Development, any money that might be left over may be used to purchase items to enhance the value of your home. In all cases Rural Development reserves the right to approve or disapprove any or all requests. Just because you saved on one item does not mean that you can add it to another category in your cost estimate.

C. Business Office Approval on Purchases

The sponsoring organization's business office has to give approval on all purchases since we have to keep within the cost estimate on all items, especially paint. An official estimate for the "whole job" must be submitted before any selection you make can be purchased.

D. Purchasing Items on Your Own Without Approval

When you purchase items without approval from the business office, you risk the chance of not being reimbursed for your purchase. Sometimes items that you have purchased will not meet approval from Rural Development, and cannot be put in your home.

E. The Supervised Checking Account

Each family's loan money is kept in a supervised checking account at a local bank. Each family's checkbook is kept at the business office of the self-help organization. All loan and construction related bills are sent to the sponsoring organization. Checks will be made out at the office and it will be the individual families' responsibility to come to our office to sign the checks.

After the family signs the check and the invoice, it is sent to Rural Development to be countersigned. Checks are not valid until both the family and Rural Development have signed the checks. This is to protect you, the self-help organization, and Rural Development.

F. Why Checks Must Be Signed Soon

Bills have to be paid as soon as possible. With certain companies, you get a special discount if the payment is received within 15 to 30 days. Lateness on payment of some bills will result in late charges, which have not been allotted for in the cost estimate. If you refuse to sign a check without a valid reason, we will not order any more materials for your home until the matter is resolved.

G. What To Do In Case of Theft of Materials

As soon as you discover theft of materials, follow this procedure:

1. Check to see what and how much was taken.
2. Examine your insurance policy to see if you have met the deductible amount.
3. Call the police and give them a list and value of materials as closely as possible.
4. Call the insurance company and give them the same list you gave the police.
5. Call your self-help organization and report the loss to them so that they can order more materials for you.
6. Once reimbursed by the insurance company, the checks go into your supervised account.
7. Remember-If you do not report the theft to the police, you will not be reimbursed.

H. Pre-Construction Meetings

When enough families have qualified to form a group, the group pre-construction meetings begin. Meetings are held as often as necessary to inform you of any crucial developments in progress and to make sure that you understand the program and your commitment to it. Whenever a meeting is called, the attendance of at least one member of the family is required.

The information you receive at the meeting is the information that is in effect for your group. The procedures do change from one group to another. Whatever information a neighbor has heard or information received from a group that built in the past is not always the correct information for your group. The person who has the final say on the information is the staff member responsible for your group. The best advice is to attend all the scheduled meetings and interviews so you get your information first hand and can ask your questions of the knowledgeable staff person. The questions asked by other group members might also serve to benefit you.

I. Construction

The construction phase is long, difficult, and very demanding. While the self-help organization provides professional supervision during each stage of construction, the group itself determines the pace. The more initiative and determination exerted by the group, the more rapidly the homes are completed. In this respect, especially, the program is truly self-help.

Construction proceeds as follows.

1. Foundations
 - a. Excavation (contracted)
 - b. Footings Set and Poured (contracted)
 - c. Basement walls built (contracted)
 - d. Back Filled (contracted)
2. Roughing
 - a. Deck, Trusses and Outside Walls (self-help)
 - b. Interior Walls (self-help)
 - c. Roof Shingles (self-help)
 - d. Siding, Windows and Doors (self-help)
3. Finish Work
 - a. Plumbing (contracted)
 - b. Electric (contracted)
 - c. Heat (contracted)
 - d. Basement Insulation and Framing (self-help)
 - e. Drywall (self-help)
 - f. Trim (self-help)
 - g. Flooring (contracted)
 - h. Insulation and Cabinets (self-help)
 - i. Painting (self-help)
 - j. Finish Grade (contracted)
4. Landscaping (self-help)

All the foundations are completed first. The second phase is to rough in the structures. Finally, the finish work is accomplished. The group should prepare to spend 1½-2 months per house to build their homes.

J. Periodic Inspections (Rural Development)

Periodic inspections are conducted by RD to insure quality construction.

K. Final Inspection

The final inspection by RD is an important one. A complete inspection takes place and should result in 100% approval. After the final inspections of all the homes, the families are allowed to move into their new homes.

L. When You Move In

When you finally move into your new home it is already an old friend. Yet the work is never really done. The challenge remains to maintain and to make your “dream” home a reality. For most families, the skills have been developed which will make their dream possible.

However, housing problems do not necessarily end when you move into your new home. Problems of budgeting, making monthly payments on time, and keeping your home looking like new will weigh heavily on every family's ability to keep their new home. It is extremely important that each family recognize the fact that being a homeowner carries many responsibilities, as well as satisfactions. Homeownership may not be for everybody.

M. Rural Development Regulations for Your Self-Help Loan

RD has granted you a loan to provide for your housing needs. The loan was made after it was determined that other lenders would not extend this credit.

The note and mortgage and other forms were signed by you. You agreed to those contracts. You should study those forms and become familiar with property ownership responsibilities and agreements, some of which are included in the following rules:

1. Make monthly payments when they are due. If unable to do so, immediately contact the RD and fully explain your circumstances. This is a must.
2. You must provide fire and extended coverage insurance, with the proper mortgage clause attached, in at least the amount of the loan on your home.
3. The CDM will advise all Section 502 RH applicants that payment assistance is subject to recapture.
4. Maintain your yard, lawn and residence as a home that you and others would be proud to own. Make all repairs promptly.
5. You are not to permit any other liens, mortgages, encumbrances, or judgments to be filed against your home without the written consent of the government.
6. You are to comply with all laws, ordinances, and regulations now in existence or that may become of record that affect your property.
7. The government reserves the right, at reasonable times, to inspect your property.
8. You will be requested to refinance your loan when other lenders are willing to provide credit. This rule is enforceable.
9. Any damage to the property such as fire or natural disaster, or any major improvement plans, should be reported to the RD CDM.
10. You must occupy the home at all times. You cannot sell, lease, transfer or vacate your property without the consent of the government.
11. Your CDM will be glad to help you with any of your problems affecting your loan. You should seek his/her assistance for such problems or for improvements contemplated.

IV. GROUP DEVELOPMENT

The Self-Help Group

When at least four families are certified in the same area, a group can be formed. The self-help group is the most important part of a self-help housing project. If the group is cooperative, hard working and able to get along, the building process is a smooth and very worthwhile experience. If the group is argumentative, lazy and at odds with each other, building will be long and difficult. In either case, the houses will be built.

Every group is different because every person is different. Personalities, values, work habits and employment situations are always varied. The group must make every effort to accept all of its members regardless of personal likes and dislikes. The most important element of any group is steady, consistent work habits. In our past experience, we can verify that the group that works together and stays together gets finished sooner. If a member or members of a group are not working as hard as the others, the group breaks down and construction slows. The first commandment of the self-helper is show thy face on site and regularly. You may not be the fastest, hardest or most talented worker, but at least you can be there! If you are not there regularly, don't be surprised to find that you've lost your home.

What Qualities Do We Encourage in Self-Helpers?

What kind of people are able to build a self-help home? We are looking for people who are:

1. Willing to work. It is not important that you have any knowledge of building a home. Our professionals lay out the work, teach you how to do it and make sure it is done right. Groups who finish the quickest are made up of people who realize their individual responsibilities to the group and do not expect others to do their work for them.
2. Able to handle their debts. Practically everyone has debts. Rural Development understands this and it is not necessarily an obstacle to getting a loan. However, if Rural Development is going to lend a family the money needed to build a home, they want to be sure that the family's debts are not excessive and that they pay them regularly.
3. Able to sacrifice for the group. The group comes first, not the individual. Don't expect to get anything that the others aren't going to get on their homes. Remember that you are dependent on them and they on you. Vacations and holidays may well be spent working on your house, so be prepared.
4. Interested in caring for and maintaining their new home. We are proud of the majority of families we have helped in this program. However, not every family has the pride in their home that Rural Development, the community and the self-help sponsoring organization expect. Families who neglect their home are not only in danger of losing it, but they also jeopardize the future of self-help housing

for other families. It is our intention to insure the quality of self-help homes by taking whatever action is necessary.

A Sample of Group Problems

The following are some problems a self-help group can face:

1. Personality conflicts – “I can’t stand his guts.”
2. Differing values – “A woman’s place is in the home.” “A woman can and should do everything a man does.” “Working on Sunday is against my religion.”
3. Differing Work Habits – “He’s a working fool.” “I can’t do it.” “He expects too much.” “He doesn’t do anything but stand around.”
4. Physical Differences – “I’m afraid of heights.” “I had a heart attack last year and can’t do anything.”
5. Personal Problems – “My father died and we won’t be back for a week.” “I can’t work because we can’t find or afford a babysitter.” “I don’t have the gas money to drive back and forth every day.” “We have to move this weekend.”
6. Construction Problems – “Where’s the plumber?” “My basement wall is cracked.” “Where’s the electrician?” “Someone stole my drain tile.” “Where’s the drywaller?” “They sent the wrong material!” “We aren’t going fast enough.” “Where’s the excavator?” “We’re going too fast!” “I don’t like the materials you use.”

These problems are not exaggerated. If you feel these problems could cause you extreme hardship or you feel uncomfortable with them, please consult with a staff member.

The Construction Process – Part I

Rural Development will defer the first several months of payments on your loan. Therefore, the self-help group has a specified period from the date of the first loan closing to complete all their homes. While it does not always require that specific amount of time to complete all these homes, groups should plan on that period of time. Do not come back to us after six months demanding to move in because school is starting or for any other reason! You will move in when all homes are 100% complete and Rural Development has given you the go ahead. Not before!

Sometimes it will seem to the group that things are moving too slow. Contractors are not there when they said they would be or materials are not delivered exactly when needed. When possible these things will be corrected, but they will always happen. That is why you have several months in which to complete your homes.

Normally construction will begin when the first loan in a group is closed. All families will then start working whether the rest are closed or not. The basements on all homes are completed first, all homes are roughed in next and finally they are finished. All homes should be finished within two or three weeks of each other.

Please note that the order of construction is not always according to whom closed first, second and so on. This will be determined by the construction supervisor.

The Construction Process – Part II

The construction supervisors have three responsibilities to the self-help group.

1. Instruct the self-helper. This includes laying out the work, assigning tasks, explaining the use of tools, etc.
2. Inspect the work. If something is wrong, it will be done over.
3. On site supervision. The construction supervisors will be working together with the group whenever possible. The group is quite capable of accomplishing 90% of the work without assistance. It is the group that takes the initiative and is aggressive that gets finished sooner.

Here are a few rules the self-help organization and Rural Development have regarding self-help construction.

1. We regulate the pace of construction. Our supervisors decide where, when and what is to be built, not the group. We decide which home needs a step towards completion next.
2. We order materials. Materials will be sent when we decide they are needed, not when the self-help participant decides. If a family is not working, we may stop ordering materials for the home altogether.
3. You build our way. Many self-helpers feel they know how to build a home and that theirs is the better way. In the end, however, the group will build these homes using the methods stipulated by Rural Development and the self-help organization.
4. We bid out for the contractors. We take bids and screen all potential contractors. The self-help group does not. If the group knows someone who wants to put in a bid they are welcome to do so. We will then present these choices, along with our opinions and recommendations to the group of families. The families then choose which subcontractors to use and sign the contracts with them.

We are open to suggestions and improvements in the self-help process. When a change for the better can be made, it will be. This is one of the reasons group meetings are held periodically once construction starts.

Can A Family Lose Their Home?

Yes. Any family that does not live up to the group agreement can lose their home. The group has the power to discontinue their association with a member family if the family has clearly failed to provide the labor requirement. This is done when the families vote to remove a family from the group and Rural Development and the self-help organization upholds their decision. Rural Development can then transfer the

loan to another family for failure to meet self-help obligations. Effectively, a family can lose their self-help loan. It has happened. However, no family that has worked consistently has ever had to worry about that. It's up to you.

V. FAMILY FOLLOW-UP AND CONSUMER EDUCATION

A. Pre-Construction Meetings

Meetings are held before the families begin building to prepare them for their new responsibilities and help them understand the process they will be going through. Some of the subjects covered are:

- Group Membership and Team Work
- Homeowners Insurance
- Maintenance
- Budgeting

The meeting topics are enhanced as often as possible with outside speakers to familiarize the families with available community resources. Attendance is required at these meetings. Information essential to the building program is given at each session.

B. Housing Related Follow-Up

Following up centers on helping families work out misunderstandings in billing, property tax problems, and sometimes referring the problems to the proper agency. For the length of time the family is receiving payment assistance, they will be asked by Rural Development to complete annual forms to establish the need and renew the assistance.

C. Community Acceptance for Self-Help Housing

Interior and exterior appearance is crucial to the success of the self-help program. A clean, well-maintained home is a stipulation of the terms of the Rural Development mortgage and also the neighborhoods and communities self-help groups build in. You can enjoy the ultimate of self-satisfaction and pride in owning and showing off your new home.

VI. HOW TO ADJUST YOUR INCOME

It is very important that every family learn how to adjust their income according to the Rural Development formula. Your house payment will be determined by your adjusted income.

A. Calculating Annual Income Worksheet

	MONTHLY	ANNUAL
Applicant Employment Income (Full-time, part-time, seasonal)	_____	_____
Spouse Employment Income (Full-time, part-time, seasonal)	_____	_____
Overtime	_____	_____
Commissions	_____	_____
Bonuses	_____	_____
Unemployment or Disability Compensation	_____	_____
Social Security	_____	_____
Retirement/Pension Income	_____	_____
Disability or Death Benefits	_____	_____
Public Assistance	_____	_____
Alimony/Child Support	_____	_____
Total Annual Income		_____

B. Calculating Adjusted Income

Annual Family Gross Income	\$ _____
___ Children X \$480 each	- _____
Actual Annual Day Care Expenses	- _____
Elderly Family (\$400 deduction)	- _____
Elderly Family's Medical Expenses > 3% of annual income	- _____
Adjusted Annual Income	\$ _____

F.Y.I.

Your gross income for the next twelve months can be arrived at by multiplying your hourly wage times 2,080. The number 2,080 represents 40-hour work week, 52 weeks a year.

IMPORTANT

1. Rural Development cannot allow a family to pay less than 1% on their loan. But conversely, a family cannot be asked to pay more than the “market rate”. That is the interest rate at the time of loan closing. Here is a schedule that may be helpful:

<u>If the Total Loan was</u>	<u>“Market Rate” (8 % at 33 yrs)</u>	<u>Payment at 1% (at 33 yrs.)</u>
\$60,000	\$431	\$178
\$65,000	\$467	\$193
\$70,000	\$503	\$208
\$75,000	\$539	\$223
\$80,000	\$575	\$238
\$85,000	\$611	\$253
\$90,000	\$647	\$267

2. As your income goes up so will your monthly payment. If your income goes down significantly, the process can work in reverse. You are receiving an 8% loan (interests rates subject to change). This means that the monthly payment to repay a loan of \$60,000 loan would be \$431, not \$178 as indicated above. You might only pay \$178 or \$195, etc. based on your income because the government agrees to pay the rest until you can afford to do so. So, as your income goes up, you will pay more of the \$431. When your adjusted family income reaches a certain level, you will be required to pay the full amount.
3. Besides the loan payment, other costs associated with being a homeowner include real estate taxes and insurance. Rural Development has an interest in making sure that these costs are paid in order to protect the property from tax sale or foreclosure. To ensure that funds are available Rural Development requires borrowers contribute funds to an escrow account to be used to pay the borrower’s tax and insurance bills. When a borrower receives a construction loan, the standard initial deposit to the escrow account is not collected at closing, but when construction is completed. Rural Development does permit any real estate taxes that become due during the construction period, as well as the initial escrow account, to be included in the mortgage loan.
4. When your income is high enough Rural Development can ask you to refinance. This simply means that you must go to a bank or other lending institution and attempt to refinance your loan. By refinancing, the money loaned to you to get you started can be lent to someone else. Rural Development is not in the business of competing with banks. They only loan to applicants whom banks will not loan to. When a family is able to secure a loan from a bank, they will be required to do so.
5. Rural Development will review your loan periodically and may inspect your home.

VII. DO'S AND DON'TS OF SELF-HELP BUILDING

These are a few rules, which we have found to be helpful to our self-help families during construction. In setting up these rules, we hope to alleviate some of the problems, which we have had in the past.

1. You will keep work sheets. The families will be required to keep daily work sheets consisting of date and time period worked each day. These sheets will be turned into the self-help sponsoring organization on a schedule determined by the organization.
2. No children or pets are allowed on the site. To prevent problems with small children being hurt on the site, and people being bit by dogs, they are barred from the construction site. If the need arises, someone in the group may be appointed to watch all of the children in one location so that the others can work.
3. Do not give notice of when you are to move. Construction does not always run as smoothly as we would like. There may be delays due to weather conditions, machinery breakage, subcontractors work schedules, and many other unforeseen things. Therefore, we cannot be very specific as to when you can move. However, we will try to give you some idea so that you can give proper notice. Do not call us and tell us that you have to move on a certain day, because we will not be responsible for your eviction. If you must move, then you must find a place to stay.
4. Furniture cannot be moved into the house until final inspection is completed. If you decide to give notice not knowing for sure if you can move, and you have to have a place to store your furniture, that will also be your responsibility. Nothing can be stored in the new house.
5. We regulate the time frame for final inspection. You do not tell us when you want to have final inspection. We will tell you when you are ready.
6. Houses must be cleaned at the time of final inspection. When the final inspection is conducted, the houses should be clean. This should include sweeping and general cleaning.
7. Call if you won't be at the site. During the group meetings, you will be setting up a work schedule on the times you will be available to be at the work site. If you cannot be there, let the construction supervisor know. If you are unable to get in touch with him, contact one of the other families in the group.
8. The use of drugs or alcoholic beverages on the site is prohibited.

Self-Help Housing Pre-Application Interview

1. Applicant

Name: (First) _____ (Middle) _____ (Last) _____ Social Security # _____

Marital Status: _____ Married _____ Separated _____ Unmarried

Other names used in which credit has been previously received: _____

2. Co-Applicant

Name: (First) _____ (Middle) _____ (Last) _____ Social Security # _____

Marital Status: _____ Married _____ Separated _____ Unmarried _____

Other names used in which credit has been previously received: _____

3. Mailing Address: _____

Former Address: (if less than two years at present address).

4. **Home Phone (Applicant):** _____ **Work Phone:** _____

Home Phone (Co-Applicant): _____ **Work Phone:** _____

5. Birth date (Applicant): _____

Birth date (Co-Applicant): _____

6. Names, Ages, and Relationship of persons in household: (include foster children)

Name	Age	Relationship

7. Are there any outstanding judgments against you?:

Applicant	Co-Applicant

8. Have you been discharged in bankruptcy within the past 7 years?

**Self-Help Housing
Pre-Application Interview**

9. Are you a party to a lawsuit?

_____ Applicant

_____ Co-Applicant

10. Are you directly or indirectly obligated on any loan in the last 7 years which resulted in foreclosure or default?

_____ Applicant

_____ Co-Applicant

11. Are you obligated to pay alimony, child support, or separate maintenance?

_____ Applicant

_____ Co-Applicant

12. Are you a co-maker or endorser on a note?

_____ Applicant

_____ Co-Applicant

13. Are you a U.S. Citizen?

_____ Applicant

_____ Co-Applicant

14. Are you a permanent resident alien?

_____ Applicant

_____ Co-Applicant

15. Alien Registration Card #:

_____ Applicant

_____ Co-Applicant

16. Name and address of landlord: _____

17. How long have you been renting? _____ **Monthly Rent Amount?** _____

18. Name & Address of Employer (Applicant): _____

Date of Employment: _____ Rate of Pay: _____ Hr/Wkly/Mo

Working Hours: _____ to _____ Number of years in line of work: _____

Name & Address of Employer (Co-Applicant): _____

Date of Employment: _____ Rate of Pay: _____ Hr/Wkly/Mo

Working Hours: _____ to _____ Number of years in line of work: _____

Self-Help Housing Pre-Application Interview

19. If employed in current position for less than 2 years, give past two years of employment history for both applicant and co-applicant:

Date From/To	Name & Address of Employer	Type of Work	Monthly Income	Reason for Change
-----------------	-------------------------------	-----------------	-------------------	-------------------

20. Income from any other source: Pension, Interest, Dividends, AFDC, Food Stamps, Social Security, Bonuses, Alimony, Child Support, etc.

Income Source:	Amount:	Frequency
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21. Vehicle Information:

Auto/Truck	Make	Year	Current Value
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I affirm that all the answers given in this pre-application interview are correct and made for the purpose of obtaining credit. I authorize you to communicate with any person, firm or corporation you may need, including Rural Development, to obtain such information as you may require concerning the statements made in this pre-application interview and agree that the pre-application shall remain your property whether or not the loan herein requested is granted.

Date _____ Applicant _____

Date _____ Co-Applicant _____

Assets /Liabilities

**Self-Help Housing
Pre-Application Interview**

Item	Value	Monthly Payment	Balance Owed	Name & Address of Creditor	Account Number
Dwelling					
Other Real Estate					
Mobil Home					
Car (yr.&make)					
Car (yr.&make)					
Truck (yr.&make)					
Other vehicles & equipment (boats, motorcycles, etc.					
Household Goods					
Appliances					
TV Sets					
Furniture					
Other					
Other Debts					
Personal Loan					
Hospital					
Doctor					
Dentist					
Child Support & Alimony					
Federal Debt					
Credit Card					
Credit Card					
Credit Card					
Credit Card					
Other					
Rent					
Child Care					
Cash on Hand including sv & ck accounts and CDs					
Bonds & Other Securities					
Cash Value of Life Insurance					
Total	\$	\$	\$		

Applicant _____

Date _____

Co-Applicant _____

Date _____

What is Self-Help Housing?

Self-Help Housing is a method by which families of modest means can achieve home ownership. Families are formed in a group and agree to help each other build their houses with technical assistance provided by a competent construction supervisor.

Three elements are necessary to make Self-Help Housing work: technical assistance; mortgage loans; and families who want homes of their own and who are willing to do most of the work in building their homes. Usually 4 to 10 families make up a building group. Each family contributes as much labor as is required to complete all the houses in the group. Generally, about 1000 to 1,200 hours of labor per family is necessary, with each family contributing about 30 hours per week. Family hours include the labor of both the husband and wife. Children 16 years or older and any other friend or relative may help with each family's labor contribution. Each family must complete a minimum of 65% of the construction labor tasks. Most of the work on the houses is done in the evenings and on weekends. If a family is not willing to give up many of their free evenings and weekends, they should not join a self-help group.

The total process generally takes 12 – 16 months. 3-4 months in application and pre-construction meetings and 8-12 months in construction. Stick built or panelized construction is used in self-help housing. The type of construction is usually determined by what is common in the area.

All houses in the group must be completed before any families can move in.

What is Technical Assistance?

Technical assistance is the process of organizing and supervising groups of eligible families in the building of their own homes and may include the following:

- Recruiting Families
- Explaining and discussing subjects related to home ownership during pre-construction meetings
- Finding suitable building lots
- Assisting families to select house plans which meet their needs and are within their ability to repay
- Assisting families in getting cost estimates and subcontractors
- Preparation of loan applications for the purpose of purchasing land, building materials, and paying for any subcontracting that will be required.
- Supervising and training families in proper construction

Technical assistance is provided by paid staff, hired by the local self-help housing grantee, and approved by Rural Development. Funds to pay for their salaries and expenses are obtained in the form of a grant from Rural Development. The cost is paid by the Rural Development TA grant, not by the families building homes.

All house plans must be reviewed by Rural Development and certified by a design professional ensuring that all local building codes and standards are met. The first monthly payment on the Rural Development self-help loan is due no later than one-month following the completion of the house. An estimate is made of how long the period of construction will be and payments are deferred during that period.

If your application is rejected by Rural Development, you will be notified of your appeal rights, appeal procedures and the reason why you were rejected.

Loans are written for 33 or 38 years. The interest rate on the loans are at market rate, but subsidies can be provided that will bring the interest cost to as low as 1%, depending on the family income and size.

Income – Rural Development is looking at gross income for the coming 12 months. You must fit within the HUD income categories to qualify for a loan.

Eligibility – Eligibility is determining the applicant's ability to repay the loan but does not mean a loan will be approved. Loan approval depends upon a satisfactory appraisal.

Legal Fees – Rural Housing loans closed with your choice of attorney or title company. The applicant must show ability to cover these expenses prior to closing. The approximate closing cost is \$_____ - \$_____.

Insurance – All borrowers are required to carry and pay for homeowners insurance. You must have the first full year of insurance paid before loan closing. Upon completion of your home, the insurance will be escrowed into your house payment.

Taxes – Real Estate taxes will be escrowed into the house payment.

Graduation – All borrowers are asked to refinance to conventional credit when possible.

Payment Assistance – This is the subsidy granted on the loan. The interest rate paid on the loan can be reduced or increased each year after a review is made of the borrower's income status. The rate can never go higher than the rate on the note.

Recapture – When the property is sold or transferred, payment assistance is subject to recapture by the government.

Payments – Monthly payments are due on the same date as the note date and CANNOT be changed. Also, your monthly payment will change year to year, based on your income reported to Rural Development. The lower your income, the lower your monthly payment will be due to a larger interest subsidy from Rural Development. The higher your income, the larger your monthly payment, due to a smaller interest subsidy from Rural Development.

Occupancy – Borrower MUST occupy property. If the borrower does not occupy the property the loan goes to full note rate.

Credit Worthiness – The most critical part of your application, outside of having repayment ability, is your credit report. Rural Development has strict guidelines to follow and they will not make a loan to anyone that has had a bankruptcy in the last three years. It must be dismissed or discharged for at least three years. Any collections or judgments must be paid in full for at least one year before they will consider an application. Upon application, we will run a credit report that will give you a look at what problems you may not be aware of. Late payments on monthly obligations or late rent payments are also looked at very closely and must have an explanation readily available.

Credit Information Release Form

I (We) * authorize (your agency name), or it's representative (s), to obtain a copy of my (our) credit history from a credit reporting agency, or other agencies or firms, and to release information on my (our) credit history, financial background, employment status, as well as other information that may be required in the securing of a home mortgage.

I (We) * understand that (your agency name) is not representing any creditor or reporting credit bureau and is in no way responsible or liable for clearing any disputed information that may be contained within a credit report.

*1. Client Name: _____ Maiden: _____

SS#: _____

Present Address

Former Address

Signature: _____ Date: _____

*2. Client Name: _____ Maiden: _____

SS#: _____

Present Address

Former Address

Signature: _____ Date: _____

Notice: You have the right to have any disputed information reinvestigated by the credit bureau. If the reinvestigation does not resolve the dispute, you may file with the credit bureau a brief statement setting forth the nature of the dispute.

Form RD 3550-1
(Rev. 4-02)

Form Approved
OMB No. 0575-0172

United States Department of Agriculture
Rural Development
Rural Housing Service

AUTHORIZATION TO RELEASE INFORMATION

TO: _____

RE: _____
Account or Other Identifying Number

Name of Customer

I have applied for or obtained a loan or grant from the Rural Housing Service (RHS), part of the Rural Development mission area of the United States Department of Agriculture. As part of this process or in considering me for interest credit, payment assistance, or other servicing assistance on such loan, RHS may verify information contained in my request for assistance and in other documents required in connection with the request.

I authorize you to provide to RHS for verification purposes the following applicable information:

- Past and present employment or income records.
- Bank account, stock holdings, and any other asset balances.
- Past and present landlord references.
- Other consumer credit references.

If the request is for a new loan or grant, I further authorize RHS to order a consumer credit report and verify other credit information.

I understand that under the Right to Financial Privacy Act of 1978, 12 U.S.C. 3401, et seq., RHS is authorized to access my financial records held by financial institutions in connection with the consideration or administration of assistance to me. I also understand that financial records involving my loan and loan application will be available to RHS without further notice or authorization, but will not be disclosed or released by RHS to another Government agency or department or used for another purpose without my consent except as required or permitted by law.

This authorization is valid for the life of the loan.

The recipient of this form may rely on the Government's representation that the loan is still in existence.

The information RHS obtains is only to be used to process my request for a loan or grant, interest credit, payment assistance, or other servicing assistance. I acknowledge that I have received a copy of the Notice to Applicant Regarding Privacy Act Information. I understand that if I have requested interest credit or payment assistance, this authorization to release information will cover any future requests for such assistance and that I will not be renotified of the Privacy Act information unless the Privacy Act information has changed concerning use of such information.

A copy of this authorization may be accepted as an original.

Your prompt reply is appreciated.

Signature

Date

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

RHS Is An Equal Opportunity Lender

SEE ATTACHED PRIVACY ACT NOTICE

Confirmation Letter
[Agency Letterhead]

Date:

Dear:

This is to confirm our appointment scheduled for _____ at
_____AM/PM at the _____ to complete
an application for the self-help housing program. This appointment will last approximately two (2)
hours.

You will need to bring the following information (if applicable) to the appointment:

- Bring your most recently filed copy of W-2 forms and Federal Income Tax Returns.
- Bring pay stubs for the past two months for all working applicants.
- Provide credit card account numbers, current balances, monthly payments and addresses.
- If you have personal loans, credit union loans, or any other monthly installments, bring account numbers, balances, monthly payments and addresses.
- For hospital bills, doctor bills, and any other medical bills, bring account numbers, balances, monthly payments and addresses.
- If you receive child support and support is ordered through the courts, bring a copy of the actual court document. If support is received and paid voluntarily, bring a statement from the person who pays you.

- If anyone in your household receives social security, bring a copy of the most current award letter.
- Name and address of current and previous landlords to cover the past two years.
- Provide checking and savings account numbers, addresses of your banks and the balance for each account. Bring the last two months bank statements for each account.
- Rural Development will be doing a credit check that will cost \$ _____. Please bring a check or money order in that amount payable to Rural Development.
- If you are divorced or separated you will need to bring a copy of the legal documents.
- Provide an employment history for the past two years of all household members. Included names and addresses that can verify employment.
- Bring a statement from your childcare provider stating what she charges you for this service.

We are located at _____. Parking is available at _____. If you have any questions regarding any information requested, please feel free to call me at _____.

Sincerely,

BUILDING GROUP MEMBERSHIP AND LABOR AGREEMENT
BUILDING GROUP

This agreement is entered into on the _____ day of _____, 20____, between the members of building group _____, commonly known as _____

(group #)

(Name of Building Group)

and hereinafter referred to as the "BUILDING GROUP MEMBERS" and _____

(Name of Self-Help Grant Recipient)

hereinafter referred to as "SELF-HELP GRANT RECIPIENT." The principal location of building group _____ is _____

(group #)

(Address, City/Town/County, State)

The SELF-HELP GRANT RECIPIENT is an eligible entity, which provides technical assistance and management services for building group members under the mutual Self-Help Housing Program.

The SELF-HELP GRANT RECIPIENT is not acting as a "contractor" on behalf of BUILDING GROUP MEMBERS, but as a Rural Development grant manager and technical advisor. BUILDING GROUP MEMBERS, as homeowners and builders, are acting as their own general contractor. The BUILDING GROUP MEMBERS agree to hold the SELF-HELP GRANT RECIPIENT harmless for any purchases, even though such purchases may have been made by the SELF-HELP GRANT RECIPIENT on behalf of the BUILDING GROUP MEMBERS.

The purpose of the Agreement is to foster the smooth accomplishment of the BUILDING GROUP MEMBERS' goal of construction of houses. The BUILDING GROUP MEMBERS understand and agree with each other and with the SELF-HELP GRANT RECIPIENT that this Agreement will control the progress of the project. Violation of any portion of this Agreement may result in implementation of Section VII of this Agreement. **Rural Development is not a party to this agreement.**

I. COMMITMENT

The SELF-HELP GRANT RECIPIENT agrees to provide technical assistance to the undersigned BUILDING GROUP MEMBERS as follows:

A. Pre-Construction Services

1. Locate and obtain control of suitable Rural Development building sites.
2. Recruit and determine preliminary eligibility of potential group members.
3. Prepare all loan application documents for submission to Rural Development and work with Rural Development on behalf of the applicants.
4. Assist the officers of the group in the fulfillment of their functions.
5. Arrange and present a series of informational meetings covering homeownership and related subjects. This series is normally referred to as the "Pre-Construction" meetings.

B. Construction Services

1. Provide house plans, which have been developed or acquired by SELF-HELP GRANT RECIPIENT and approved by Rural Development.
2. Direct, control, and implement construction on all of the members' houses.
3. Teach tasks to the members as necessary to build the houses according to the plans and specifications, within the allowed budgets.
4. To initiate contracts in the name of the members for materials and services to be purchased in accordance with the plans and specifications.
5. Provide bookkeeping services to maintain individual group member accounts, and to pay bills on behalf of group members from these accounts.
6. Lease power tools and special equipment as required on the job. (See Section VIII).
7. Present to the building group for approval, bids from outside contractors and suppliers to provide the materials and contracted work necessary to build the homes according to plans and specifications. The selection of a supplier or contractor should be made only on the basis of quality, experience, completeness of bid, price, and past performance. (See Section VIII).

II. GROUP MEMBER COMMITMENT

The undersigned BUILDING GROUP MEMBERS agree to the following:

- A. To build their own homes in the SELF-HELP GRANT RECIPIENT'S construction program, using Rural Development and/or alternative financing.
- B. To use their labor to the extent required and to pay for all materials and contracted labor and services used in the construction of their home, according to the directions of the SELF-HELP GRANT RECIPIENT, including costs associated with lot development and costs shared with other participants.
- C. To purchase materials and contracted labor on a group basis whereby the building group utilized the same suppliers and contractors.
- D. To use their best efforts to meet construction goals and objectives established by the group and the SELF-HELP GRANT RECIPIENT in performance of this agreement.
- E. To work at all times in a safe manner, and to follow the Construction Supervisor's instructions in this regard.
- F. To work on any house in their group and at any job as required by the Construction Supervisor.
- G. To cooperate with other group members and the SELF-HELP GRANT RECIPIENT in the performance of the requirements as set forth in this agreement, and to conduct themselves at all times in a manner that will not disrupt or interrupt other group members in their performance of assigned tasks. It is agreed the Construction Supervisor has the authority to require removal from the job site of any individual whom the supervisor deems to be a disruptive influence to work requirements.
- H. To follow the plans, budgets, blueprints, specifications and instructions of _____the SELF-HELP GRANT RECIPIENT and Rural Development in construction of their houses. (Change orders will only be allowed in accordance with Section XI following.)
- I. To allow the SELF-HELP GRANT RECIPIENT to solicit bids and not to negotiate with or direct the work, or otherwise interfere with subcontractors and suppliers, unless authorized to do so by the Construction Supervisor.

- J. To provide the SELF-HELP GRANT RECIPIENT written schedules of the hours they are available to work and to work the hours as assigned by the Construction Supervisor.
- K. To review requests for payment as submitted by the SELF-HELP GRANT RECIPIENT and to sign checks for payment, acknowledging that if legitimate bills are not paid, property is subject to liens in accordance with state law. (See Section III, A.10. following.)
- L. Not to move into the house that will become theirs or move personal property into that house until all the homes in the group are finalized by Rural Development and/or other appropriate officials.
- M. To purchase (Builder's Risk) Homeowners Insurance as required by Rural Development, to be in force beginning with the date of loan closing. (See Section XIII following)
- N. To attend all scheduled meetings as directed by the SELF-HELP GRANT RECIPIENT. (See Section V.D.4. following.)
- O. To work as directed by the Construction Supervisor.
- P. To attend all pre-construction training meetings offered by the SELF-HELP GRANT RECIPIENT.
- Q. To close their loan account within (30) days of final inspection by Rural Development, unless otherwise extended by Rural Development.
- R. To meet all other requirements as set forth in this agreement.

III. CONSTRUCTION RESPONSIBILITIES

A. Labor Exchange Commitment

The building group members agree to exchange work labor in a cooperative manner, and to work jointly on all members' houses.

1. Each household will be required to put in a minimum of _____ productive hours per week, or as many as necessary, as directed by the Construction Supervisor, to

complete construction of the homes on schedule. Equal time will be allowed for labor performed by members regardless of the approved type of work involved. It is further agreed that only the work hours of person's _____ years and older may count towards the _____ hours. We require that any delinquent hours be made up the week following their accrual unless prior arrangements have been made with the Construction Supervisor.

Accumulation of hours – Families who accumulate more than the _____ hours required per week, may accumulate limited hours in a "family reserve." The accumulated hours may not exceed _____ hours per week above and beyond the _____ required hours.

Families are only allowed to draw hours from the "family reserve" if they first clear it with the Construction Supervisor. The decision will be made on the basis of the nature of the request and the progress of the project. Additionally, families may donate any excess hours to other participating families with the approval of the construction supervisor.

2. Labor hours that count towards the minimum _____ hours per week requirement per household is labor that contributes to the construction of houses in the group. Labor hours do not include lunch breaks, coffee breaks, travel time, childcare for your own family, time away from the job site not on construction business, or time spent involved in non-productive conversation with others. One hour of credit per household will be allowed for each of the following: selection of finish flooring and counter tops, lighting fixtures, and landscaping. Work from non-group members must be scheduled by the Construction Supervisor prior to performance of the work. Any vacation or time off from construction must be pre-approved by the group and the Construction Supervisor. No previously earned labor hours in excess of the _____ hours per week requirement can be used towards the current _____ hours per week requirement, without prior approval of the BUILDING GROUP MEMBERS and the SELF-HELP GRANT RECIPIENT.

3. Volunteer hours – Volunteers who perform work at the site, will work as scheduled by the Construction Supervisor. Volunteers will work on all houses in the group.
4. Labor that must be performed by building group members is listed as "Homeowner Labor" on the following chart, amounting to at least 65% of the total work tasks. Group members must perform a majority of the work for each task listed, in order to receive the percentage credit shown.

CONSTRUCTION LABOR DIVISION – SELF-HELP HOUSING

	Subcontract	Homeowner
	Labor	Labor
1. Excavation		
2. Footings, Foundations, Columns		
3. Floor Slab or Framing		
4. Subflooring		
5. Wall Framing, Sheathing		
6. Roof & Ceiling Framing, Sheathing		
7. Roofing		
8. Siding, Exterior Trim, Porches		
9. Windows and Exterior Doors		
10. Plumbing Rough-In		
11. Sewage Disposal		
12. Heating Rough-In		
13. Electrical Rough-In		
14. Insulation		
15. Dry Wall		
16. Basement or Porch Floor, Steps		
17. Heating Finish		
18. Flooring		
19. Interior Carpentry, Trim, Doors		
20. Cabinets and Countertops		
21. Interior Painting		
22. Exterior Painting		
23. Plumbing Finish		
24. Electrical Finish		
25. Finish Hardware		
26. Gutters and Downspouts		
27. Grading, Paving, Landscaping		
Totals		

5. If a household becomes _____ hours behind during any three-week period or for the total minimum number of hours required at that period of construction, without approval of the Construction Supervisor, no additional materials will be ordered for their house. At this time, the member is required to meet with the Construction Manager and the Group Coordinator for approval of a written plan submitted by the member to bring labor hours current. When labor hours are brought current, the SELF-HELP GRANT RECIPIENT will again be authorized to purchase materials for their house.

If a household becomes _____ hours behind the total minimum number of labor hours, all work and associated activities on their house will stop. At this time the member is required to meet with the SELF-HELP GRANT RECIPIENT'S Housing Program Director and the Group Coordinator, with a written plan to bring labor hours current. Work may again start on their house when the household is no more than _____ hours delinquent, although no additional material is to be ordered for their house. When labor hours are brought current, the SELF-HELP GRANT RECIPIENT will be authorized again to purchase material.

If a household becomes _____ hours behind the required number of labor hours, expulsion from the group may occur, in accordance with Section VII of this agreement.

6. The Construction Supervisor will decide what work is to be completed by the members each day. The members agree to perform the work assignments made by the supervisor. Any member who performs work not assigned by the supervisor may not receive credit for labor hours, at the discretion of the Construction Supervisor. The Construction Supervisor may ask a member who refuses to perform an assigned task to leave the job site. Continued refusal may result in implementation of Section VII of this agreement. A member may not work alone unless the task can safely be done alone and he/she has the consent of the Construction Supervisor.

Any work by a member devoted exclusively toward that member's own house will not be credited toward the weekly work requirement, unless such work has been assigned or approved by the Construction Supervisor. (Mutual self-help of an organized work team is stressed, not individual home building.)

7. If the household becomes verifiably disabled after construction starts, the group agrees to continue to help the participant construct its house, subject to the following provisions:
 - a. Disability claims must be verified in writing by a licensed M.D., stating specifically those construction tasks the claimant cannot perform. Tasks not prohibited in writing by the M.D. will be expected to be performed by the claimant, as assigned by the Construction Supervisor. Such tasks may not have been required prior to the claimed disability, and time worked on these tasks may or may not be included as contributing in their entirety to the required minimum hours to be worked each week by each member household subject to the discretion of the Construction Supervisor.
 - b. The household claiming to be incapacitated must provide the Construction Supervisor a written plan stating the name and the hours to be worked by those individuals who contribute the required make-up hours, to assure the household maintains its required work responsibility. All individuals thus named must sign an agreement to work the specified hours. The plan must be approved by a majority vote of the group members. The substitute labor must also be approved by the SELF-HELP GRANT RECIPIENT and the Rural Development State Director.
8. Action to be taken by the group following death of a head-of-household or spouse is to be determined by majority agreement at a meeting of the group, and is to include plans for completion of the group member's house. The plan is subject to approval by the SELF-HELP GRANT RECIPIENT prior to enactment.

9. Each household will complete a "Weekly Work Availability" form in which each household will plan their weekly minimum hour work schedule at the construction site. Completed schedules will be given to the Construction Supervisor one week or more in advance and all schedules will be posted at the construction site. The Construction Supervisor shall specify which of the available hours are required to meet the construction goals for the week. The intent is to have a well-organized flow of work utilizing the best-varied abilities of the group members in order to assure proper job, contractor and material supplier scheduling. Group members will record their work hours and tasks daily at the job site, under the supervision of the Construction Supervisor and timekeeper, who will maintain records of such hours and jobs. Any conflict over work schedules or hours worked will be resolved by the Construction Supervisor.
10. Each member agrees individually, and all members agree collectively as a group, to abide by the purchase order system for ordering materials. The only persons authorized to order materials shall be designated by the SELF-HELP GRANT RECIPIENT.
11. If a household becomes days delinquent in approving construction invoices, all work on the house will stop. No additional materials will be ordered until outstanding invoices are paid and the SELF-HELP GRANT RECIPIENT has assurance that delinquencies will not reoccur.
12. Each member agrees individually, and all members agree collectively as a group, to work on each other's houses together as a work team, as assigned by the Construction Supervisor. Group members may perform extra work in addition to that required by the Construction Supervisor, and will receive credit for this work, so long as it is for the benefit of the entire group, and is assigned by the Construction Supervisor.
13. If for any reason, families are not able to perform the required hours of work, because of snow, storm, tornado, flood, or any other "acts of God,"

penalties listed in Section III, part A, number 4 will not be automatically enforced. Rather the participants will work with the Construction Supervisor to find a solution that is mutually acceptable.

IV. ELECTION OF OFFICERS

In order to function as a group, the following procedures will be followed:

A. Officers shall be elected by the group for the life of the project and their duties shall include the following:

1. Group Facilitator – Shall chair all group meetings, and act as the main representative of the group.
2. Assistant Group Facilitator – Shall act for the Group Facilitator in his/her absence.
3. Timekeeper – Shall keep a record of all group members' timesheets and shall be responsible for submitting timesheets to the SELF-HELP GRANT RECIPIENT'S office on a weekly basis.

An additional and very important responsibility would be that of "material checker," to accept and check all supplies delivered to the group. This may be an elected position, or the duty of each member present.

B. Officers may be recalled or replaced by a majority vote of the households.

V. GENERAL RULES OF THE GROUP

- A. In consideration of safety issues, children under the age of 16 shall not be allowed on the construction site without prior approval of the Construction Supervisor for each individual occurrence.
- B. Each member agrees that no member of the group may hire or pay anyone to do their work for them.
- C. Hours shall be recorded by the timekeeper after approval of the Construction Supervisor. Any conflict over number of hours worked will be resolved by the Construction Supervisor and/or Group Coordinator.

- D. The building group shall have a group meeting at least once every _____, as called by the Construction Supervisor, the majority of the group members, or the Group Coordinator. At least one the SELF-HELP GRANT RECIPIENT'S staff member will attend each meeting, and this may be the Construction Supervisor. Time spent at the group meeting will count towards the required labor hours only if required by the SELF-HELP GRANT RECIPIENT. Group membership meetings may also be called by the Program Director. Notice of any meetings shall be given to one of each household at least _____ hours in advance.
1. One vote per house in construction is allowed and each household shall cast one vote. The head-of-household or co-applicant may cast the vote.
 2. A quorum consists of at least one vote per household at meetings in which half or more of the households are represented. When a quorum is present, the majority vote shall carry all motions, except as stated differently in the Agreement.
 3. Each household has the responsibility of having at least one voting member of the household attending each group meeting, and any member household that misses more than two meetings may be subject to disciplinary action by the group, up to and including termination of the households voting rights.
 4. The meeting location shall be assumed to be the job building site and all relevant conditions of this agreement shall apply at these meetings.
- E. No one will be allowed on the building site while under the influence of alcohol or illegal drugs, nor will the drinking of alcoholic beverages or the use of illegal drugs at the job site be tolerated. Any incident involving alcohol or illegal drugs on the job is cause for automatic expulsion of the participant by the Program Director and termination of this agreement.
- F. Each member agrees that they will be responsible for all materials, supplies, and other items purchased for their house regardless of the location of such materials, supplies or other items. Any theft, loss, breakage or damage is the responsibility of the member and replacement or repair will be made out of their loan funds.

- G. The group members and families shall pay for all materials and contracted work purchased for benefit of their homes, including extra materials or overruns. The Construction Supervisor will allocate all materials, equipment, purchases, and contracted work between the households and this allocation shall be binding on each household.

VI. GRIEVANCE PROCEDURE

- A. Any claim, dispute or question raised by any group member or BUILDING GROUP MEMBERS shall be first brought to the attention of the Group Facilitator, discussed in a group meeting and settled then.
- B. If no resolution can be accomplished through the group meeting, the following grievance procedure shall be followed.

1. Before Construction

The grievance should be brought to the attention of the Group Coordinator assigned to the group. If no resolution can be made, the Program Director must receive the grievance in writing. If a resolution is again not reached, then the written grievance shall be referred to the SELF-HELP GRANT RECIPIENT'S Executive Director. If a resolution is again not reached, then the written grievance shall be referred to the SELF-HELP GRANT RECIPIENT'S Board of Directors for final resolution.

2. During Construction

The grievance should be brought to the attention of the Construction Supervisor. If a resolution does not follow then the grievance shall be referred to the SELF-HELP GRANT RECIPIENT'S Program Director. If a resolution is not reached again, then the written grievance shall be referred to the SELF-HELP GRANT RECIPIENT'S Executive Director. If a resolution is again not reached, then the written grievance shall be referred to the SELF-HELP GRANT RECIPIENT'S Board of Directors for the final resolution.

- C. If a claim is brought prior to completion of construction and occupancy of the residence by the group member(s), the foregoing shall be conditions precedent to

arbitration. In any event, any claim, dispute, or question arising between the SELF-HELP GRANT RECIPIENT and the parties shall be subject to arbitration at the choice of any party. In the event either party elects arbitration, it shall serve a notice on the other party or parties, stating their grievance and desire to arbitrate, and the parties shall proceed in accordance with state law. A decision of the arbitrator shall be a condition precedent to the right of any other legal action. The cost of the arbitrator shall be born equally by all parties to the dispute.

D. The SELF-HELP GRANT RECIPIENT has agreed to provide technical assistance to the group members in construction of their housing. The SELF-HELP GRANT RECIPIENT does not charge group members for this service, and in return the group members agree that the SELF-HELP GRANT RECIPIENT shall have no liability for acts and omissions done in good faith. The SELF-HELP GRANT RECIPIENT shall have no liability of consequential or delay damages resulting from any act, omission, breach of contract, or negligence.

VII. TERMINATION PROCEDURE

Violations of the terms of this agreement will result in all expenditures for materials/labor being immediately halted until a satisfactory resolution is reached. If a satisfactory resolution cannot be reached or the same problem continues, expulsion from the group will be determined by the Grantee. Expulsion results in the loss of any rights under the terms of this agreement and the loss of building privileges under the SELF-HELP GRANT RECIPIENT'S self-help program. After expulsion, the member's rights concerning their house will be determined by Rural Development. In the event a group member, family or group members fail to meet the requirements of this agreement, the remedies afforded the BUILDING GROUP MEMBERS and Rural Development in this agreement are cumulative, and in addition to any other remedies afforded by law or otherwise.

VIII. CONTRACTS AND OBLIGATIONS

The group members and spouses are jointly and severally bound by the contracts they enter into, and agree to the terms thereof. The group members may not elect to exclude themselves from such contracts, but are irrevocably committed to them.

IX. SUPERVISION OF ACCOUNTS AND PAYMENT OBLIGATIONS

The undersigned families and group members agree to place their Rural Development loan proceeds and other funds into a designated bank account which is managed by the (SELF-HELP GRANT RECIPIENT). (Borrower Name) is authorized to approve of all labor, materials, contracts, sub-contracts, liens, expenses, taxes, and other costs incurred for building their house. Only (SELF-HELP GRANT RECIPIENT) may request draws on the group member's Rural Development loan account and prepare checks for payment of all costs and charges attributable to construction of the participant's home. These payments are to be authorized by the designated participants and Rural Development with supporting documentation provided by (SELF-HELP GRANT RECIPIENT). The group members and families agree to execute and deliver to (SELF-HELP GRANT RECIPIENT) any other document necessary to implement this agreement.

X. LEVY OF DUES

The group may agree by a majority vote to levy dues upon its members. Further, the group has sole custody and responsibility for any money, which it may earn or collect from its members for purposes of the group. These funds may be disbursed in any manner as determined by a majority vote of the group. The SELF-HELP GRANT RECIPIENT will not be accountable in any way for these funds.

XI. SUCCESSORS AND ASSIGNEES, JOINT AND SEVERAL LIABILITIES

The parties bind themselves, their spouses, heirs, successors, assignees, partners, and representatives to this agreement. The undersigned group members agree that this agreement is jointly and severally binding upon them, and that any liabilities and obligation, rights and duties created hereunder shall be joint and several to each signatory.

The undersigned families and group members agree to build according to blueprints and specifications provided by SELF-HELP GRANT RECIPIENT and approved by Rural Development. No change will be made in these plans without prior approval of Rural Development. Change order approval by participant or group members requesting the same hereby holds harmless its agents, employees and officers for any liability resulting there from.

XII. INSURANCE

Each group member or participant agrees to purchase Builders Risk Insurance as required by Rural Development and other lending institutions to be in force from the date of loan closing. This policy shall include sufficient individual liability coverage in an amount not less than _____. However, the SELF-HELP GRANT RECIPIENT may require a higher amount if it determines that this is necessary. The SELF-HELP GRANT RECIPIENT shall be given proof (binder) of insurance.

XII. ACCEPTANCE OF HOUSING/RELEASE

At the time of completion of the participant or group member's home, the head-of-household must inspect the home and at that time make any claim against SELF-HELP GRANT RECIPIENT or waive the right to do so by signing the Release and Hold Harmless Agreement attached to this agreement. (Addendum #3) SELF-HELP GRANT RECIPIENT will not approve the closing of an account prior to receiving the release. A participant or group member may not occupy their home prior to inspection and accepting the home, and delivering the executed Release and Hold Harmless Agreement to SELF-

HELP GRANT RECIPIENT. It is agreed that any claims against SELF-HELP GRANT RECIPIENT will be made at this time, or will be forever barred.

XIV. TERMINATION OF AGREEMENT

This agreement shall be terminated with regard to each member and SELF-HELP GRANT RECIPIENT by the following conditions:

- A. After all families' houses have been completed, received final inspection and approval by Rural Development, all bills and credits have been settled, and the supervised bank accounts are closed.
- B. By signing below, I agree to all conditions of this Membership and Labor Agreement. I also declare that no statements, representatives, or any express or implied warranties of any nature whatsoever have been made to me by the SELF-HELP GRANT RECIPIENT. I further acknowledge that the SELF-HELP GRANT RECIPIENT agrees only to provide technical assistance and construction supervision set forth in this agreement, and shall have no liability for any damage, error or construction defect. In the event that damage or defect must be remedied, the group members agree to repair the same using their own "self-help" and/or subcontractor labor, and to pay for materials and/or labor as required. I also acknowledge receipt of a copy of said Agreement for my personal files.

GROUP MEMBERS

Date _____ Borrower _____

Date _____ Co-Borrower _____

By signing below, _____ agrees to all conditions of this
(SELF-HELP GRANT RECIPIENT)

Building Group Membership and Labor Agreement. _____ also
(SELF-HELP GRANT RECIPIENT)

declares that no statements, representations or any express or implied warranties of any nature
whatsoever have been made to this building group.

Date _____
Construction Supervisor

Date _____
Program Director

RELEASE AND HOLD HARMLESS AGREEMENT

I have inspected or had an opportunity to inspect my house and property, legally described as

Lot _____, _____.
(Address, City/Town/County, State)

I hereby release _____, its agents and
(SELF-HELP GRANT RECIPIENT)

employees, of any claim or liability with respect to the construction of said residence, whether known, or arising in the future.

I agree to indemnify and hold _____
(SELF-HELP GRANT RECIPIENT)

and its agents and employees harmless for any claim made against them by a third party with respect to construction of said residence.

Dated this _____ day of _____ 20_____.

By: _____

By: _____

The above information was explained to us and I/we understand and accept these conditions.

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

NAME

DATE

RECOMMENDED TOOLS

(One Set per Household)

25' to 30' – 1" measuring tape

Speed square

Hammer – 16 or 20 oz., straight or curved claw

Nail set

Chalk line and chalk

Nail apron/Tool bag

Work gloves

Safety glasses & earplugs

Flat pry bar

Utility knife with extra blades

Carpenter's pencils

Screwdrivers – flat and Phillips head

Shovel – round point

Construction shoes (good quality)

Cat's-paw (nail puller)

Self-Help Housing Program Confidential Evaluation

_____ will be starting a new Self-Help Project this fall in _____ counties. Having been a part of the last project, we value your input on what worked and what did not. Please take a few minutes and complete the evaluation form. You do not have to identify yourself, so please voice your positive and negative suggestions. Thank you for taking time to complete this. Please return by _____ in the enclosed envelope.

1. How did you learn about the Self-Help Housing Program?

2. Would you recommend this program to other families who are interested in owning their own home? Yes or no (circle one)

3. What changes in the program would you recommend?

4. Do you feel the Construction Supervisor was respectful of your needs and responsive to your suggestions? (circle one) Excellent Good Fair Poor

Comment: _____

5. Do you feel the staff at _____ was respectful of your needs and responsive to your suggestions? (circle one) Excellent Good Fair Poor

Comment: _____

6. Do you feel the Rural Development staff was respectful of your needs and responsive to your suggestions? (circle one) Excellent Good Fair Poor

Comment: _____

7. Do you feel the construction training you received fulfilled your training needs and helped you succeed in the construction of your new home? Will this training be helpful to you in adequately maintaining your new home? (circle one) Excellent Good Fair Poor

Comment: _____

We offer our congratulations on the completion of your home and thank you in advance for sharing your thoughts and suggestions on how to improve this program.

Ratio Sample Calculations

Ratio	Debt Ratio	<i>PITI</i>	<i>Total</i>
<i>Very Low Income</i>		29%	41%
Low Income		33%	41%

**Example #1
Low Income**

Monthly Repayment Income = \$1,666.00

33% PITI

41% TD

**Example #2
Very Low Income**

Monthly Repayment Income = \$1,250.00

29% PITI

41% TD

PITI & TD Ratio Sample Calculations

Compute both the PITI and TD ratios for the following three examples and indicated if they meet the ratio guidelines.

Example #1 - VLI

Monthly Repayment Income	=	\$916.00
Monthly PITI for Proposed Loan	=	\$274.00
Other Monthly Debt	=	<u>\$ 50.00</u>

PITI Ratio =

TD =

Does this family meet the ratio guidelines?

Example #2 - LI

Monthly Repayment Income	=	\$1,956.00
Monthly PITI for Proposed Loan	=	\$ 425.00
Other Monthly Debt	=	\$ 250.00

PITI Ratio =

TD =

Does this family meet the ratio guidelines?

Example #3 - VLI

Monthly Repayment Income	=	\$1,500.00
Monthly PITI for Proposed Loan	=	\$ 425.00
Other Monthly Debt	=	\$ 250.00

PITI Ratio =

TD =

Does this family meet the ratio guidelines?

PARTICIPANT WORK RECORD

Self-Help Housing													
Name:				Group #:									
For Month of:				Cumulative Labor Hours:									
Sunday		Monday		Tuesday		Wednesday		Thursday		Friday		Saturday	
Activity		Activity		Activity		Activity		Activity		Activity		Activity	
Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked	
Activity		Activity		Activity		Activity		Activity		Activity		Activity	
Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked	
Activity		Activity		Activity		Activity		Activity		Activity		Activity	
Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked	
Activity		Activity		Activity		Activity		Activity		Activity		Activity	
Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked		Hours Worked	
Construction Supervisor:													