PRE-CONSTRUCTION MEETING HANDBOOK

RURAL DEVELOPMENT SECTION 523
MUTUAL SELF-HELP HOUSING PROGRAM

August 2023 v3

Disclaimer

A handbook for grantees of the United States Department of Agriculture (USDA) Section 523 Self-Help Housing Program developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

- *Florida Non-Profit Housing, Inc. (FNPH)*
- *LIFT Community Action Agency, Inc. (LIFTCAA)*
- *NeighborGood Partners*
- *Rural Community Assistance Corporation (RCAC)*

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INTRODUCTION

The Self-Help Program

Self-help housing is just as it sounds, participants working to build or repair their own homes. This program is a direct application of the barn raising traditions of pioneering rural Americans. The Self-Help Program originally began as the Mutual Self-Help Method, where participants, working in groups, supply the necessary labor to build their homes, having qualified for mortgage financing to purchase land, building materials, and some subcontracted work on the more technical items. The program authority also allows for two additional methods of home repair (owner occupied and acquisition rehab).

Regardless of the method selected, the participants must be low or very low income. At the end of the grant, at least 40% of the total participants served should be in the very low-income category. The remaining participants must be in the low-income category (see income map for details: https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf).

Mutual Self-Help Method: With the assistance of the skilled staff, a group of generally 4 to 10 households is formed. The participants typically 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 closed, 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; usually the more technical work such as electrical, plumbing and HVAC is subcontracted out. The construction stage typically lasts from 8 to 12 months, depending on the size of the group and other factors. Participants work during their spare time (evenings, weekends, and days off) so as not to interfere with the regular household employment.

Acquisition Rehabilitation and Owner/Occupied Rehabilitation: With the assistance of skilled staff, an applicant repairs a home that they purchase or one in which they already own and reside in. The participant applies for a loan and/or grant and once qualified, they enter into a contract to purchase a property or in the case of owner/occupied, provide proof of ownership and residency. The property is inspected, and a scope of work is developed. This information is submitted to Rural Development for approval. Once the loan is approved and closed, the participant, under the guidance of a skilled construction supervisor, completes selected tasks from the scope of work. Usually, the more technical work such as electrical, plumbing and HVAC is subcontracted out.

Rural Development

Rural Development is an agency of USDA. 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, safe, sanitary and affordable housing; supporting electric power and rural businesses, including cooperatives and supporting economic and community development with information, technical assistance, and funding.

Rural Development has been providing funds for the self-help housing program since the late 1960s. They provide Section 523 self-help technical assistance grants to eligible entities to start and implement the program. Rural Development thoroughly reviews the self-help application before a grant is awarded and 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 grant.

In most cases Rural Development provides another important ingredient to the self-help program; construction to permanent financing at favorable interest rates in the form of a Single-Family Housing Direct Home Loan (Section 502). They are independent of private or conventional lending institutions and the financing is directly between Rural Development and the borrower. Each applicant must qualify and obtain a loan individually from Rural Development. 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.

Rural Development Offices

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

Rural Development National Office

The Rural Development National Office is responsible for developing policy and interacts with Congress for legislation, policy development and program funding. They also obligate and monitor all Section 523 self-help grants, maintain reports and statistics on operating self-help organizations and project needs for funding. At the national level, USDA has a separate Appeals Division that hears appeals on actions unresolved at the state level.

Rural Development State Office

The State Office has the approval authority over smaller Section 523 Self-Help grant applications up to $300,000. Section 502 home loan funds are allocated on a state-by-state basis and the State Office distributes the 502 funds based on a state RD formula that is released annually via a funding policy memorandum. Staff members who are key to the operation of a self-help program located in the State Offices are the:

- Rural Development State Director – Has the authority to sign grant agreements.
- Rural Housing Program Director – Oversees the self-help program.
- Rural Development Housing Specialist – Reviews and approves the 502 direct loans and 504 grant/loans, also approves building sites, and completes environmental reviews.

Rural Development Area Office

The Rural Development Area Director is typically responsible for the Section 523 grant. In some states however, the grant monitoring has been retained at the State Office level with the Single Family Housing Program Director or it has been assigned to the Local Office. In any case, the Rural Development grant manager is responsible for ensuring that the grant is operated effectively and in accordance with the regulations.

Rural Development Local Office

Within this office, the Loan Specialist is typically responsible for making the Section 502 home loans to participating applicants of each self-help group. They will be responsible for monitoring the 502 loans and will also be the co-signer on the participant's Supervised Bank Accounts and will process the construction draws. They are also the personnel who will convert the loans once the local jurisdiction has completed the final inspection and issued a Certificate of Occupancy.

Rural Development Section 502 Single Family Direct Home Loan

Most applicants that participate in the self-help housing program use Rural Development's Section 502 home loan program to finance their homes. Section 502 loans are only available for homes in eligible rural areas as defined by USDA (https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd). 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 (see the income map for details: https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf). They must be credit-worthy, have repayment ability for the loan requested, and be unable to secure credit from other sources. The income limits, developed in consultation with the U.S. Department of Housing and Urban Development, are subject to local variation and are published annually. Current information on income limits and eligibility requirements for Section 502 loans is available at RD local offices or online (links above).

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 payment is either determined based on 24% of their monthly income or the loan at a 1% interest rate, whichever is the higher of the two, but can never be higher than the loan at full note rate. The assistance makes up the difference between the full loan interest rate and the interest rate the participant pays. A portion of this subsidy must be repaid at time-of-sale or loan payoff based on equity, time, etc.

Some other benefits of a 502 loan are that there is no requirement for a down payment, closing costs can be included in the loan (up to the appraised value with authorized exceptions to include the tax service fee, homeownership education fee, appraisal fee, and any required contribution to an escrow account for taxes and insurance (excluding the first-year insurance premium)) and there is no requirement for private mortgage insurance. Rural Development can offer a moratorium on loan payments for up to two years if a borrower’s income decreases by at least 20% by no fault of their own.

During home construction, Section 502 funds are advanced from the Rural Development finance office in St. Louis and disbursed by the local offices to the self-help grantee. Grantees prepare the drawdowns and checks for each participant’s account as needed to purchase materials for different phases of construction.

Rural Development Section 504 Single Family Housing Repair Loan & Grant

Also known as the Section 504 Home Repair program, this provides loans to very-low-income homeowners to repair, improve or modernize their homes or grants to elderly households (62 or older) very-low-income homeowners to remove health and safety hazards. The maximum loan is $40,000 and the maximum grant amount is $10,000. Grants can only be given to elderly households (62 or older). This funding could be used with the repair or rehab program, or other funding could be sought.

The 523 Self-Help Housing Technical Assistance Grant

For organizations to operate a self-help housing program, Rural Development provides technical assistance (TA) grants. The TA grant is for a period of up to two years, and is available to public and private nonprofit organizations, federally recognized Tribes, and units of state or local government. The amount of grant funds an organization can receive is based primarily upon how many houses they build or repair in a grant period. For new construction programs, an organization can receive up to 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. Check with your Contractor for other methods of determining grant amounts for repair programs.

Allowable uses of Section 523 technical assistance grant funds include:

- Recruit 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.
- Assist participants to obtain and develop building sites; obtaining or creating Rural Development-approved house plans and helping participants select theirs.
- Help 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 are:

- 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 2 CFR 200 subpart F.

Regulations

The main regulation that governs the Self-Help Housing Program is [RD Instruction 1944-I.](#) Additionally, USDA Rural Development provides an overview and guidance for the Self-Help Housing Program in the [USDA RD Handbook 3550 Appendix 13](#). Appendix 13 guidance includes an overview of the following:

- Application Processing Priority
- Self-Help Loan Application Packaging
- Environmental Reviews
- Appraisals
- Selecting a Contractor
- Construction Documents
- Sub-Contracts
- Administering Construction Funds
- Self-Help Inspections
- Post Closing Leveraged Loans/Grants
- Participant Withdrawal
- Construction Closeout
- Self-Help Take-out Loans
- Other Loan Financing

The T&MA Contractors

Rural Development contracts with four Technical and Management Assistance (T&MA) Contractors to assist operating and potential self-help housing grantees. This assistance ranges from staff and board training, grant management, and development of applications to 502 loan program and processing 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.

- LIFT CAA fka Little Dixie CAA – covering Region II, the South Central US, including the states of AR, KS, LA, MO, ND, NE, NM, OK, SD, TX, WY.
- NeighborGood Partners fka NCALL – 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, and the Western Pacific.

Self-Help Training Handbooks

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

- Orientation Handbook
- Feasibility Handbook
- Application Handbook
- Board of Directors Handbook
- Program Director Handbook
- Construction Supervisor Handbook
- Group Coordinator Handbook
- Financial Management Handbook for Federally Funded Organizations
- Accounting for Individual Family 502 Loan Accounts Handbook
- 502 Loan Processing Guidebook
- Preconstruction Meetings Handbook
- SHARES Handbook
- Acquisition and Owner-Occupied Rehab Handbook
- Section 523 Technical Assistance Grant Application Handbook

Training Techniques

This chapter will provide overall training techniques that can be used throughout the Pre-Construction Meetings. These meetings are critical to the successful completion of the grant. Pre-Construction Meetings are important and can have a profound effect on the construction group, their attitude, the competence of the participants on the construction site, and their success as homeowners.

We recognize that with the priorities of operating a self-help program, time available to devote to development of Pre-Construction Meetings is minimal. In addition, as staff duties and/or positions change, consistency in the quality of Pre-Construction Meetings may vary. However, we cannot stress enough how important these meetings are in training the families and developing team spirit. This manual is designed to assist anyone assigned to the task of Pre-Construction Meetings, to approach the meetings as formal training for the families. When the meetings are approached as formal training, self-help participants will better understand the introduction of new methods and of program procedures, homeownership responsibility, and construction training. The transition from individual to group member will be easier and more successful, and participants will become fully functioning and productive members of the construction group faster than with any other method known.

The goal of any Pre-Construction Meeting should be:

1. To impart information
2. To prepare the participants for what lies ahead
3. To motivate the participants
4. To bring participants into a group situation as contributing members

In other words, the purpose of the Pre-Construction Meetings is to educate and motivate. To do this successfully, the staff person responsible for conducting the Pre-Construction Meetings needs to be familiar with the “Adult Learning Theory.” This theory is very simple but can have a profound effect on the quality of Pre-Construction Meetings.

- Adults learn better if they take some responsibility for their own training. Elicit active participation by participants during the training session through various delivery systems.
- Training should draw from and build upon the adult learner experience base. The presentation of new information should be meaningful and relate to previously stored information. Adults bring a great deal of life experience into training situations, which is an invaluable asset when acknowledged, tapped and used.

- Training should enable the participants to accomplish very specific goals. Adults have expectations and it is critical to take time up front to clarify and articulate all expectations before going into content.

TEAMWORK

During or immediately following the formation of the family groups is a good time to begin to lay the foundation for the teamwork required for participants to successfully work together to build their homes. Teamwork doesn't come naturally, so the Group Coordinator, perhaps with the assistance of a resource person experienced in the field of teamwork and group dynamics, will have to train participants to become effective team players.

Getting People to Work Together – Group Dynamics

No matter how well intentioned the grantee or how carefully structured the self-help program, its success and efficiency hinges on the ability of the participants and the construction supervisors to work together. While past participants will all admit to the extreme difficulties of participating in the Self-Help Program, many will also volunteer the observation that whatever the difficulties, it was one of their most rewarding experiences. Although affordable housing should always remain the primary goal, program administrators and staff should attempt to make the experience of participating in the program as positive as possible.

Building one's own home is one of the more stressful projects anyone in our society can undertake. In addition to the construction process, there is the normal stress of moving, which may include getting used to a new community, new school, new friends and perhaps new jobs. Also, in most self-help programs, people are accepted for participation based almost solely on housing need, credit worthiness, and income eligibility. The participants probably have never met before but are expected to work cooperatively with each other for as long as one year. They have probably had little or no building experience elsewhere. The work is physically exhausting, and, for many, a challenge.

The self-help grantee will be pushing the group to meet production milestones. Production cannot be sacrificed for quality, yet group process cannot interfere with construction progress.

These dynamics can easily create a "pressure cooker" situation, ripe for interpersonal conflicts among members of the group, including between spouses and other family members, group members, and program staff and management. This side of self-help is not part of the romantic picture of families working with each other to create a solution to their housing problems. Resentments and hostilities between participants can develop. At times, difficulties within a family may lead to separation or divorce while construction is underway. Drug and alcohol problems may emerge or re-emerge. Sexism, racism and other issues can easily divide a group.

It is important that the potential for these types of stresses is recognized by parties interested in self-help construction programs. The following recommendations and suggestions should be adopted by a self-help grantee to help minimize these problems.

Recruitment: While selling the self-help concept and your program is an important part of recruitment, honesty about the expectations the grantee has for participants can only help the program operate successfully. The difficulties and required level of commitment should not be glossed over when explaining the program. Discussing the realities of participation in the program is important so that people have a chance to "self-screen" themselves. They need to ask themselves whether they have the motivation, self-discipline, and stamina to participate in the program. The goal of affordable homeownership can be motivation enough for many individuals to overlook any difficulties, but it is extremely important that they understand what they are getting into.

Screening: Because of legal and moral considerations, the screening of applicants for a subsidized housing program can be a difficult issue. However, the recruitment and screening of good applicants is a first step toward a successful self-help program. The grantee should discuss the program with applicants and question their expectations and understanding of the self-help process.

This is the time to expose the applicant to more of the details about the program. Applicants should have a complete understanding of the program. The tremendous amount of time involved and all financial expectations should be explained. Restrictive and income quotas may compel grantees to recruit participants who may not fit or work well in the program. This could result in major administrative or financial problems later on when these people become uncooperative or even withdraw from the program after it is underway.

Training: The self-help program will likely be the first-time group members meet and begin to know each other. During the process, group leaders can be identified and worked with to help ensure that group progress continues smoothly. Prior to actually closing the loans and beginning construction, it is important to review in detail the expectations of the participants in relation to those administering the program. The decision making and any appeals process should be explained and discussed. Questions should be answered, and ambiguities resolved.

Commitment to the group and the program needs to be emphasized, as it is vitally important to the success of the process. This commitment needs to be spelled out and enforced through the written Group Membership Agreement.

Counseling: If there is sufficient money in the program budget, consider hiring an outside consultant to work with the families on group dynamics for two main reasons:

1. It cannot be expected that staff will be sufficiently skilled or trained to deal with all situations.
2. It may be important to participants to have an outside, uninvolved, objective viewpoint.

While staff should be able to mediate any disputes and resolve problems, a consultant may help participants begin to better understand what can be changed and what cannot. Participants may feel victimized by the difficulties encountered during construction and therefore the goal of such sessions might be to empower participants to deal with what is a complex and sometimes overwhelming process.

Follow-Up/Evaluations: While perhaps not an integral part of the program, it is useful to conduct some form of evaluation after completion of the self-help process. The evaluation could take many forms from a lengthy debriefing of the family to a simple questionnaire that is distributed shortly after the participants move into their completed homes. After as much as a year of intense involvement in the program, there may be many observations or ideas which, if revealed, may help strengthen future groups and your program operation. It might be valuable to look at your process from the perspective of the participants in terms of the successes, failures, high points, low points, regrets, and surprises. A program cannot expect to improve the service it provides without some form of feedback from its participants.

Leadership: Leadership is a skill and quality that all staff may not have, nor many members of the group. The quality and form of leadership is essential to the efficient function of the group. In setting up a self-help program, the grantee should consider group process during recruitment, screening, training, and construction, right through evaluation. Finally, leadership is a crucial part of group dynamics. Leadership by program staff will set an example by which the group will operate. Leadership qualities as they apply to both staff and group member include:

- Consistency, fairness and firmness in applying rules
- Ability to instill a sense of discipline and responsibility
- Compassion in understanding and appreciating difficulties
- Ability to identify and resolve problems early.
- Ability to listen to issues that are being raised by others and respond appropriately to the situation
- Ability to lead by example and to continue to view the self-help goal positively
- Ability to reward and support
- Supportiveness of those who are having difficulties

- Composure, the ability to deal with situations under pressure
- Tact in dealing with difficult personal issues
- A sense of humor – the ability to place things in an alternative perspective, understanding that most situations are not unsolvable no matter how difficult or grave

It may also be advisable to provide specific training for supervisory staff to enhance their strengths while providing training to build on less developed skills and abilities which they will need. The Group Coordinator Guide provides more training on developing and enhancing these skills.

The successes and failures of the group in reaching its goal of constructing houses are often determined by the quality of the relationships within the group itself. The source of many problems can be attributed to the relationships that exist between the participants and the staff. It is important to consider how the relationships can be managed for the benefit of the program.

Suggestions For Putting Variety In Your Delivery System

BRAINSTORMING, DISCUSSIONS and PROBLEM SOLVING – used for meetings dealing with the membership association and potential on-site construction problems.

CHALK BOARD and FLIP CHARTS – can be used to record questions that the participants might have on the meeting subject at the beginning of the meeting.

CHARTS – can be used to explain payment assistance and on-site construction schedules.

DEMONSTRATION – used during the tool safety and operation meeting.

FIELD TRIPS – to the construction site so that the families can choose lots and determine house placement on the lot.

FILMS and VIDEOS – The "Building Dreams" or "Starting Point" videos are good to show the families at the first Pre-Construction Meeting. In addition, there are several videos on construction techniques and tool safety. Check on YouTube, or with your local library or college.

SLIDES – a slide show of the houses your organization has already built, featuring the various options that the families may have, can help the families see and make their choices.

GUEST SPEAKERS – closing attorney, insurance agent, tax assessor, financial coach, past participants, the construction director, and Rural Development staff are just a few of the potential guest speakers that can participate in the various meetings.

GAMES and CROSSWORD PUZZLES – can be used to learn closing terms and names of construction tools. Games reinforce what has been or is being learned.

HANDS ON APPLICATION – building sawhorses during the tool safety and operation meeting not only gives practical application and the experience of working with a hands-on group construction effort, it reinforces motivation by giving the participants a simple but useful construction task to complete. Preparing budgets for the upcoming year is another hands-on application. This technique builds confidence and most of us are visual learners.

INTERVIEWS – using this technique in the first meeting is a great motivation and team builder. Ask the participants four questions in an unstructured method.

1. How did you hear about the program?
2. What was it about the self-help program that made you say - "this program is for me?"
3. What are your fears and concerns going into construction?
4. What do you think will be the hardest part of the program?

These four questions will start the participants talking and opening up to each other and to you. This will also show the participants your sincerity and concern about them individually.

MAPS – the subdivision plat or area may be used when discussing the construction site.

SCALE MODELS – house models, while time consuming to build, can be very effective visuals when discussing house design choices and features as well as describing house design terminology (i.e. soffit, fascia, roof design, etc.)

NEWS ARTICLES – articles regarding taxes, insurance, etc. from your local papers or online can be very effective and bring the issues close to home.

PROJECTS – any time the participants can become involved in projects, the more committed they are to the project (building the sawhorses, preparing their yearly budget, finding a title insurance company or attorney, finding an insurance company). Some tasks that they must do anyway can be turned into projects. The families can then share at the next meeting some of the situations or questions that came up. Even if it is no more than sharing their experiences, it can help the families bond.

QUIZ – this is a very tricky area. Nothing demoralizes adults more than failing a quiz or test. They are very effective though when given for personal growth or as a game with the winner receiving some sort of a prize.

QUESTIONS & ANSWERS – is an excellent tool to be used at the beginning of each session to introduce the topic of the Pre-Construction Meeting. This technique gets their involvement early, creates interest in the session, and lets you know what it is that they want to learn.

ROLE MODELING – is great for building value. Bring in a past participant to talk to the new construction group about what it is like out on the construction site; to share some of the experiences of the previous group; and to answer their questions and address their concerns. The past participant becomes a role model of a successful self-helper and builds value in the program and the group.

TEAM BUILDING ACTIVITIES – local ropes courses or activities can be a fun and creative way to get your team connecting and working together.

23 WAYS TO MORE EFFECTIVE PRE-CONSTRUCTION MEETINGS

P **PARTICIPATION** – actively involve the participants in the Pre-Construction Meetings. Facts: Adults learn 10% of what they read; 20% of what they hear; 30% of what they see; 50% of what they see and hear; 70% of what they say; and 90% of what they say and do.

R **REPETITION** – and frequent summarization through various delivery techniques is especially important in areas where they have no or little knowledge.

E **ENTHUSIASM** – approaching the Pre-Construction Meetings and individual topics with enthusiasm will convey to the families and help to motivate them.

C **CREATE** – and maintain interest through the various delivery systems.

O **ORGANIZE –** time, materials, schedule, and training. If you are organized, it will help the participants feel more comfortable about what lies ahead. Remember that the families are going into an unknown situation; you need to make them feel confident. This organization should carry through to the construction site.

N **NEEDS** – of the families must be recognized throughout the Pre-Construction Meetings. Remember who you are addressing at the meetings and structure the meetings to be most beneficial to them. Go at a pace that will help them enjoy and understand. Present only as many topics in a meeting as can easily be comprehended.

S **SEEING** – use visuals whenever possible. Visuals take time to prepare, but once prepared, they will last through many seasons and groups.

T **TRAINING** – is teaching someone to do something. You are imparting knowledge that will be directly applicable to their everyday lives. Your meetings should be presented from this approach.

R **RESPONSIBILITY** – help develop a sense of responsibility in the families to learn and apply what is presented in the meetings. This is achieved by their participation throughout the meetings. Participation can be attained through the various delivery systems.

U **USE** – delivery systems to create **motivation, participation and help maintain interest in the goal.**

C **CONTENT** – should be learned by relating it to things the participants already know. Use relevant examples when presenting new information.

T **TO** – see the big picture and then look at various parts. This is how most adults learn. Present the overall picture before delving into specifics.

I **INCLUDE** – the benefits that the participants will achieve by learning the information being presented at each meeting. The participants will maintain interest if you demonstrate how the information relates to them.

O **OBJECTIVES** – should be clearly stated at the beginning of each meeting. The participants will have their own perception of the meeting content. Encouraging participants to prepare and ask questions at the meetings will be helpful throughout all of the meetings. Be diligent in answering all questions to ease the families.

N **NON-THREATENING** – environment. The more comfortable the participants are, the more they will be able to absorb, retain information and bond.

M **MOTIVATE** – the participants to believe that they can accomplish this demanding task. Remind them that it is a very worthwhile experience.

E **EVALUATE** – meetings often to ensure that all topics are covered, and objectives are being met.

E **ENCOURAGEMENT** – approval and recognition are great motivators. Be sure to praise the participants and they will respond with positivity moving forward.

T **TRAINING** – process must motivate, excite, and direct the participants towards their goal.

I **IMPROVE** – always look for ways to improve the effectiveness of the meetings.

N **NEVER** – put so many unrelated topics in a meeting that the participants have difficulty comprehending the information.

G **GROUP** – activities and group leaders can create a sense of teamwork. Promote "group activity" by having the participants work in groups, switching out group members at each meeting. For example, have each individual decide upon one question they want to have answered and then discuss within the group which is the best solution to present to the other groups. This requires conversation and interaction amongst the group, bringing them to come to a group consensus. It helps the families accustomed to working together as a group before going to the construction site. (Individual questions that were not asked and answered during the group networking activity can be asked during different intervals of the meeting.)

S **SUMMARIZATION -** done frequently helps the participants retain and recall the information that was learned.

Meeting I:

Introduction to Self-Help Housing & Partnering

INTRODUCTION TO SELF-HELP HOUSING

GOALS:

a. Impart an overview of self-help housing
b. Convey knowledge about the Grantee
c. Create a level of comfort and confidence that the program has been and will continue to be successful
d. Break the ice
e. Share benefits of self-help housing
f. Have some fun
g. Establish effective lines of communication.
h. Develop trust between the individuals on the project.
i. Personal acquaintance of the key individuals on the project.
j. Address issues up front that may lead to disagreements, disputes, claims and litigation if they are left unaddressed.
k. Establish a process for resolution of disagreements.
l. Commitment by all major project participants to a charter establishing each individual's intent to work in good faith within the content of the partnering approach.

POTENTIAL SPEAKERS:

a. Executive Director of Grantee
b. Board President or board member
c. Group Worker
d. Rural Development Area Technician or Area Specialist
e. Past Self-Help participant to share experience
f. Self-Help Housing Director
g. Mutual Self-Help Coordinator
h. Grantee Staff

OTHER RESOURCES:

a. "Building Dreams" – 50th Anniversary video or "Starting Point". You can contact the T&MA Contractor for additional information on locating these videos.
b. Look at the www.selfhelphousingspotlight.org website for other videos and stories of participants succeeding.

c. Slide show of self-help homes of previous participants or another nearby self-help housing project
d. Partnering Handbook from your T&MA Contractor
e. Leaders Guide to Partnering

GAMES OR ICEBREAKERS:

a. Take time for in-depth introductions
b. Try a potluck supper or other social gathering
c. Give a “quiz” (informally ask questions) prior to the meeting to assess participants knowledge about self-help housing and repeat the “quiz” after the meeting to assess how much was learned.

WHAT IS SELF-HELP HOUSING?

Self-Help Housing is just as it sounds: families working together, pooling their labor to achieve homes of their own. It is a direct application of the old church and barn raising where people worked together for the common good of their neighborhood or community. Self-help is a method of home construction in which a borrower helps in the building process in a meaningful way. A group of eligible families contribute hours of labor on specific tasks towards the construction of their group of homes. Construction supervision and direction is provided by the professional staff of a nonprofit housing corporation who will oversee all aspects of the self-help housing process to ensure all standards are met.

Rural Development, an agency of the US Department of Agriculture, provides funding for self-help housing. The program has been in operation nationwide since the late 1960s. Thousands of homes have been built by participants like you through commitment, dedication, and hard work.

Self-help housing is MUTUAL by nature. Participants work on each other's homes. It is not individualized with families working solely on their own homes. Without the impact of a significant pooling of labor, self-help housing cannot be effective and efficient. A popular descriptive term describing the self-help method is "Sweat Equity."

Do you think it is possible? Do you believe that you and the persons in this room can build a group of homes? Can you picture yourself shingling a roof, framing a wall, or installing windows and doors? No matter what you think – you can!! It has been proven here and throughout the country that this program has all the ingredients, including your labor to building a group of homes that everyone can and will be proud of.

You, the participants who will be providing the labor, the hours on the weekends, the hours in the evenings, the hours on days off, are the primary ingredients. You will also be the primary beneficiary from this project.

BACKGROUND ABOUT THE TA GRANTEE

If the grantee is an experienced organization with a substantial track record, it should be shared.

1. Number of years in business
2. Number of homes built in nearby communities
3. Type of entity
4. Share names of Board members and consider inviting a Board member to welcome the group
5. Share the staffing level and expertise of your agency
6. Show slides of homes that have been built
7. Provide any information that builds confidence in the agency's abilities
8. Provide a brochure about the agency

If the grantee is new and does not have a track record with self-help housing, share as much confidence building information as possible.

1. Expertise of the staff and Board members
2. Technical assistance from the T & MA Contractor
3. Other, non-self-help successes of the agency
4. Share proven ability to administer funds and projects
5. Share oversight and construction inspection by RD

COMPONENTS & INGREDIENTS OF SELF-HELP HOUSING

1. RESOURCES FROM RD

RD is charged with the responsibility by Congress to provide resources and assistance to help families participate in the self-help housing program throughout rural America.

a. Overview of Technical Assistance

RD provides a grant, the Section 523 Mutual Self-Help Housing Grant, to nonprofit housing corporations and federally recognized tribes. They create and implement a self-help housing program that will result in the development of modest, decent, and affordable housing for participants who may not currently be able to own a home by conventional means. The grant provides funding for staff salaries, purchase of specialty construction tools, payment of liability insurance, travel and mileage expenses, and office supplies so the goal of building a number of homes within a certain time frame can be achieved. The skilled staff may be made up of a Director, Construction Supervisor(s), a Group Worker, and a Secretary/Bookkeeper. The staff works with participants to ensure that construction goals are met; ensure funds are properly accounted for, help locate and secure land, help package mortgage applications, to order materials and schedule subcontractors, and to handle many other details with each group of participants. For instance, conducting these Pre-Construction Meetings so the participants can learn about the program, homeownership responsibilities, and preparing for construction is a significant purpose and activity of the technical assistance grant.

RD has thoroughly reviewed and approved our proposal to administer this grant and operate this program. In essence, RD has said:

a. There is a need for self-help housing in this area.
b. This agency is best suited to administer a self-help housing program in this area.
c. The proposed plan, budget, and schedule are feasible.
d. The house plans meet RD criteria and adequate building sites are available.
e. The project ingredients are in place and RD is now providing the resources to ensure skilled staff and support are available to make the project work as intended.

There is no charge to participants for this technical assistance. The funds come from RD to our organization and are audited for compliance. The funds that we receive in no way impact the family mortgages. This is simply an investment RD is willing to make to see self-help housing work in our community.

b. Overview of Family Labor Required

A substantial amount of labor is required by each participant family. It is your labor that is the fundamental core of the self-help housing program. While the labor is mutual with each family working on all the homes in the group, there will be individual labor responsibilities for each family to live up to. RD requires families to do specific labor tasks towards the total construction of the group of homes, totaling 65% of all labor tasks. Examples of tasks may include site clearing, foundation digging, floor and wall framing, installation of windows and doors, insulation, drywall application, interior trim, hardware, and landscaping and seeding. To accomplish these tasks in the time we have, families will need to contribute a minimum number of hours per week on the construction site. This will be discussed in much more detail when we review the Family Membership Agreement.

Your group will work with the Construction Supervisor to develop a work schedule for each week. This will guarantee you are putting in the maximum hours possible, yielding the greatest amount of labor and assisting construction in meeting production goals. By signing the Group Membership Agreement, you will be committing to specific hours and tasks along with all of the other participants in the group. If a family does not live up to the agreement by putting in productive time and working on meaningful labor tasks, they will be dealt with in accordance with the agreement. Subsequently, the construction pace of each home will be similar so that all the homes will be finished about the same time. No one may move into their new home until all the homes in the group are completed. Professional supervision will be available at scheduled times on the construction site and quality tools and safety training will be provided. You are making a significant investment of time over the next 8-10 months, however, you are doing so with the purpose of owning your own home in a very affordable and unique manner.

c. The Benefits of Self-Help Housing:

1. Gaining a modern, energy efficient home of your own.
2. Utilizing the best and most affordable financing in your area.
3. By providing labor, you are substantially reducing the mortgage on your home.
4. Greatly improving your opportunity for value appreciation and equity growth.
5. Lowering the mortgage amount enables RD to serve more families.

6. Learning construction skills to have confidence that your home is built right and have the knowledge to make repairs and add on to your house.
7. Building a neighborhood and a community.
8. Paying affordable monthly house payments that are tied to your income.

WHERE ELSE CAN YOU GET A BARGAIN LIKE THAT?

d. Reality Check

If possible, have a former self-helper come in and talk to the families, answer questions, and inspire them.

PARTNERING

This meeting format was developed by Rural Development's Colorado State Office. The process started in 1994 and has been developed into a very effective program that required one meeting. It is suggested that this meeting take place on a Saturday afternoon right before or right after the construction group begins construction. Four to five hours are required for the meeting and all families, grantee self-help staff, and the appropriate Rural Development staff must attend.

Contact your T & MA Contractor for a copy of the partnering model.

Meeting II: The

502 Loan Process

THE 502 LOAN PROCCESS

GOALS:

a. Describe the 502 loan
b. Review the application and processing procedures

POTENTIAL SPEAKERS:

a. Group Worker
b. RD Area Technician or Area Specialist

OTHER RESOURCES:

a. 3550 Handbook, the RD regulations for the 502 Single Family Housing Direct Home Loan.
b. Provide a sample application.
c. The local assessor could give a discussion of the method of tax appraising. Based on plans and locations for the self-help homes, a rough estimate of expected real estate taxes might be provided.
d. A local insurance agent could be asked to speak on insurance for fire and extended coverage, household policies, and other coverages of interest to the group such as liability insurance.
e. RD personnel could be asked to discuss fire, wind, storm, and other hazard insurance requirements of the loans. He/she might also discuss the Rural Development mortgage and related requirements.
f. A local attorney might be asked to discuss the legal aspects of mortgages and homeownership.

NOTE: For detailed information regarding loan processing refer to the 502 Loan Processing Handbook.

502 MORTGAGE LOAN

The objective of this chapter is to help prospective self-help participants understand how the Rural Development 502 Single Family Housing Direct Home Loan is applied for, approved, and serviced after completion of the homes.

I. LOAN APPLICATION

To obtain building funds for construction of a self-help home, you will need to apply for a Rural Development 502 Single Family Housing Direct Home Loan. The purpose of this loan program is to provide low-income families with the opportunity to own their home.

The loan application must include detailed information regarding your employment, income, expenses and dependents. Let’s briefly review the application forms. When it comes time to actually complete your application the Group Worker will assist you in completing each item. Rural Development uses a credit report and verification of employment to help them in reviewing your application, so it is important to be very honest in preparing the application.

II. PROCESSING PROCEDURES

The basic requirements for a loan are:

- 18 years old or older.
- US citizen or permanent resident.
- Do not own safe, sound, or adequate housing.
- Unable to obtain a loan from a conventional lender at current interest rates, on terms and conditions that you can reasonably be expected to pay.
- Meet Rural Development income eligibility requirements as low-income or very low-income. The low-income measure is 80% or less of the county median income, based on the family size. Very low income is defined as 50% or less of the county median income, based on family size.
- Are creditworthy by Rural Development standards and have adequate dependable income to meet family living expenses and payment of all debts.
- Desire to build a home of your own that is simple in design, structurally sound, and low in cost.
- Occupy the home on a permanent basis.
- The home will be built in an eligible rural area as defined by Rural Development.

Before your loan is approved, some RD offices require a personal interview with the Rural Development Area Technician/Area Specialist or watch the Applicant Orientation Guide Video found on Rural Development's website (https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans). The purpose of this interview is to review and verify the information on your application and to assure an understanding of Rural Development loan making and loan servicing authorities, and the responsibilities as the loan applicant/borrower. The interview will include discussions about things such as:

- Equal Credit Opportunity
- Income
- Adjusted Income
- Eligibility
- Co-Signers on Loans
- Credit Counseling
- Energy Conservation
- Legal Fees
- Payment Assistance
- Recapture of Payment Assistance
- Graduation to Conventional Credit
- Monthly Payments
- Insurance
- Taxes
- Inspection and Upkeep of Property
- Compensation for Construction Defects
- Moratorium / Postponement of Payments
- Home Improvements / Additions
- Appeal Procedures

After reviewing your application and having the personal interview with you, Rural Development personnel must be convinced that in addition to meeting the basic requirements for the loan, you have the ability to, and will repay the mortgage loan as scheduled. Provide honest answers to Rural Development's questions and try to make as good an impression during the interview as possible.

In determining eligibility for a loan your annual income is adjusted by making:

- A deduction of $480 for each member of the family residing in the household, other than the applicant, spouse, or co-applicant, who is:
  - Under 18 years of age
  - Eighteen years of age or older and is disabled or handicapped
  - A full-time student aged 18 or older
- A deduction of $400 for any elderly family as defined by Rural Development.
- A deduction for the care of minors 12 years of age or under, to the extent necessary to enable a member of the applicant/borrower's family to be gainfully employed or to further his or her education.
- A deduction is also allowed for medical expenses for elderly families or for reasonable attendant care and auxiliary apparatus expenses for handicapped disabled members if these expenses exceed 3% of gross annual income.

Income includes:
Gross Wages & Salaries
Interest & Dividends
Social Security
Pensions
Disability or Death Benefits
Unemployment & Disability Compensation
Workers' Compensation
Public Assistance
Alimony & Child Support Payments

If the applicant does not have an adequate and dependable available income, he/she may obtain a co-signer with dependable available income sufficient to repay the loan (co-signer's good credit will not override an applicant's bad credit and the co-signer must meet all underwriting requirements). This co-signer must guarantee repayment of the loan and must be approved by Rural Development.

III. TERMS & CONDITIONS OF THE LOAN

The loan will be scheduled for repayment over a period that is usually 33 years but can be a 38-year term depending on the applicant's circumstances. When the loan goes to closing, the interest rate in effect at the time of loan approval will be the actual interest rate of the loan. The current interest rate is ______ percent and is computed on the unpaid balance of the loan.

The amount of interest you will pay on your loan will depend on your income and family size. Borrowers may be eligible for payment assistance, which can reduce the borrower's effective interest rate to as low as 1%. It is the policy of Rural Development to grant payment assistance on loans to low-income borrowers to assist them in obtaining and retaining decent, safe, and sanitary housing.

Borrowers will pay either:

1. The difference between either 22%, 24% or 26% of the borrower's adjusted income (depending on the % of median income) and the sum of the annual installments due at the loan interest rate plus the cost of real estate taxes and insurance, or
2. The loan amortized at an interest rate as low as 1% to the current market rate.
3. But the payments will never be higher than the loan at the note rate, which is currently _______.

The amount of payment is assistance is the difference between the amount the borrower pays and the loan at note rate.

The monthly loan payments are deferred during construction and the first loan payment will usually start 30 days after you move into the house.

In the event your circumstances change, Rural Development can take steps to transfer the home to a family eligible for payment assistance as long as the home remains eligible for the program; i.e. that it has been well maintained and has not been improved beyond the cost cap. The sale price, however, will be limited to the Rural Development appraised value at the time of sale.

IV. MORATORIUM

Borrowers may apply for a postponement of payments on the loan, for up to two years. This enables the borrower to recover loss of income or unexpected expenses. Some of the acceptable circumstances are repayment income falling by at least 20% in one year, a substantial increase in expenses due to injury, illness, or death in the family. This does not mean that the payments are forgiven – they are simply postponed, and the interest continues to accrue. When the situation has been rectified, the postponed payments, along with the accrued interest, will be re-amortized into the loan and the monthly payment will be increased proportionately.

V. ANNUAL REVIEW

The amount of payment assistance granted will be reviewed by Rural Development on an annual basis. The amount of assistance (and in turn the monthly mortgage payments) may increase or decrease based on changes in income, expenses, dependents, etc.

VII. SUBSIDY REPAYMENT/RECAPTURE

Subsidy, in the form of reduced interest granted by Rural Development to 502 Rural Housing borrowers, is subject to recapture. This means that when a borrower's home is sold, transferred, or is no longer occupied as the borrower's residence, all or part of the payment assistance or subsidy granted on the loan must be repaid to the government. The amount to be repaid will be determined on the basis of a formula that permits the borrower to retain a portion of the value appreciation available when the home is sold, or the property mortgaged. Therefore, the longer the borrower lives in and maintains the property, the lesser subsidy the borrower must repay.

The purpose of a subsidy is to assist a borrower to obtain decent, safe, and sanitary housing. Through the use of a subsidy repayment agreement, the borrower and the government share this cost. The borrower's contribution to subsidy cost will be from equity through appreciation of the property value and not through their original equity.

The mortgages signed by those receiving payment assistance contain a provision making the subsidy amount a lien against the property. The amount of your "sweat equity," however, is not subject to recapture if you sell your home. The sweat equity is calculated by subtracting your mortgage amount from the appraised value of your home but may be subject to market conditions.

An existing assistance agreement will be cancelled whenever:

1. The borrower ceases to occupy the dwelling.
2. The borrower sells or transfers the title to the property.
3. The borrower is no longer eligible for payment assistance.

VIII. RURAL DEVELOPMENT EXPECTATIONS

Monthly payments must be made on or before the due date. Payments will be applied first to unpaid interest and the balance to principal. If for any reason payment cannot be made on time, the borrower should immediately contact Rural Development.

Borrowers should ensure that periodic maintenance on the home is done. Money spent on maintenance improves appearance, helps maintain value, and saves money in the long run.

Every borrower will be required to obtain a minimum amount of property insurance specified by Rural Development. You may choose an insurance company to handle the property insurance. You also must pay all real estate taxes. Non-payment of taxes can result in public sale of the property by the local tax authority or foreclosure by Rural Development. The amount for both items will be collected monthly in an escrow account held for you by Rural Development. When these bills come due, they will be paid from this account.

Borrowers are expected to follow the basic principles of money management such as keeping records, following a budget, and not overspending on non-essentials. This will greatly help ensure that funds are available to make their monthly payments on time.

IX. APPEALS

Applicants or borrowers may appeal any Rural Development program administrative action by which they are directly or adversely affected. This includes having a request for Rural Development assistance denied or having Rural Development assistance reduced, cancelled, or not renewed. The Rural Development office or website can provide information on appeal procedures.

Meeting III:

Review of Lots, House Plans, Selection of Lots & Options

REVIEW OF LOTS AND HOUSE PLANS

GOALS:

a. Review lot selections
b. Review available house plans
c. Outline the rules and limitations of the house plans
d. Present the available color options and other choices
e. To get the final choices from the participants

POTENTIAL SPEAKERS:

a. Executive Director
b. Construction Supervisor
c. Group Worker
d. Rural Development Area Technician or Area Specialist

OTHER RESOURCES:

a. Blueprints of available house plans
b. Photographs of same houses built in the past
c. Scale model of proposed plans
d. Map of available lots/subdivision
e. Color wheel and samples of available choices (siding, roofing, carpet, vinyl, cabinets)

OTHER ACTIVITIES:

a. Four-question interview

POSSIBLE FIELD TRIPS:

a. Take a trip to the potential site
b. Visit a neighborhood with the same plans

REVIEW OF LOT SELECTION AND HOUSE PLANS

The selection of lots and house plans is one of the most important Pre-Construction Meetings participant families will attend because it is part of the process leading towards the completion of their loan application. Participant families must understand that this is not a custom-built home program, Rural Development and the self-help grantee have set limits, which affect their range of choices. It is important that each family is pleased with their final selections. There are many ways that grantees can accomplish these tasks. Listed below are several ideas on how to handle each section. The decision on how this is done is up to the grantee.

During this Pre-Construction Meeting, explanations of the following topics are suggested.

AVAILABILITY AND CHOOSING BUILDING LOTS

Each participant family should be given a map of lot locations, which indicates the ones that are available to choose from. It should also note which of the house plans fits each lot (if the lots are irregular and different designs are offered). Many grantees allow participants to choose lots on a first-come, first-served basis. An alternative to this method would be to have them “draw” for their lot from a hat (keeping in mind lot requirements, which may be dictated by house design). Participant families should be strongly encouraged to visit the subdivision and/or lot prior to making their selection.

ZONING AND COVENANT REQUIREMENTS

Briefly explain to participants how their lots are zoned and how this affects the placement of their house on the lot in terms of side, rear, and front yard setback requirements. Also explain any zoning requirements that may restrict the size and/or placement of any outbuildings on the property such as sheds, doghouses, or pens, etc. All subdivision covenants should be explained, particularly those that dictate minimum house size. When doing zero-lot line development, any covenants regarding property maintenance, etc., should be fully explained. Remember that the information shared with participants up-front will minimize the disruptions of an unhappy participant during the construction phase.

PLOT PLAN REQUIREMENTS

Briefly explain Rural Development and local plot plan requirements which may affect the placement of the house on the lot, i.e. location of well and septic system or public water and/or sewer lines, and maximum driveway and sidewalk lengths. Also, when discussing the placement of the house, be sure to spend time discussing solar orientation.

REVIEW HOUSE PLANS

Blueprints of each available house plan should be displayed along with photographs of houses built from each house plan. This will give the families an idea of what the homes will look like. The construction supervisor can be introduced to the group to explain the blueprints and floor plans under consideration. It would be helpful to prepare a scale model house to use in explaining blueprint symbols and the floor plans of a sample house. This enables participants to transfer the blueprint symbols to a "visual image" of the floor plan. If this is not possible, photos of other homes built with these plans would be helpful.

SIZE/COST REQUIREMENTS

Rural Development's maximum loan limits and square footage maximum should be explained to the participants. This will potentially eliminate families expecting a custom-built home, which this program is not designed for. For ease of building, the self-help organization should also have rules regarding size and cost containment. These should be explained and that the families must abide by these guidelines as well.

RULES FOR COLOR SELECTION, OPTIONS, & PURCHASING

Clearly explain to participants the rules for selecting exterior and interior colors; options for appliances and fixtures; and purchasing procedures and limitations. These rules should be thoroughly explained and then reiterated prior to purchasing the materials. It would be helpful to have color charts for interior and exterior paints, flooring, countertop, roofing samples, and other color options available during the meeting. A color selection sheet can then be used to record the selections of each family. Have them sign the form and then include it in their file for reference by program staff. Ask your T&MA Contractor for a sample of this form.

Participants must also understand the purchasing procedures and limitations so that there are no misunderstandings about optional changes once construction starts. It needs to be stressed to them that the grantee will handle the purchasing with the proper authorizations signed by the families, to include Purchase Orders. Additionally, having participants sign some type of agreement to document their understanding of the purchasing procedures and construction limitations is strongly recommended.

SELECTION OF LOTS AND OPTIONS

This meeting will probably be one of the most important meetings the families will attend. The grantee staff must be extremely careful to ensure that each family is pleased with their prospective home.

Reiterate that this is NOT a custom-built home program. By this point, the grantee has decided the number of house plans of each bedroom size to offer, the range of colors for the families to choose from and the varying fixtures and appliances. It is important that the families understand that the grantee has set limits which affect their range of choices. They need to understand this is being done to keep costs affordable. If the limitations are not acceptable to the families, perhaps their participation needs to be revisited.

This meeting should stress that once these final choices are made there is no turning back. None of their choices will be changed from this date forward as the final plans and specs have been approved and loan closing is underway.

Review the “Option to Purchase” agreement. Then each participant family should execute an “Option to Purchase” agreement for the lot they have chosen.

Do a final review of the other choices that you make available in your program and get their final decisions on those. Be sure to have the appropriate forms signed and maintained in their files.

Answer any questions they may have and use this meeting as a motivational tool and indication that things will soon be underway.

Meeting IV:

Membership Agreement & Election of Officers

MEMBERSHIP AGREEMENT & ELECTION OF OFFICERS

GOALS:

a. Review and explain the Membership Agreement
b. Explain officers' duties
c. Elect officers
d. Select a name for the Association
e. Inspire teamwork

POTENTIAL SPEAKERS:

a. Project Director / Executive Director of Grantee
b. Group Worker

OTHER RESOURCES:

a. Membership Agreement

OTHER ACTIVITIES:

Plan a fun activity to help the families celebrate this milestone and get to know each other

a. Cookout
b. Pizza party

MEMBERSHIP AGREEMENT

This meeting provides the structure necessary for the foundation and continued existence of the family association. It begins the process of group formation by establishing a name for the association and by electing group leaders. *(Please note that electing officers may not be the procedure for all groups.)* In addition, it creates the "official" structure of the program by outlining in the Membership Agreement the expectations, requirements, and penalties for group members.

Some associations even establish dues and set up a group savings account to pay for incidental expenses during construction such as port-a-potties, small hand tools, portable heater rentals, etc.

The Membership Agreement is the primary resource for this meeting. Each participant should be provided with a copy to read and study before the meeting. It should then be reviewed and fully explained by the group coordinator. Other members of the staff can be in attendance.

The officers' duties should also be explained, and a copy of the proper "job" description should be given to the person elected for each position. Review the description with the appropriate person(s) to make sure they understand what they are undertaking.

In certain areas Membership Agreements may need to be written in another language. If your agency does not have access to a translator, please contact Rural Development or your T&MA Contractor for assistance.

MEMBERSHIP AGREEMENT

This agreement establishes the composition of the family association and details the expectations and requirements for membership. The agreement should explain the purpose of the association; who is eligible for membership; labor exchange requirements; general activities of the association; penalties for failing to maintain the labor exchange requirements; information on how the self-help organization will assist the association; and what is expected from each family.

OFFICERS

The officers of the association will be a President, Vice President, and a Secretary/Treasurer. Each will be elected by a majority vote of all the members present and continue to hold office until construction of all homes is completed. Roles can be changed for the following reasons: an officer resigns, dies, becomes incapacitated or removed by vote of two-thirds of all the members, at a meeting called for the purpose of considering such removal. The duties of the officers will be as follows:

The President will:

1. Plan the group meetings with the Group Coordinator.
2. Conduct the group meetings.
3. Ensure that problems arising on the site are brought to the attention of the staff and other members of the group to work towards a resolution.
4. Make certain that a decision is reached on every problem that is brought up in the course of the meeting.
5. Represent the group at all official functions.

The Vice President will:

1. Act for the President in his absence or in a case where the president's actions would constitute a conflict of interest.
2. Chair the Association meeting when the president will be unable to attend.

The Secretary/Treasurer will:

1. Keep full written records of each meeting in the form of minutes and read the minutes for the preceding group meeting at each meeting.
2. Call the roll at each meeting and keep a record of attendance.
3. Prepare correspondence for the group and send notices and/or make calls for any special meetings when necessary.
4. Be responsible for the collection of dues, if applicable.
5. Keep a written record of the collection of dues.
6. Be responsible for dispersing funds and timely payment of all bills incurred by the Association.

Meeting V:

Review Loan Packages & Sign Forms

REVIEW LOAN PACKAGES & SIGN FORMS

GOALS:

a. Get all of the loan packages finalized for closing
b. Prepare participants for closing
c. Familiarize them with the forms and procedures of closing
d. Explain title insurance
e. Discuss the selection of a settlement agent

POTENTIAL SPEAKERS:

a. Group Worker
b. Rural Development Area Technician or Area Specialist
c. Closing Attorney or Assistant

OTHER RESOURCES:

Review samples of forms to be signed

LOAN DOCKET AND LOAN CLOSING

Loan Docket and Loan Obligation forms should be reviewed with the families. Possible suggestions for this procedure are left up to the organization. We encourage using your Rural Development Area Technician, Area Specialist, or designated representative, whenever possible, at the meeting to review these forms with the families. This allows for greater involvement and promotes a relationship between the families and the lender – Rural Development.

If in fact the local office cannot be present at this meeting, it is suggested that you review the loan docket forms and obligation forms with the local office and determine the areas of importance they wish you to cover in the meeting.

LOAN CLOSING

This section of the meeting can be handled by a closing attorney, a representative of a title company, you, or some combination of the three. This section of the manual contains the information necessary for the organization to present the entire portion of this meeting.

WHAT HAPPENS AT LOAN CLOSING

The closing of this loan and the construction of this home is probably the most important and the biggest steps that each of you has taken or will take in your lifetime. No other purchase of real estate in future years will compare to the first time, nor will it compare with the commitment that you are about to undertake in the construction of your first home. Loan closing is the end of one step in this procedure and the beginning of the next step. This will eventually lead you through the construction of your home to moving in and occupying it.

Loan closing or settlement is the formal procedure by which ownership of the property transfers from the seller to you, the buyer. At the end of the loan closing, title to the property will have transferred from the seller to you. Loan closing is also the process by which you finance the cost of the lot and the construction of the home.

There are many different laws that govern the forms that will need to be provided and what must be disclosed to you at the time of your application. These laws should be mentioned to the families prior to loan closing and again at loan closing. We hope that this meeting will help clarify this procedure and these forms.

When you filed your application for this loan with Rural Development, they were required to present to you, within three days of application, some truth in lending documents. They include:

- *Form RD 1940-41, Truth in Lending Statement,*
- *Form RD 440-58, Estimate of Settlement Costs*,
- The guide *Buying Your Home - Settlement Costs and Helpful Information,*
- The *Notice of Right to Request Copy of Appraisal*.

The *Estimate of Settlement Costs* is a good faith estimate. It provides you with an estimate of charges connected with the processing and closing of this loan. Between loan application, obligation and closing of the loan you have time to shop for a title company, closing attorney, etc. This will ensure that you obtain the best price for your needs. One day before loan closing, if you wish, the families may see a copy of HUD-1 Settlement Statement. This shows the actual settlement charges that you will be required to pay at closing. (Some closing costs may be included in the loan.)

Rural Development's requirements for loan closing will determine what these closing costs will be, as it is with any lender that makes mortgage loans. Because Rural Development is responsible, by law, to assist families in rural areas in obtaining housing, Rural Development is better able to make the cost of obtaining a mortgage loan more affordable. Some of the services that Rural Development will require are title insurance, loan closing services, credit report, appraisal, survey, and homeowner's insurance.

Rural Development, like many lenders, deal regularly with certain closing agents. All lenders, including Rural Development, require certain assurances that the title companies, attorneys, and insurance companies are authorized to do business in their respective states and meet other requirements as mandated by the federal government. The Rural Development office or the self-help organization will provide you with a list of approved companies from which to do your comparison-shopping. The self-help organization has done the shopping for you to help you obtain the best price and services, looking out for your best interests. The law prohibits anyone from giving or taking a fee, kickback, or anything of value under an agreement that business will be referred to a specific person or organization. When the organization wants to arrange for settlement service through a particular company, it is done for expedience and for better rates.

THE RESPONSIBILITIES OF THE CLOSING AGENT

The closing agent is required to perform a number of tasks, including:

- Provide a title insurance binder within 10 days of the date of the transmittal letter
- Secure a title insurance policy within 60 days of loan closing or a final title opinion within 14 days of loan closing
- Establish a mutually convenient date for the loan closing
- Assess whether, after closing, the borrower will have an ownership interest in the property that is of the priority required by the Agency and subject only to those exceptions as approved by the Agency
- Ensure that the applicant provides a copy of an acceptable hazard insurance policy or insurance binder, and evidence that the first year's premium has been paid
- Confirm that the applicant has flood insurance, if applicable
- Collect any other information Rural Development has instructed the applicant to provide
- Ensure that the applicant is aware of any funds that must be brought to closing, and
- On the day of closing, confirm that the applicant has no outstanding judgements. If any additional entries of record are identified, the loan cannot be closed until these entries are cleared or approved.

SELECTING A SETTLEMENT AGENT (If applicable)

Settlement practices vary from locality to locality. Rural Development requires that the methods of title clearance and the closing of transactions be handled by title insurance companies and/or attorneys that have been approved or designated by the Rural Development State Director. When services are available from more than one source, both you and the seller will choose the source to be used. If you are to obtain a settlement agent, knowledge of the requirements of the lender is critical to shopping and obtaining the best prices. When shopping for closing services some questions to ask might include the following: What services will be performed for what fee? Does the attorney have experience in real estate? Has the attorney been authorized by Rural Development to perform title clearance and loan closing transactions? What is the charge for reading documents and giving advice concerning them and for being present at settlement? Will the attorney or closing agent represent any other parties at loan closing? In some states, attorneys provide bar-related title insurance as part of their services in examining a title and providing title opinion. In these states the attorney’s fees may include the title insurance premium. The total charges should be taken into consideration when shopping for these companies to provide these services.

WHAT IS TITLE INSURANCE?

Title insurance is required by Rural Development, or any lender, to protect the lender against loss if a flaw in title is found by the title search being made when the property is purchased, and the title is being transferred from the buyer to the seller. Rural Development will require that title insurance be obtained in the amount of the loan. Title insurance is issued only to the lender and does not protect you. In addition, a policy issued to a prior owner of the property does not protect you. If you want to protect yourself from a mistake made by the title search or because of legal defect that does not appear in the public records, you will need an owner's policy. If you purchase an owner's policy, it is usually less expensive if purchased at the same time as the lender's policy. The cost of the owner's and lender's title insurance may be the financial responsibility of you, the borrower, the seller, or a combination of the two of you depending on the terms of the sales contract. In some areas it is customary for the seller to provide the buyer with the owner's policy and for the seller to pay for this policy. In other areas if the buyer desires this policy, then the buyer must pay for it. The title insurance binder, or the preliminary title opinion, whichever is the acceptable practice in your area, will disclose any defects in and encumbrances against title, the conditions that must be met to make the title insurable, and the curative actions that must be met prior to closing or in conjunction with closing the loan. This will also tell of any easements or restrictive covenants that will stay with the property and of which you should be aware.

Depending on the practices within your area, there may not be a need for a complete search of the title each time the property is transferred. If the property was recently sold, call the company that issued the previous policy and ask about a reissue rate, or if the policy from the previous owner is available take that to the title insurer.

A REVIEW OF THE FORMS THAT WILL BE SIGNED AT CLOSING

***RD 1940-16, Promissory Note*:** This is **YOUR** promise to pay back Rural Development the money that they are lending you for the construction of your home and the purchase of the land that the house is to be built on. It also sets forth the number of years that you will have to pay back the loan and the note interest rate in effect at the time of closing.

Principal and interest payments are deferred during the construction period. The accrued interest on the loan from the date of closing to the date of construction completion is added to the original loan amount. The actual monthly payment for your first year of payments is determined on that amount. Interest is accrued, at the subsidized rate, only on the money that is drawn down from the federal government. We, as the self-help organization, are careful only to draw down the amount that is needed for each stage of construction.

The promissory note also establishes other conditions of repayment of the loan and these are:

1. Prepayment or additional payments may be made at any time to Rural Development with no penalty incurred by you.
2. The government has the right to assign the note to another lender or agency. Assignment is when ownership is transferred to another. If your note was assigned to another lender or agency, payments would still be made to the government.
3. You, the borrower, certify that you are unable to obtain a similar loan elsewhere.
4. You certify that you will personally occupy the house as your primary home and will not sell, transfer, or otherwise encumber the property without written permission of the government. (Encumber means that you will not go out and obtain additional financing on the property without first notifying Rural Development.)
5. If during the term of this note, it appears that your income has increased to the point that you would be able to obtain refinancing elsewhere through a normal lender at reasonable rates and terms, then it is suggested you look into this option.
6. If you fail to make payments on time or default on the payments, then the government can and will make all or any portion of the note due and payable immediately.

***RD 3550-14, Real Estate Mortgage or Deed of Trust*:** Although you have signed a promissory note promising to pay back the money, you must offer a security to back that promise. This is done with the mortgage or deed of trust. By signing the mortgage or deed of trust, you are putting the government in a first lien position to collect the collateral, your house, as payment if you do not make the payment.

Additionally, by signing the mortgage or deed of trust you are agreeing to:

1. Make the payments as agreed to in the note and the Payment Assistance Agreement.
2. Pay taxes, assessments, and liens as required.
3. Use the loan money for authorized purposes only.
4. To keep the house properly insured through the term of the loan.
5. To comply with local laws and ordinances.
6. To personally occupy the house and not sell, rent or lease the house without permission by Rural Development.
7. If you can refinance conventionally, then it is suggested you look into this option.
8. Should you default, the government has the right to foreclose. Any proceeds from the sale of the house will be used to reduce the indebtedness to the government.

The mortgage is filed by the County and becomes a part of public records.

Deposit Agreement and Signature Card: This may have been done when the accounts were opened and not at loan closing. This form authorizes and allows the loan proceeds to be deposited into a supervised bank account. The supervised bank account is for the purpose of placing loan draws into an account that will be used specifically for the payment of construction supplies and contracted services. Some agencies do not use supervised bank accounts, they use custodial accounts.

This agreement establishes the rules that will govern the money while it is in the account:

1. The money will be used in accordance with Rural Development regulations for the construction of the home.
2. Each check written on the account will be signed by both the family and a representative of Rural Development to be valid in payment of said services and supplies.
3. The bank will not be able to garnish the funds in this account to cover any other indebtedness.
4. The bank is under no liability for funds spent in accordance with this agreement.
5. The bank will furnish periodic bank statements, usually monthly, to Rural Development.

The Signature Cards are signed by those in each family that Rural Development authorized to sign checks from this account.

***RD 1927-15, Loan Closing Instructions and Loan Closing Statement*:** This is a summary of all financial transactions that take place in connection with the loan closing. You will know what funds were spent, for what, and how much remains to be deposited into the supervised or custodial bank account.

RD 3550-15, Tax Information: This form will list all the local taxing authorities to which taxes are due, the amounts, due dates, the parcel identification number, and a legal description of the property.

RD 1927-9, Preliminary Title Opinion or Title Insurance Binder - contains whatever title issues or the absence of such, as discovered during title search and examination. The binder is issued to the lender, and then to the buyer if they are purchasing owners title coverage.

RD 1940-41, Truth in Lending Statement – As the grantee, make sure you have researched and are up to date on the current rules and laws for purposes of explaining the form to the participants. You can also seek guidance from your RD.

RD 1940-43, Notice of Right to Cancel - will be used to notify individuals of their right to cancel those transactions within the scope of paragraphs (b) and (d) of this section, which result in a mortgage on their principal.

RD 1944-14, Payment Assistance Agreement / Deferred Mortgage Assistance Agreement

RD 3550-15, Subsidy Repayment Agreement

Evidence of Insurance

RD 3550-9, Initial Escrow Account Disclosure Statement

Along with any other applicable information or documents.

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, Rural Development requires borrowers to establish an escrow account. The borrowers' monthly mortgage payment includes $1/12^{th}$ 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. Rural Development, will pay these bills on behalf of the borrower when they become due. They maintain this account.

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 indicating 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:

- 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.

  - OR -

- Taxes that must be paid during the construction period and the initial escrow deposit are paid from personal funds. The applicant pays the tax bills when due and provides a copy of the tax bill to Rural Development.

Meeting VI:

Property Taxes & Insurance

HOMEOWNERSHIP RESPONSIBILITY

GOAL: To help homeowners understand the purpose of, and their responsibility for, paying property taxes and property insurance.

Meeting Format:

Property Taxes

1. Purpose of taxes for the community
2. Assessments in Local Area
   a. Filing Date
   b. Due Date
   c. Payment Process
3. Tax Exemption, if applicable in the state

Property Insurance

1. Review of Insurance Terms
2. Review of purpose of Property Insurance, Types of Coverage, Costs and Claims
3. Rural Development Insurance Requirements
4. Shopping for Insurance

NOTE: The rates included in this section are to be used only as samples. Rates, deductibles and percentages can change frequently. Research and shop around for the best rates for the families.

This meeting is very important to the family that has never owned a home before. The failure to pay property taxes and property insurance premiums on a timely basis can result in the loss of their home. Group workers should be sure that participant families understand the importance of making these payments.

PROPERTY TAXES

Each state, county, and city has its own way of assessing property taxes, as well as uses for these taxes. We suggest that a guest speaker from the local tax assessor's office be invited to provide a discussion of property taxes or that the individual responsible for giving this session meets with the tax assessor's office and obtains the information needed. At a minimum, the discussion should include:

1) purpose of taxes for the community
2) assessments in the local area, including filing date, due date, and payment process
3) tax exemptions, if applicable, in the state

The taxes are paid from the escrow account after the home is constructed. (Discuss what will happen to the taxes that may come due during construction. Explain the options and come to a decision of how they will be handled.) A property tax or millage rate is an ad valorem tax on the value of a property, usually levied on real estate. The tax is levied by the governing authority of the jurisdiction in which the property is located. This can be a national government, a federated state, a county or geographical region or a municipality. Multiple jurisdictions may tax the same property. Property taxes are assessed and collected on all real and tangible personal property within each county.

PROPERTY INSURANCE

Insurance Terms

Actual Cash Value Policy – actual cash value = current replacement cost minus depreciation.

Binder – a written statement binding two parties to an agreement until a formal contract can be executed. A binder is used to secure insurance until a complete policy is issued.

Deductible – the amount of loss that you pay before the insurance company begins to pay.

Depreciation – a lessening of value caused by a loss of utility, deterioration, or physical wear and tear.

Exclusions – those things specifically listed in your policy for which coverage is not provided.

Hazard Insurance – a form of insurance coverage for real estate that includes protection against loss from fire, certain natural causes, vandalism, and malicious mischief.

Homeowners Insurance – a broad form of insurance coverage for real estate that combines hazard insurance with personal liability protection and other items. It does not protect against flood if the property is in a flood zone.

Market Value – what the house would bring if you sold it.

Perils or Risks – Anything which causes damage or loss to your home or its contents, such as, fire, lightening, smoke, wind or hail, vandalism, theft and many other causes.

Personal Property or Contents – everything, which you move into your home that is not a part of the permanent structure.

Premiums – the price paid for a contract of insurance. The contract is for a specific period of time, usually one year.

Real Property – physical structures attached to the land. For insurance purposes, real property does not include the land itself.

Replacement Cost – how much it would cost to rebuild the structure (home) at current construction prices.

Term – a specified period of time, which a policy covers.

TERMS OF INSURANCE COVERAGE, COSTS & CLAIMS

Automobile accidents, death, disability, fire, illness, or robbery are all circumstances, which could result in considerable financial burdens on an individual or family when they occur. All of these risks are insurable, which helps to eliminate or reduce the financial burden on the family when they occur. Insurance companies handle the losses created by these events by sharing them with many individuals, each of whom pays a premium to be included in the group and covered against risk.

Homeowner’s insurance, as with most kinds of insurance, is paid annually. It is a direct exchange of money paid for services rendered. The rate you pay is tied to the risks being covered, therefore, the premium can vary considerably. For instance, collision insurance on automobiles costs more for teenagers and a lake front home costs more than one on higher ground.

Not only is an insurance policy required by Rural Development before they will close your mortgage loan, but it is also a way to protect yourself against the potential loss for replacing the home, and with homeowner's insurance, your family's personal possessions.

You can insure any property you own except land. For insurance purposes, the term "property" refers to two separate categories.

- real property or physical structures such as your home and detached buildings.
- personal property or belongings such as your furniture and clothing.

To determine how much insurance you will need means that you will have to figure out the value of both categories of property you own.

REAL PROPERTY

There are two ways to estimate the value of real property. The first is the market value or what the house would bring if you sold it. The second option, and the one generally used for insurance purposes, is **replacement cost** or how much would it cost to rebuild the structure at current prices. Your local insurance agent should be able to assist you with an inflation factor to help you determine that amount. To estimate replacement cost, multiply the square footage of your home by current construction costs per square foot.

A homeowner's policy will usually pay claims in full, less the deductible, up to the amount of coverage, when the house is insured for at least 80% of its replacement cost. If the house is insured for less than 80%, the amount the policy pays will probably be reduced according to the ratio of coverage carried to the 80% minimum requirement. Having insurance equal to at least 80%, (preferably more, up to 100%) of replacement value is the way to be certain you will not have to pay for reconstruction or repair costs if your home is destroyed or damaged. With costs rising, some policies include inflation guard endorsements, which automatically increase coverage. But even inflation guard endorsements may not be enough to maintain adequate coverage.

EXAMPLE:	Homeowner value is	$75,000
	80% coverage	60,000
	Actual coverage	40,000 (2/3 of 80% coverage)

Owner would receive 6,000 on a $9,000 loss

Be sure to stress adequate coverage of the property to protect the family and RD.

PERSONAL PROPERTY

How much are your possessions worth? Few people could list all their possessions, let alone estimate the value of their furniture, clothing, sporting goods, equipment, and appliances after a fire or tornado has destroyed everything. An inventory of your possessions is a must – and is a good project for a rainy afternoon.

In addition to the written record, it is a good idea to take photographs and videos of room furnishings and certain individual items. Your inventory and photographs/videos should be kept at a different location other than your home (maybe online). This inventory list should be updated as new items are acquired or others discarded.

Generally, the total amount of personal property coverage for household goods on the premises is 50% of the total real property coverage. If your home is worth $50,000, excluding land and foundation, and you have personal possessions worth an additional $5,000, it does not mean that you would have to have $55,000 worth of basic coverage. Because in a homeowner's policy, each $1.00 of protection in a standard policy includes 50 cents of protection for personal possessions. So, $50,000 worth of insurance would give you an additional $25,000 coverage for personal belongings. (Rates are only a sample.) Many people boost this coverage to 70% or 75% with additional protection.

The problem is that this coverage is not always as inclusive as it sounds.

Most policies insure personal property for its actual cash value at the time of damage or loss. Actual cash value equals replacement cost minus depreciation. For example, if the television set you bought five years ago for $450 was stolen, you would be paid the actual cash value of the stolen set, not the $450 of the cost to replace it. There is no way to predict ahead of time how much depreciation an assessor would take off on most items. You will not, however, receive enough to buy any items of similar type and quality.

Some companies also offer replacement cost coverage on personal property, eliminating the depreciation factor. This new coverage is known as "replacement cost" or "full value contents" endorsement. It is more expensive but may be worth the extra premium. Clothing is often exempt from replacement cost coverage.

As with real property, it is important to reassess the value of your personal property on an annual basis. Once you have everything listed, the annual “check-up” doesn’t take much time.

ADDITIONAL COVERAGE

In addition to coverage for your real and personal property, most homeowner’s policies provide for living expenses necessary to maintain a normal level of living while your home is being repaired or rebuilt. The amount is a percentage, generally 10% to 20%, of the total amount of coverage on the home.

A homeowner’s policy also protects the policyholder and family members in the household against liability claims. There are three types of protection.

1. “Personal liability” pays the legal costs of lawsuits involving bodily injury on or off your property as a result of your family’s activities. It also covers injury caused by an animal you own. If you are found liable for any damage or injury, payments will be made up to the policy limits, generally $100,000 per occurrence. Larger limits are available.
2. “Medical payments coverage” pays expenses resulting from injury on your property or residence or elsewhere if caused by a family member or pet.
3. “Supplementary coverage” applies to minor damage that you or someone in your family might accidentally cause to another person’s property, regardless of fault. Damage, whether accidental or intentional, caused by children under 13 years of age is covered.

POLICY CHOICES

Insurance companies provide different types of homeowner’s insurance. In guiding the families with their search for reasonably priced and adequate coverage, contact RD for their requirements and parameters regarding insurance.

Coverage varies with each form. Generally, the more protection offered, or perils insured against, the higher the premiums. Rates also vary with building material and location of property. Another way to save on the premium is to have a high deductible placed on your policy. Deductibles – or the amount you pay for damages before the insurance policy pays can range from $500 to $2,000. The higher the deductible is the lower the premiums will be. It may be to your advantage to cover big risks with insurance and smaller risks with personal cash reserves.

Coverage will also vary from company to company. It is easy to assume the policy covers specific perils without reading it to see if it actually does. This can be a costly assumption since coverages vary widely. For example, not all policies cover damage from bursting pipes. Too often, the person attempting to collect for damages finds coverage is inadequate or nonexistent. By becoming more informed about homeowner's insurance, you can decide on the amount and type of coverage you need and avoid unpleasant surprises if disaster should occur.

RURAL DEVELOPMENT INSURANCE REQUIREMENTS

Rural Development requires that the borrower furnishes and continually maintains hazard insurance on a property securing Rural Development loans, with companies, in amounts, and on terms and conditions acceptable to Rural Development until the loan is repaid. The borrower may select the insurance company, provided that the company and the policy comply with all the requirements of Rural Development. All policies must have a "loss payable clause" payable to Rural Housing Services to protect the government's interest.

RD will provide minimal insurance requirements.

Companies: Rural Development prefers that the companies are licensed to do business in the particular state or other jurisdiction where the property is located, or that the company be authorized by law to transact business within that state.

Standard Policy: Fire insurance policy that has been adopted by the state. A standard policy is one that contains standard provisions.

Homeowner's policies: All-inclusive policies are acceptable if they meet Rural Development's requirements.

Builder's Risk: Must name the borrower as the insured or a builder's risk endorsement for a policy issued to the borrower may be accepted during the period a building is under construction if the policy otherwise meets the requirements of Rural Development. A builder's risk policy or endorsement should automatically convert to full coverage when the building is completed, or insurance must be obtained simultaneously with the expiration of the builder's risk provisions of the policy.

Binders: Whenever there is a justifiable reason for not issuing a policy or endorsement, a written binder will be acceptable for a period not to exceed 60 days from the effective date of the insurance. The written binder must have the approved form of mortgage clause.

Losses: Loss deductible clauses may be for any one building and vary from location to location.

Insurance Information

REQUIREMENTS

Name and Location: The policy should contain the names of all the borrowers who are owners of the property being insured. The location of the property should be described so that the property can be easily identified.

Loss or Damage Covered: Buildings must be insured against loss by fire, lightning, windstorm, hail, explosion, riot, civil commotion, aircraft, vehicles, and smoke.

Effective Date of Insurance: Adequate insurance is required at the time the loan is closed so that the policy will properly insure the borrower and the mortgagees.

Term: Insurance is required for a term of at least one-year with evidence that a full year's premium is paid.

Mortgage Clause: The standard mortgage clause adopted by the state must be attached or printed in the policy. The mortgage clause notates that the lender is the "United States of America (Rural Housing Service)."

SHOPPING FOR INSURANCE

- ❖ Do comparison shopping before you purchase insurance. Get quotes from several insurance companies.
- ❖ When comparing prices, make sure you compare identical policies.
- ❖ Don't confuse price comparison with bargain hunting. A cheap policy may be no better than no insurance at all. Having a company that will honor claims is after all, why you have insurance.
- ❖ Use the same company for your auto and homeowner's insurance and you may be able to get a "multi-line" discount.
- ❖ Have a company, rather than the agent, bill you for the premium. Direct billing can cut costs by about 10% from your premium.
- ❖ Pay premiums annually. Taxes and insurance are paid into an escrow account and will be paid annually.

- Check your insurance policy annually to determine if coverage is up-to-date and meets current needs.
- Some insurance companies offer special rates to non-smokers or people whose property is equipped with burglar alarms, smoke detectors, and fire extinguishers.
- Make sure insurance coverage fits your needs.
- Know exactly what expenses your insurance will and will not cover.

Meeting VII:

The Basics of Banking & Family Budgeting

THE BASICS OF BANKING

OBJECTIVES:

This section of the manual may not be needed for every group. But there are many families that need this vital information to be a homeowner.

a. Why Use a Bank or Credit Union
b. Benefits of Budgeting
c. Benefits of a Checking Account
d. Benefits of a Savings Account
e. Establishing Credit
f. Your Credit Rating
g. Various Types of Credit
h. Basic Investment Products
i. Banking Terminology

To help self-help participants understand the need for family budgeting and to provide them with the steps and process required for sound financial planning.

a. Terms that homeowners and buyers should know
b. Why do you need a budget?
c. Fear of budgeting
d. Savings for emergencies, periodic expenses, and future needs
e. Steps to the successful family budget
f. Controlling the budget plan in action
g. The cost of credit
h. Maintaining a good credit rating

GAMES AND ACTIVITIES

a. Choice test to determine values
b. Your short and long term goals
c. Completing a sample budget
d. Completing your budget

POTENTIAL SPEAKERS:

a. Bank employee
b. Group Worker

OTHER RESOURCES:

a. Bank statements

NOTE: The costs and fees of banking vary from institution to institution. Over-draft, ATM and general account fees need to be considered when choosing your bank. All references to fees, interest on accounts, etc., in this section are only examples.

BASIC BANKING &
MANAGING YOUR FINANCES

"Things You Need To Know"

- Why Use a Bank or Credit Union
- Benefits of Budgeting
- Benefits of a Checking Account
- Benefits of a Savings Account
- Establishing Credit
- Your Credit Rating
- Various Types of Credit
- Basic Investment Products
- Banking Terminology

Why Use a Bank or Credit Union?

Banks and credit unions provide convenience, safety, proof of payment, and they help you to establish credit.

Your hard-earned dollars are much safer in a bank or credit union than carried on your person or in your pocketbook. A checking account lets you spend your money without having to carry large amounts of cash. Your cancelled check or share draft (credit union instrument) also provides proof of payment, similar to a receipt.

Whether you elect to use a bank or credit union, be sure to compare a bank's fees and rates to other banks. Similarly, you should also compare a credit union's fees and rates against other credit unions.

You should then do a comparison between the banks and credit unions in order to select whichever one best serves your needs.

Benefits of Budgeting

The budgeting process works with your current spending patterns and determines how you spend your money. It puts you in control of your funds and allows you to know where your money goes. While budgeting does track your expenditures, it also helps you to live within your means, promoting family unity and cooperation.

Why do it?

Lets you see "big picture" of your spending habits
Lets you see inter-relationships of your income and spending habits
Provides needed information to gain control over your finances
Helps you take a long-term view of income and expenses

Basic budgeting points

Record all expenses for the period budgeted
Keep all bills in one place
Develop a written schedule to pay your bills
Always pay yourself first (develop a savings plan)

Benefits of a Checking Account

The benefits of a checking account affords safety (no need to carry cash), provides proof of payment (same as a receipt) and is convenient. Some benefits are:

- Protects your cash
- Allows you easy access to your cash
- Starts a relationship between you and your bank
- Helps establish credit for loans, i.e., automobile, mortgage, personal and overdraft protection on your checking account. Naturally, any request for credit begins with the bank pulling your credit report.

While a checking account is considered the beginning of a long-term relationship with your bank, the convenience and safety it provides does not come without a "price tag," normally, in the form of fees. When looking for a bank or credit union, do some shopping. Your comparison should be based on convenience of the facility to your home or workplace; the hours available to allow you to do your banking, the online service and most importantly, the fees that the bank or credit union charges for providing the service to you.

Listed below are some of the services for which you may be charged a fee.

Ordering Checks and Deposit Tickets - while some institutions provide them for free, more and more banks are requiring you to pay for these items. The more elaborate the check design, the more it will cost.

Non-Sufficient Funds (N.S.F.) - when you overdraft your account (write a check that there are not enough funds in your account to pay for), all banks charge you for processing that check. The check may be paid as a courtesy to you if it is your first or second overdraft, but normally the check is stamped N.S.F. and returned to the payee (the person the check was written to) and you are charged a fee (normally between $15 - $30 or more. It may also be a percentage of the written check).

Check Writing - is normally free for an unlimited number of checks written; however, some banks may charge a modest fee for checks written over a specified number (i.e., 10 free and a per check fee over this amount).

Automated Teller Machines (ATM's) - normally no fee is charged for using your bank's own ATM. However, most banks charge a fee for withdrawal, deposit, transfer and/or inquiry if it is not your bank's ATM being utilized. This fee varies but can be costly if it is done regularly.

Account Maintenance Fee - what the bank charges you for record keeping associated with the activity in your account, i.e., posting of checks and deposits, transfers, inquiries and the rendering of a statement which is mailed to your home.

By no means have all fees been identified and that is why you should shop for the bank or credit union that best serves your needs, the same as if you were shopping for the best price on a pair of shoes. To achieve the full benefit of your checking account the following points should be followed.

Maintaining your personal checking account

- Recording Transactions
  - Record all checks as you write them
  - Record all debit card transactions
  - Record all ATM transactions
  - Record all ATM service charges
  - Record all overdraft charges
  - Record all deposits
  - Record all monthly service charges
  - Record the purchase of new checks ordered
  - Calculate and balance your checkbook

Normally, the back of your monthly checking account statement also provides a reconciliation sheet for this purpose.

It cannot be mentioned enough the need to balance your checking account activity on a monthly basis. After all, this is how you know what your balance is and keeps you from incurring overdrafts. The reconciliation will immediately point out whether you have made arithmetic errors, failed to record written checks, deposits, or ATM transactions. The most forgotten items that fail to get recorded in your check register are the bank's monthly account maintenance fee and the ATM transaction fees. For example, you make a $40 withdrawal at a foreign (not your own) bank’s ATM and the fee they charge is $5.00, you should record the transaction in your check register as $45.00 even though you only received $40 in cash.

Benefits of a Savings Account

Saving money is smart. It may not be easy to save regularly, but once you get started, good savings habits become a normal routine. A savings account offers you flexibility (ability to seize opportunities that you may otherwise miss), security (a sense of independence and to know that you are prepared for emergencies), improved credit (a well-maintained savings account helps you to establish and maintain credit) and provides a solid banking relationship. A savings account, like a checking account, is part of the foundation of your relationship with the bank.

When you decide to open a savings account at your bank or credit union (it is suggested that this occur with your next paycheck), be realistic but attempt to save as much as you can.

Ideally, you should open two savings accounts, one for your regular savings and the other for household maintenance and emergencies. Again, be realistic about the amount you can afford to save.

Treat your savings account(s) as a bill. If you are paid weekly, biweekly, monthly, etc., make deposits to your savings account(s) according to the frequency that you receive a paycheck.

Most jobs now provide direct deposit for their employees and allow for specific deductions to be directed to their savings, checking and installment loan accounts. Direct deposit removes the temptation to spend these funds unnecessarily or for other uses.

Did you know that ---

- ✓ If you started with your next paycheck (let's assume tomorrow) and saved $1 per day, in 5 years you would have saved $2,020.05.
- ✓ If your parent(s) had saved $1.00 every day since the day you were born, by the age of 18 you would have had $9,615.76 saved.
- ✓ If you save $1.00 every day starting at age 25, by the age of 65 you will have saved $36,013.11.
- ✓ If you save $1.00 every day starting at age 35, by the age of 65 you will have saved $21,146.95.

Note: The above assumes a 4% interest rate and monthly compounding.

The savings process

- Difficulties
  - * Absence of a plan or a contingency fund
  - * Other demands on your money
  - * A belief that others don't do it
  - * You just don't believe in it
- The Savings Plan
  - * Deposits should be made every time you are paid
- The Emergency Fund
  - * Should be equivalent of at least three month's salary
  - * To be used only for "emergencies," not as "extra" money
  - * Must be accessible
    - - Money Market account
    - - Savings account
  - * May be funded through income from part-time job

Establishing Credit

While credit has many uses, good credit allows you to have money now based on your ability to repay later. Credit means security, knowing that funds needed later will be available to you. Credit is also a serious personal commitment and a legal contract once you enter into the terms of a credit agreement.

When you need credit, be sure to shop for the best rates and be certain to use your credit responsibly. Most financial institutions look at the "Five C's" of credit. The five "C's" are character, capacity, condition, capital and collateral. However, simply stated, the customer must demonstrate the ability and willingness to repay the loan. Without either, the loan will likely result in a bad loan. It is important to note that the key to building a good credit history is making payments, as required, on all of your accounts every month. By doing so, you are showing future creditors that you are responsible enough to honor your debts.

When you cannot afford to pay cash for the items you want or need immediately, you may decide that borrowing is the method you want to utilize. Keep in mind that there are right and wrong reasons to borrow. Borrowing for the right reasons can be advantageous, i.e., credit is good for larger items that are not routine such as:

- ✓ You want to purchase a new home, automobile, or household furniture.
- ✓ You need funds for unexpected medical bills.
- ✓ You must pay for college tuition.
- ✓ You must pay for expenses associated with the loss of a loved one.

You may have many more good reasons to borrow, however, never lose sight of the fact that your ability to repay as agreed is of paramount importance. When you borrow for some of the following reasons, you should question the need to do so if:

- ✓ You require money for items or services immediately, but repayment as agreed looks very doubtful.
- ✓ You want to buy merely because the repayment terms are easy, not because the purchase is necessary.
- ✓ You currently live far beyond your income and borrowing seems like the way to catch up on your current debts.
- ✓ You plan to borrow long term for an investment with short-term benefits, i.e. an expensive summer vacation that could take four to five years to pay off.
- ✓ You should never borrow money for consumables (food) or for household operating expenses (utilities - gas, electric, telephone, etc.). These are not good reasons for borrowing on credit, especially when you have other more pressing debts or obligations.

Your Credit Rating

Maintaining a good credit rating is essential and it establishes that you have taken responsibility for your past obligations. It also is a measure of whether you are likely to repay your debts in the future. A loan, credit card or other obligation represents a contract between you and the creditor and is always in your best interest that it is honored.

Some specific guidelines that will help you maintain good credit ratings are:
- ✓ Do not take on an excessive amount of debt.
- ✓ Be sure that you know what you can afford.
- ✓ Have eight (8) to twelve (12) weeks' pay in reserve for emergencies.
- ✓ Pay bills on time (as agreed to in the contract).
- ✓ Always be honest in terms of application information.

If you have trouble paying because of an unforeseen occurrence (sickness, illness, layoff, etc.):
- ✓ Call your creditor immediately and explain the situation.
- ✓ Attempt to have your payment schedule adjusted to fit your new situation.
- ✓ Get your new agreement in writing.

A good credit rating is important and can only be earned and protected by you.

The three main credit bureaus Transunion, Experian, Equifax, collect and maintain credit data on you, and as such, you should periodically request and review your credit report. You may request a free credit report every 12 months from www.freecreditreport.com. Any errors noted in the information being reported should be resolved with the creditor who has reported that information.

It should be remembered that anytime you apply for a loan or credit, you have automatically given the creditor permission to access your credit file. Unfavorable information in your credit file that is seven (7) years old is legally obsolete and should not be included in your current credit report. The Fair Credit Reporting Act prohibits this information. Information covered under this act includes paid suits, paid judgements, paid tax liens, accounts placed into collection or written off, arrests, indictments, and convictions. Bankruptcies are considered obsolete after ten (10) years.

While creditors have legal rights that protect them, you also have legal rights as a borrower. The current laws that protect you, the borrower, include:

- ✓ Equal Credit Opportunity Act
- ✓ Fair Credit Reporting Act
- ✓ Fair Credit Billing Act
- ✓ Truth in Lending Act
- ✓ Fair Debt Collections Practices Act

If necessary, a credit counselor or counseling service can further define the specifics of the laws mentioned above.

Various Types of Credit

There are many types of personal or installment credit loans available to you through financial institutions. These loans are usually considered either secured or unsecured.

A *secured loan* is one that is pledged by the value of your property, should you not repay the loan. Example: You borrow funds to purchase an automobile and default on the repayment agreement. The bank or financial institution has the right to repossess and sell the automobile and demand payment from you for the difference (money lost on the sale) between your loan balance and the sale price of the car.

An *unsecured loan* is one that is granted on the strength of the borrower's credit history, earnings potential and assets owned. These types of loans are backed only by the borrower's promise to pay. The loan is finalized by the signing of a promissory note. Examples are:

Revolving and/or Lines of Credit - allow instant access to needed funds. Once a revolving line of credit, usually in the form of a credit card, has been approved and a credit limit established it is yours to draw upon as often as you desire. As you repay what you have withdrawn from your line of credit, your funds revolve and become available for use again.

Overdraft Line of Credit - Most banks offer this type of credit as an option to your checking account. The loan is activated when you write a personal check that is larger than your checking account balance. The needed funds are automatically transferred from your line of credit to your checking account. There are also separate lines of credit that are not associated with your checking account that is accessed by writing a special check.

Home Equity Credit Lines - are established against your home. If you are a homeowner with sufficient equity in your home, you may be able to secure a home equity credit line. It offers larger sums of money at lower rates than most other installment loans or credit lines. The amount of money you can borrow is a percentage of the appraised value of your home, minus the mortgage balance. Access to this line can either be through check, telephone request or some other means.

Credit Card - is a payment card that is issued to a person for making retail purchases and/or cash advances from a credit line that has been approved by the lending institution. You are billed monthly for your purchases, and you normally make payments as requested by that billing. These cards which normally are unsecured offer continuing credit convenience. They may be used as often as you wish within your credit limit. For this privilege you may have to pay an annual fee. As stated previously they do not require repayment in full at any specific time. Instead, payment schedules are offered on a monthly payment basis with a minimum payment requirement that includes interest on any unpaid balance. To avoid paying interest you must pay the full balance due within 30 days.

Debit Card - is also a payment card, however, funds are drawn from your checking or savings account immediately. You should therefore record and deduct these purchase amounts in your checkbook register at the time of purchase.

When applying for a credit card you should shop for the best rates and fees. The cost of the credit card is paid in the form of rates and associated fees.

NOTE: Special care must be taken with the use of credit cards. Today, it is the fastest type of debt that confronts most consumers. It is very easy to run up large debts using a credit card. Repayment of the minimum amount each month will make this a long-term debt.

Did you know that:

- ✓ If you have a credit card balance of $500, and you do not make additional purchases and pay the minimum amount of $10 on time each month, it will take you 93 months (7 years and 9 months) to pay off the balance.

Note: an interest rate of 18% was assumed.

You normally choose the type of installment loan you prefer. When requesting an unsecured loan your credit history must be very good and you must have strong potential to repay with sufficient continuing income.

Basic Investment Products

Described below are some basic investment products that may be of interest to you. Most financial institutions have these or a variation of these products in their offerings to the public. The names of these types of accounts may differ among financial institutions.

Money Market Account

A classic Money Market Account is an investment account that pays money market interest rates on balances of $500 or greater.

Premium Money Market Account

Investment account that pays premium money market interest rates on balances of $10,000 and above.

Certificate of Deposit

A negotiable instrument that has an automatic renewal feature offers competitive rates and can be for a term of 3 to 120 months.

Individual Retirement Accounts

Certificates of deposit, which offer competitive, fixed rates and a wide variety of terms. Some even have the option of increasing the rate once during the term if rates should rise. Some are single maturity instruments whereby the return is tied to the Standard & Poor's 500 index. Some also accept additional deposits either through a branch or by pre-authorized transfer of funds from your checking or savings account and some permit the investment of funds into: stocks, bonds, mutual funds, zero-coupon bonds, and precious metal certificates; normally through a brokerage firm.

Mutual Funds

Mutual Funds combine money from many investors and invest in different types of securities, depending on the fund's investment goals.

Banking Terminology

A numbering system devised to provide a unique identification for banks. The code structure also identifies the appropriate Federal Reserve Bank and branch.

ABA Number	The cost of credit on a yearly basis expressed as a percentage.
Annual Percentage Rate (APR)	An annualized rate that expresses the rate of return on a deposit account, and reflects the total amount of interest paid on an account based on the interest rate frequency of compounding.
Annual Percentage Yield (APY)	A contract between an insurance company and an individual. Usually used as an investment vehicle when a customer's objective is retirement.
Annuity	The portion of your account balance on which the bank has placed no restrictions, making it available for immediate withdrawal.
Available Balance	The portion of your account balance on which the bank has placed no restrictions, making it available for immediate withdrawal.
Check	An order upon a bank, to be drawn on a deposit of funds, for the payment of a certain sum of money to a person named or to a bearer and payable on demand
Credit	Depositing money into your account.
Debit	Taking money out of your account.
Demand Deposit	A checking account.

Account (DDA)

Direct Deposit	A process that credits your bank account directly for a payment due, without the use of a check (e.g., Social Security, pension, payroll, etc.)
Endorse	To write your name on the back of a check in order to obtain the cash or credit represented on the face.
Equity	The difference between the appraised or market value of a property and the homeowner's outstanding mortgage balance.
Float	An out-of-state check is deposited, and the money is not available for 1-3 business days while the check is verified and money received from the bank on which the check is drawn.
Interest	A percentage paid by the bank to you for the use of your funds (money paid to you for the use of your funds).
On-Us Checks	Checks which are drawn on the bank that is processing them.
Over-draft	A negative (minus) balance in your account, a check written in an amount greater that your balance, or NSF (non-sufficient funds).
Post-Dated Check	A check written for a future date (not acceptable by the bank).
Split Deposit	A process whereby you are using a check for more than one transaction (e.g., depositing a portion and getting cash back, depositing all funds into more than one account and not receiving any funds back, etc.).
Stale-Dated	Any check dated six months or more before it is presented for cashing (these are not acceptable).
Stop Payment	A written order, issued by you, instructing the bank to refuse payment of a specific check drawn on your account.

Uncollected Funds That portion of your deposit, which includes checks, that are not immediately available for withdrawal.

Withdrawal The act of taking cash out of your account.

FAMILY BUDGETING

TERMS THAT HOMEOWNERS AND BUYERS SHOULD KNOW

Add-On Interest: the total interest for the life of the loan, added at the outset to the face amount.

Amortization: periodic payments that gradually pay off a loan.

Appraisal: estimation of value.

Appreciation: increase in value.

Assessment: value placed on property for the purpose of taxation.

Cash Value: the price an item might be expected to bring if sold at current wholesale cost.

Closing Costs: the expenses, such as lawyers' fees, that must be paid before title to property is transferred.

Collateral: security, such as a car title, pledged for the payment of an obligation/debt.

Conditional Sales Agreement: a contract that gives the seller the right to repossess the item sold if the buyer defaults on payments.

Conditional Loan: a loan to combine debts already incurred and to permit systematic reduction of indebtedness by means of one monthly payment to a single creditor.

Contract: binding agreement of sale.

Credit: financial trustworthiness that allows buyers to receive goods and services and pay for them in the future (deferred payment).

Credit Disability Insurance: a plan designed to make loan payments in the event a borrower becomes disabled due to an accident or illness which continues for usually more than 30 days.

Credit Life Insurance: a plan designed to pay off the principal loan balance plus interest in the event of the borrower's death.

Creditor: bank or individual to whom money is owed.

Deed: a written transfer of title to property.

Default: failure to pay.

Depreciation: decrease in value.

Discount Interest: the total amount of interest charged for the repayment period which is deducted in advance from a loan, so that the money actually received by the borrower is less than the amount of the loan.

Escrow: deposit of funds for future use (usually for taxes or insurance).

Equity: the dollar value of property minus the amount owed to the lender.

Fixed Expenses: expenses in a budget that occur on a regular basis and in the same amount each month (such as a mortgage or installment loan payment).

Fixed Rate Loan: a loan that guarantees you a constant rate for the term of the loan. You know exactly how much your monthly payment will be, and the number of payments needed to pay off the loan.

Foreclosure: forced sale of property to secure payment of loan.

Insurance: protection from loss.

Interest: the amount of money charged for the use of borrowed money; usually expressed as a percentage rate.

Lien: a claim (encumbrance) against property.

Liabilities: debts of a business or person.

Mortgage: a pledge of property used to secure a loan.

Mortgagor: borrower.

Net Worth: all assets minus all liabilities (debts).

Personal Convenience Credit: consumption of goods by a borrower who does not presently have the money to pay for what is being purchased.

Principal: the amount of money borrowed.

Solvency: the ability to pay bills as they fall due.

Spendable Income: income that can be used to meet present needs and obligations.

Taxes: charges set by local, state, and federal governments to provide public services.

Title: documented evidence of ownership.

True Interest: the rate, as a percentage of a fixed principal amount, charged for the use of that sum of money for a full year (often called actual or simple interest).

Usury: the charging of an excessive, or illegal, rate of interest.

Variable Expenses: usually regular expenses in a budget, which vary in amount month-to-month.

Variable Rate Loan: the monthly payment usually remains constant, although the term of the loan may fluctuate depending on whether the interest rate increases or decreases during the life of the loan.

B. WHY DO YOU NEED A BUDGET?

Behind every successful family is a budget. A budget helps you live within your income and to live without financial worry by better management of family finances. The more the cost of living goes up, the more vital it becomes for a family to wisely manage its money. Budgeting means that you will:

- Make money management a joint venture from the start.
- Face money matters frankly.
- Consider others' wishes.
- Agree on a realistic spending plan.
- Stick to your budget until your plan works.
- Adjust your plan as circumstances change.

It's smart to live within your income. Some people seem to have the knack of making ends meet, while others in the same circumstance are often pinched for money. The difference is that some know how to manage their money and have learned the importance of planning. For a plan to succeed in a family there must be communication about money problems.

Most of us misuse our spending power and waste a great deal of money; we don't spend it for what we really need. About one dollar in five of the average consumer's income is wasted because of poor choices in food, clothing, household items and similar purchases.

Financial control and budgeting consist of learning how you spend your money and then changing those patterns to suit your goals.

C. FEAR OF BUDGETING

Some of the elements in fear of budgeting are:

1. Fear that our secrets, even the ones we've kept from ourselves, will be revealed.
2. Fear that we will fail and will have to add this failure to all the plans of attempted diets, physical fitness programs, and other self-disciplinary measures we've hidden away in a bottom drawer or in the back of our minds.
3. Fear that we will have to stop spending. We've managed somehow to support a host of minor indulgences, and maybe now we'll have to be logical and not enjoy them anymore.

You don't need to be afraid of any of these reasons. With good budgeting, you normally have to give up only the spending that doesn't buy you much satisfaction in order to have enough to purchase more of the things that will really give you satisfaction.

It is gratifying to have a salesperson pay attention to us. There is a pleasure in being able to plunk money down or whip out a credit card. However, we should be aware that the pleasure of being a big spender is short-lived and costly. Whatever you spend money for will force you to give up something else. You can only spend money once. When you are tempted to spend it on something you don't need or aren't truly sure you want, keep in mind that this purchase displaces something that could be more important to you.

Budgeting will not make you lose any privacy. You can have as much privacy as you like. Maybe you don't want to know how much income is going to nicotine, or alcohol, or whatever your compulsion is. Budgeting won't require examining the details of your spending any more closely than you want to. The emphasis should be on what you really need, not on what you shouldn't do.

Don't worry about failing in a budget. Keep in mind that you are not setting out to be perfect, but just to keep a record of your spending. Don't accept the idea that if you keep track of money, you are immediately going to stop spending money on some of the things you don't really need. You won't have to act like a world champion miser.

In order to prepare a budget, you need to know how much money you are spending and how you spend it. Sometimes, we create money traps for ourselves because of quirks in our approach to spending. Sometimes we don't know how to cope with advertising pressures. Sometimes we don't communicate effectively with others. All of these traps can add up to dollars gone astray. There is no denying the value of good impressions, but we can easily become persuaded to overrate the value of a perfectly kept environment or an uncompromisingly fashionable wardrobe. Sometimes we are unable to think well of ourselves if the upholstery on the couch is worn, if our clothes are ill-fitting or out-of-date, or if our car carries an accumulation of rusted dents and a taillight held on with masking tape. We refuse to believe that others will think we are trying to conserve money. Instead, we respond as if we're sure they're thinking we're lazy or just don't know any better.

You will, of course, want to have your personal surroundings reasonably well maintained. Nevertheless, you should be in charge. You should be making the decisions rather than acting on response to the notion that you must always have top-notch clothes, household furnishing, and a car to impress the neighbors.

You can save a lot of money by understanding some of the concepts behind advertising and how they are designed to persuade us to buy. This understanding can help us resist advertising for things we don't really need or want. Advertisers work hard at getting us to part with our dollars. Advertising can appeal to our dreams, to our fears, and our need to be accepted by others.

Although we may not want to recognize the fact, most of us are not good all-around shoppers. If you think careful shopping is just a matter of saving pennies and dimes, you're wrong. Hurried or unwise purchases can add up to a big chunk of useless spending. You can lose money when you buy something that really doesn't suit your purpose or when you buy the right thing but pay more for it than needed.

D. SAVINGS FOR EMERGENCIES, PERIODIC EXPENSES & FUTURE NEEDS

Establishing a savings program is as important in your overall financial system as controlling your expenditures. It's not going to get easier to save when you earn more, especially if you've fallen into the trap of not exerting control over your finances. Overspending leads to a dangerous cycle: need forces you to borrow money at high interest rates, pushing you deeper and deeper into debt. Setting aside a fixed amount each month is the best way to develop sound financial discipline. The amount you set aside is not as important as learning to save a fixed amount on a regular basis. Savings should be budgeted as carefully as housing and food expenses.

How much savings is enough? You don't have to worry about having too much money saved -–there's no such thing. You need enough savings to have a cushion in case of emergency and to pay those bills that come only every 6 or 12 months, such as insurance on your car. You may need some money for your moving expenses when you finish constructing your home and you will periodically need money for appliances and other items.

If you know your financial discipline is weak, a painless way to save is to join a company savings or investment plan, if offered by your employer. A company savings plan operates on the principle that you won't miss what you never had in your pocket. The company automatically deducts your savings amount from your paycheck and invests it for you. You can usually withdraw all or a portion of the savings when you need it.

If you deposit your paycheck in a checking account and then pay your bills and promptly spend what's left over, you will find saving any amount nearly impossible. Therefore, financial planners recommend a system called "Paying yourself first." As soon as you receive and deposit your paycheck, write a check to yourself for the amount you want to save. Deposit it in your savings account.

E. STEPS TO THE SUCCESSFUL FAMILY BUDGET

Realistically, a budget would exist if only three steps were carried out: estimate income, estimate expenditures and bring expenditures and incomes into balance. However, if given only these instructions, most people would not know how to proceed, and the resulting budget would probably not be successful. We recommend using five steps in budgeting:

1. List commodities and services needed and wanted by family members.
2. Estimate the costs of the desired items, totaling each classification and the budget as a whole.
3. Estimate the total expected income.
4. Bring expected income and expenditures into balance.
5. Review and monitor the plan to see that it has a reasonable chance of success.

These steps require fundamental decisions and for that reason budgeting is not easy. But it should result in a realistic plan for the family's use of money and related resources, and one which can be easily checked to determine your progress towards a goal. This approach places emphasis on family goals rather than on limited resources. The limits of resources must be faced, but this is easier once the family has evaluated the importance of various items to its members. An individual or family must sit down with a pad and pencil and, with intelligent, cooperative effort, write down the various amounts to be budgeted for the coming months to cover all their expenses. The budget should come from their own experiences and should be tailored to their income and situation. It should be geared to their individual goals.

Even the most rudimentary budget is not complete until expected expenditures are totaled. Since needed and desired goods and services ordinarily add up to more than the expected income, two approaches are possible to bring the two into balance. One can either increase the income or cut expenditures.

To increase income, some families take on extra jobs at night or at weekends. If the budget is balanced by increasing the income available, the effect upon the use of other resources and upon the welfare of the family should be taken into consideration.

Although you may, through choice or by force of circumstances, decide to use the second method of balancing the budget, there are several possible ways to overcome the problem.

- Cut a "little here and a little there" by retaining all the items originally included in the budget, but reducing the amount allowed for each. Food is a good example of how small savings accumulate. A budget does not necessarily make one a better buyer but is surprising how such a plan can serve as an incentive to acquire knowledge, to weigh choices in the grocery store, and to search for "good buys."
- Certain items far down on the list in order of importance or listed as "nice but not necessary" may be eliminated completely.
- Some of the desired commodities and services may be acquired through direct means rather than the use of money. If the wife currently gets her hair colored regularly, she may be able to achieve the desired results with home coloring kits instead of spending money at a beauty parlor. The husband may cut his lunch costs by carrying his lunch from home.

Of course, a family may use a combination of all three of these methods of cutting costs. The important point to remember is that as far as possible, cuts should be made in such a way as to retain those commodities and services which are of greatest importance to family members.

The budget cannot be considered balanced, however, until the proposed expenditures and savings are mathematically equal to the anticipated income. Unless this is done, one is likely to avoid decisions as to what items are to be omitted and included. From the control standpoint, it is important that these decisions and the alternatives considered be clearly recognized.

The fifth step in making a budget is to review and monitor the plans to see that they have a reasonable chance of success. The plans should be checked by considering the following factors: the particular needs of the family as a whole and its individual members; possible emergencies; the solvency of the family at all times; the effect of social forces; and the long-term plans for the family.

When the balance has been struck and the budget has assumed a somewhat stable form, it is important to appraise it to see whether it really meets the needs of the family for which it is intended and how realistic it is. Seeing the budget in perspective gives the entire group an opportunity to see the kind of life they are "buying" for themselves and to visualize the resulting satisfactions.

No matter how thoughtfully a plan is made and how carefully the costs are estimated, it is impossible to foresee accurately all demands for a period of months. Therefore, the budget must allow for emergencies.

Solvency is the ability to pay bills or debts as they fall due. Even though total annual income may be greater than proposed expenditures, families sometimes commit themselves too heavily in a limited span of time. The family needs to look forward to large, occasional expenses, such as annual insurance premiums, so that the needed total can be accumulated.

F. CONTROLLING THE BUDGET PLAN IN ACTION

As with all types of management, plans are unlikely to be carried out successfully unless some control is carried out. This is particularly true with a complex plan such as a budget. Control in financial management is usually of two types: first, assessing how well the plan is progressing; and second, adjusting where necessary.

Assessing is of great importance since it helps one keep in mind the decisions which were made in the planning stage and gives one the assurance of knowing whether adjustments are needed. Several kinds of assessments may be devised.

Among the most valuable devices for assessing are those that are applied to current expenditures to avoid overspending before it occurs. If $8 per day is allowed for the husband's lunch, and he spends $10 today, he will have to reduce tomorrow's lunch to $2 in order to stay within the budget.

A second major method of assessing the budget as it is put into action is the use of records, which show the distribution of money after expenditures are made. Such records can be quite casual, such as the keeping of receipts and the record of checks written, or they can consist of formal and detailed accounts. For a family, the purpose of records is to show the distribution of money that has been spent, and to compare the amounts spent with the amounts allocated to a budget category. The individual who keeps the budget books/records should honestly and faithfully make every effort to keep them accurate and up to date. Don't try to keep an exact record of every penny you spend. It is not unusual for there to be an occasional "mysterious disappearance" of a few dollars, and the attempt to trace them down is a waste of time. By following this policy, you avoid petty bickering and distressing arguments.

Adjusting is the second major method of controlling financial plans in action. This is a normal procedure. Too often people forget that they originally made the plan, and they have the right to adjust it if they wish. Adjustments may be needed for several reasons.

First, if the original planning was poor, changes will have to be made in carrying it out so that the family can achieve their goals. The plan may have been poor because income was overestimated, expenditures underestimated, or the plan did not express the family's real interests. When checking makes these faults apparent, new decisions must be made to correct the errors and revise the plan.

Plans may also have to be remade because of factors beyond the family's control. If the original plans are flexible and allow for emergencies, such control will be easier. Serious illness in the family or the death of a relative might be reasons for changing the original plans.

Another reason that plans may need changing is that the family may not have set up positive methods for checking such as were suggested in the first type of control. The family therefore may not realize that their plan is not functioning smoothly until there is a considerable gap between the plan and its execution.

Adjustments in the control step consist of decisions as to whether the original plan should be followed, completely revised, or merely somewhat altered. Changes should be compared with long-term goals and the resources still available must be recognized. By the time the need for adjustment is seen, some of the resources will have been used and the new choices must be based not on what one might have done with the original amount, but rather on what is the best use of the remaining funds.

As in all management, evaluation of the use of money should be based on the family's goals. Are these goals being achieved, or is progress being made toward their achievement?

The purpose of the evaluation process in money management should always be kept clearly in mind – the family is attempting to see how well it has achieved both its specific goals dealing with money and its more general goals for family living.

G. THE COST OF CREDIT

When we purchase something on credit, we receive the goods or service now and pay for them in the future. We usually make monthly payments and are charged interest by the creditor. There are two kinds of interest payments: one that hurts some and one that hurts much more. When you obtain credit from a bank, credit union, finance company, or retail store, do you know the true amount of interest that you are actually paying? If interest is charged at 10% on the beginning amount owed and included in the 12 equal, monthly payments, the true rate of interest you are paying is almost 18%.

TYPICAL INTEREST CHARGES

Add-On Interest:

If Charged:	**Actual Annual Rate is:**
$ 8 per $100 (or 8% per year)	14.45%
$10 per $100 (or 10% per year)	17.97%
$12 per $100 (or 12% per year)	21.46%

Now let's take a look at the results if interest is charged on the unpaid balanced owed:

If Charged:	**Actual Annual Rate is:**
1% per month on unpaid balance	12%
1¼% per month on unpaid balance	15%
1½% per month on unpaid balance	18%

Suppose you purchase an $800 refrigerator and make a down payment of $40. The contract calls for 12% to be charged on the balance of $760 payable in 12 monthly payments of $70.93 each. How much are you paying for interest? What is the actual rate you are paying? Here are your answers:

Multiply $70.93 x 12	$851.16
Subtract amount financed	760.00
Add-on Interest	91.16
Actual rate of interest paid	21.46%

Perhaps you are not yet convinced that you are paying more than 12% interest in the above example. First of all, you must understand that you are paying 12% on the full $760 balance. Next, you must remember that as you are making your regular monthly payments, the balance is being reduced, but not the interest. For example, after making 11 payments with only one payment left, your interest for the last months is based on $760 and not $70.93. In the illustration above, the element of interest is better known as "ADD-ON INTEREST."

As you can see from the above illustration, "ADD-ON INTERST" is expensive. If this is so, then what is the alternative? Or to put it another way, what is the best method of reducing the cost of interest? The better way to buy a car or a refrigerator is to borrow money on a straight loan, if possible. The reason is very simple – the interest whether it is 8%, 10%, or 12%, is based on the BALANCE due and does not involve the element of "ADD-ON INTEREST."

It pays to shop for the best interest rates; but most people seem so eager to get their hands on a new car, appliance, etc. that they accept the first installment contract proposal offered and only ask how much the monthly payments will be. In arranging for a time-payment contract, first find out the actual cash delivered price, and then deduct the trade-in or down payment you are making. The balance is the amount you owe. Then ask for the total finance charge on the balance, for say a thirty-six-month contract. The actual amount of this charge is what you should consider carefully. Compare it with the finance "package" offered by a second lender – a bank or another finance company. That way you will be sure that you are getting the best deal and you may be able to save a considerable amount of interest.

The best way to save interest is to pay cash for the item. If you don't have the cash, then perhaps, using a budget, you can organize your priorities and formulate a plan to save the required amount of cash to pay for the item. This may not be easy, but with patience, determination, frugality, and time, you can do it.

The use of credit can either make your money management system function smoothly or keep you awake with nightmares. It all depends on how you keep your credit under control.

H. MAINTAINING A GOOD CREDIT RATING

The dictionary defines credit as trust or good reputation. If you need to borrow money to purchase an item that you can't pay cash for, a bank, credit union or finance company will not loan you the money unless they feel you are trustworthy and will repay the loan as agreed upon. They will often obtain your credit report before deciding to lend you the money.

Companies called consumer reporting agencies (CRAs) compile files of credit information on consumers and make money by selling this information to lenders, insurance companies, or employers. Creditors supply this information to the consumer reporting agencies.

If you have ever applied for a mortgage or credit card, a personal loan, insurance coverage, financing for a major purchase such as a car, or even put in a job application, then at least one consumer reporting agency is keeping a file on you. Your file may contain information on debts, how you paid (or are paying) them, whether you've ever been sued, or have ever filed for bankruptcy. Information such as where you live and work, how promptly you pay for bills, and how often you've been turned down for loans, credit cards, or insurance is also usually included in these reports.

If your report contains inaccurate or incomplete data, you can challenge it. The CRA is required to investigate the information in question and report back to you within 30 days.

If the CRA agrees with you, request that the corrected information be supplied to any creditor who requested a report on you in the last six months. A good credit record is something to be proud of and should be protected as you go through life. If you have a good credit record, you can usually borrow the funds you really need for any worthwhile purchase. If you have a bad credit record, you may not be able to borrow the funds you need, even in an emergency.

When you have an installment debt, punctuality and regularity of payments is essential to keep you in good standing. The way to maintain your credit standing is very simple: meet every payment promptly.

Whenever you must delay payment, notify your creditor that you are temporarily unable to pay and assure the creditor of your intention to do so as soon as you can. First, be completely candid and explain your problem. Try to continue to make some sort of payment. This may give you some time. Sometimes, you can work out a revised payment schedule with the creditor without damaging your credit record. But, if you just skip a payment without contacting the creditor, you have probably created a damaging entry in your credit record.

The question is often asked: How do I get credit and establish a good credit rating if I have never had any? Department stores and credit unions are often a little more lenient in granting credit than most banks. You might obtain a store credit card and make some small purchases on credit. If you pay the charge accounts on time, you are on your way to establishing a good credit record.

Making Spending Choices - "The Bean Game"

Present this activity as an opportunity to practice budgeting without spending a dime. Instead participants will receive a twenty-bean budget to spend. You can conduct the game on an individual or small group basis. If you are teaching more than six people, form small groups of three-to-five people. Each group should consider itself a family, defining its structure and needs as the game proceeds.

Give each individual or group a set of game cards and twenty beans. Tell them to go through the cards and mark their selection in the categories they choose with beans. The boxes indicate how many beans that choice costs.

Group members may change their minds about how many beans to spend on a category as they go through the game cards. Beans can be moved around until the group comes to a final set of choices, but the group members must come to an agreement about how beans are spent. Group members may think of situations not covered by the game card categories and add their own. They may also spend more or fewer beans than suggested on a particular item if they can justify their reasons.

After group members have decided how to spend their twenty-bean budget, give them a new scenario: One family member just lost his or her job, so their budget is now thirteen beans. Instruct groups to go back to their game cards and adjust their spending to that level. Each group should return seven beans to you after making new choices. Remind group members that they must come to an agreement on their final choices.

Discussion:

After the game is completed, use the following list of sample questions to discuss the activity.

1. If you had played the game on your own, would the beans have been spent differently?

2. Compare your decisions to those of other groups. How similar or different were the choices? How did the values, goals, and past experiences of group members affect choices?

3. Did any groups include savings in their budgets? In what round?

4. When you cut back to a thirteen-bean budget, did you change some of your choices to use non-monetary resources such as time, skills, or community services instead of spending beans for that category? Share the examples.

J. YOUR SHORT AND LONG-TERM GOALS

Whether they realize it or not, families are constantly making choices and decisions. Most families are not aware why they make the choices they do, but something influences them in making even simple choices. These influences are their values, goals, and standards. These three factors are closely related to one another, but "values" is the key term of the trilogy. From values our goals and standards are created, although they also influence our values.

Values are concepts that are important to an individual, such as happiness or health. Goals are more specific; they signify something definite toward which one works.

The purpose of attempting to make a list of family goals is to first arouse awareness that they exist and that it is possible to attain them. Secondly, to present a plan to achieve them. Families should define their goals enough so that the goals provide direction and motivation. It is very important that the family chooses its own goals and that all members accept them. Some differences of opinion is possible, but many family goals require a group effort to be achieved. There can also be problems in a family that has strong leadership because the goals of the leader may be falsely taken as the goals of the family. Yet to get action from all members, there must be a common goal. A goal of homeownership is possible for most families only if all members are willing to follow the plan and spend accordingly.

Even when the members of a family agree on values, they may need to go through much deliberation to select their goals. Goals sometimes compete so it is important for a family to choose realistic goals that are possible to achieve within a reasonable time. A realistic goal has a greater chance of being achieved.

A family must realize that daily action may be necessary to reach a relatively long-term goal. The more specific a goal is, the more apt an individual or family is to work toward it. A family planning for homeownership must first face the settlement, insurance, and moving costs. If those cannot be met, it is pointless to consider the additional costs of homeownership. If, however, if they say: "We can save $80 a month if one person takes lunch to work, we plan less expensive meals and if the kids get their own jobs and provide their own spending money and pays for some of their own clothes," they are indicating their willingness to take the action necessary to reach the goal.

L. COMPLETING YOUR BUDGET

The first step in completing a spending plan (budget) is to list the commodities and services needed and wanted by the family throughout the proposed budget period. A year is the usual period since a shorter period would fail to reveal the need for spreading out the occasional large expenses such as insurance. A longer period on the other hand is beyond the grasp of most families. Look over the budgeting plan for expenses and add, subtract or change any of the spending categories to have them meet the needs and goals for your family. Categories should be combined when possible. For example, if non-food items such as laundry and cleaning supplies are purchased at the supermarket, these items should be combined with the food category to make the accounting process simpler.

On a blank sheet of paper show expenses, re-list the budget categories in order of decreasing importance for your family. This will be a help if you later decide that the amount of money for a category must be decreased or eliminated.

The next step in preparing your budget is to estimate the cost of each budget category and to note what month the expenditure is likely to occur if the expense occurs only periodically. If you are making a budget for the first time, this step will require a lot of thought and research. You will need to gather cost information from old check registers, bills, etc. It may be necessary to keep records of routine costs for a few weeks. Making a budget for a year cannot usually be accomplished in one sitting. Gathering information on costs is tedious, but essential to the success of the family budget. It is recommended that you keep supplemental sheets showing how you computed the amount for each budget category.

Once the estimates are completed, each category should be computed to arrive at a yearly total for each category and then down for a yearly total of all categories. It is inevitable that the total estimated costs would be greater than the available income.

Now that we have a spending plan, it is time to look at the income. The income that is estimated in this step should not be too optimistic or too pessimistic, try to make it as realistic as possible. On the form for income, list the sources and amounts of net income for each member of the family. If the money Johnny earns from his paper route is considered his allowance, the family, including Johnny, needs to think of it in relation to the entire family budget in order to come to some decision as to what items will be paid from the allowance. This does not mean that Johnny is told how to spend his allowance, but rather he understands that his own money is to cover certain items.

Once the estimates for all income are completed, each category should be computed to arrive at a yearly total for each category and then down for a yearly total for all sources of income.

The last stage of preparing a spending plan or budget is to bring the total estimated expenses in line with the total estimated income. Compare your estimated expenses with your income and determine how many dollars you need to cut from the estimated expenses or add to the estimated income, to have the two agree.

Go back and look at the estimated income and make sure you have not forgotten to list any sources. To increase the income might normally mean taking on an extra job, but since you will be building your home, the time may not be available during this first year of the budget.

Another way to temporarily increase income is with the use of credit. Many families are willing to use credit to obtain articles for which they would otherwise have to wait. Families may well consider credit as a means of balancing the budget either here in the planning step or in the future during the controlling step. A family may decide that the cost of credit is worth it when purchasing an item that has a large price tag, especially when considering the cost of providing the same service to the family if the item is not owned, i.e. washer and dryer vs. using a laundromat. The family must make the final choice based upon their own values and goals.

There are several possible attacks to cut estimated expenditures. When families begin to cut their expenditures to balance the spending plan, it will become clear to them how important it is to keep the detailed computations for each budget category. This will help them determine which amounts can be reduced.

Families may cut a little here and a little there and still retain all the categories originally included. They have only reduced the amount allowed for each or the quantity to be purchased. Food is a good example – if 10¢ per person, per day is cut from food costs, the annual savings for a family of four would be $146. Many families spend much more on food than is necessary for adequate nutrition. Cost can also be reduced through careful shopping. A spending plan does not necessarily make one a better buyer, but it can serve as an incentive to acquire knowledge and to weigh the choices when shopping.

Another method families can use to reduce expenditures is to review their lists and eliminate certain items far down the list of importance or considered “nice but not necessary.” If the cost of these items is large, the omission of several may balance the budget. The family may consider a vacation but when faced with the alternative of retaining the trip or cutting other things they consider more important, such as a musical instrument for a talented child, they are forced to weigh their values. They make the decision as to what is more important. It is their spending plan. They will understand that it is not the spending plan or budget that prohibits taking a trip, but that they prefer something else more.

Still another method of cutting expenses is to acquire services and commodities through direct means rather than the use of money. This is a common occurrence in families with limited incomes. People will trade services among family members and friends. Consider trading hair care, babysitting, car maintenance and repair, car-pooling, etc.

During this stage, all outside assistance to reduce spending categories should be reviewed. Are there any assistance programs for which you would qualify: food stamps, fuel assistance, latchkey program, school lunch program, etc.?

The family can and will probably use a combination of all these methods to cut expenses. An important point to remember is that cuts should be made to retain those commodities and services that have the greatest importance to family members. A budget can help the family avoid spending limited funds on items which the family itself will agree are not essential.

Planning enables a family to take an overview of their use of income. Spending without a plan, results in the frittering away of income that is adequate to provide most of the things desired by the family. A plan allows a family to make decisions when faced with the choice of whether to make purchases.

Now let’s go back to the budget and look at the monthly totals and determine what expenses should be spread across several months and what should be paid from the income received during that month. This final step ensures that all fixed and living expenses are covered each month. When looking at large expenses for purchases it may become evident that such purchases may have to be moved back a few months. For instance, you may need to save for several months to accumulate the cash needed to pay a periodic large expense, make a large purchase, or maybe just to make a down payment on a large purchase.

The last phase of the planning step is to check for realism which means that the family must check their spending plan to see if it meets four factors. If it does, then the plan has a very good chance of succeeding. The four factors are:

1. Realism - Are the needs of the family members met? When the balance has been struck, they must look at it to see that it really meets their needs and to assure themselves that it is realistic. In the enthusiasm of planning, resolutions are sometimes made which will never be carried out. It is better to recognize this before the plan. Seeing the budget in perspective gives the entire family the opportunity to see what they are "BUYING" for themselves and to visualize the satisfying results.
2. Emergencies - No matter how thoughtfully a plan is made and how carefully costs are estimated, it is impossible to accurately foresee all demands for a period of 12 months. The plan should allow for an emergency or contingency fund when possible.
3. Solvency - Solvency is the ability to pay bills and debts as they fall due. Recheck the plan to see that fixed monthly expenses are met as well as enough money has accumulated to pay large periodic expenses.
4. Goals - Does the plan recognize the major family goals?

Meeting VIII:

Introduction to Construction Procedures, Demonstration & Final Preparation

INTRODUCTION TO CONSTRUCTION

OBJECTIVES

a. To help self-help families become familiar with construction procedures and terms in order to have them go to the job site with some basic construction knowledge.

1, Safety

2. Tools

3. Terms

b. To help self-help participants become familiar with how to use tools and build self-esteem before construction starts

c. To do any last-minute preparation before building begins. Developing a schedule for participation to work on site is an extremely important task. This needs to be done before construction starts and all participants need to know the procedure for creating future schedules.

SPEAKERS

a. Construction Supervisor
b. American Red Cross to teach first aid
c. Group Worker

NOTE: Construction site safety and training on use of tools should be reviewed almost daily. In doing so, potential accidents can be prevented.

CONSTRUCTION PROCEDURES

METHOD OF CONSTRUCTION

The order in which these steps are presented may vary according to many factors, such as weather and the availability of subcontractors. This meeting is to be used as a general reference. It is meant to prepare you for the building experience and not to teach you everything you need to know. Your Construction Supervisor will instruct you on the site. (It would be extremely helpful to use a model, pictures, or slides to illustrate each of the construction steps.)

Building your own home can be a very rewarding experience when it is approached in a calm and responsible manner.

Review Exhibit B-2 so the participants know what tasks they will do and what the subcontractors will be responsible for.

Rehab has become a highly used method of construction in the self-help program. Refer to the Rehab Handbook for detailed information regarding Acquisition Rehab and Owner-Occupied Rehab.

SAFETY

Safety of participants and work groups is of utmost importance. Many tasks that must be performed can be dangerous. Some are major hazards and can cause severe pain, or in lesser cases, inconvenience.

Major Safety Hazards	Minor Safety Hazards
Electrical shock	Stings and bites
Cuts from tools or debris	Sunburn
Punctures	Overheating and dehydration
Falls	Muscle strain
Auto accidents	Splinters

Generally, the best ways to avoid these hazards are to:

- Get enough sleep.
- Stay alert on the job site.
- Ask questions when unsure of what to do or how to do it.
- Make sure you have enough people to do the job.
- Do not wander off the work site into unfamiliar areas.
- Drive carefully.

- Handle tools only if trained to use them.
- Be aware of curious children at the work site.
- Ask for help lifting heavy objects.

There are five additional basic safety practices that should be considered.

1. Use the right tool for the right job. When you need a hammer don't use a wrench; use the right size wrench when needed, not pliers; use a chisel, not a screwdriver.
2. Keep tools in good condition. Keep electric cords on saws or drills in good repair; keep handsaws and electric saw blades sharp; repair or discard hammers with loose or cracked handles.
3. Use tools properly. Don't use a screwdriver, etc. on objects held in hand or pull a knife toward your body.
4. Keep tools in a safe place. Don't leave tools on overhead places such as ladders or scaffolds. Don't carry knives or other sharp objects in pockets. Don't leave tools lying around work area or on workbench.
5. Dress properly. Wear closed-toed shoes onsite at all times and wear proper clothing (no loose clothing).

HAND TOOLS

Supervisors should make sure that each person knows the hazards of using the wrong tool for a job or using a tool incorrectly. Proper tools will be available for each job and safe practices should always be followed. The supervisor will inspect tools at least monthly. Tools in unsafe condition should be repaired or replaced.

All hand tools should be stored safely to protect the tools and those who handle them. Sharp edges should be kept inward; this will prevent injuries to one's hands. Tools should not be just stuffed in a toolbox so that a person has to force them out. A good rule is to allow space between tools so they can be removed easily without causing injury.

Tools that are not used often should be stored in safe, out of the way places, not where they can be tripped or fallen over. Tools that are heavy or sharp should not be stored in high places.

TOOL BELTS OR BAGS

A tool belt should be made of good material that will support the weight of the tools and to also protect tools from being damaged. Pouches should be deep enough to hold tools firmly yet allow them to protrude just enough at the top so the worker can get hold of them. Tools should always be placed with sharp edges down. A person should not carry so many tools that the pouch is overloaded. If extra tools are needed, they can be kept in a handy location in the area.

Tools should be placed at the side of the belt or the hip area, instead of the back. This will reduce the risks of back injury or serious injury if a person falls and lands on their back. Also, be extra careful of tools falling on someone when working high up.

HANDLES OF HAND TOOLS

The supervisor will see that the right handles are used and installed properly. All tools should have a right fitting handle, properly sized and free from metal or wood slivers. The supervisor will watch that a person does not use the hammer in unsafe practices such as using the handle as the hammer. Handles should not be repaired with wire or tape.

It is often taken for granted that a person already knows how to use hand tools and will not damage the tools or hurt themselves. This is seldom true unless they have been taught how to use the tool or tools correctly. What a worker usually knows is only what has been seen. There is a safe and correct technique for the use of each tool, regardless of how small or unimportant it may seem. For this reason, the supervisor should know his people and what skills they might have in the use of certain tools.

PORTABLE POWER TOOLS

Portable power tools have most of the same types of hazards as hand tools of the same kind, and they are less easy to control and to guard. Usually, manufacturers provide instructions for the safe use and maintenance of each kind of tool. Those instructions should be followed to the letter and should be made part of the training for the persons using the equipment. Not only should a person be shown how to use the portable tools, but also how to inspect the equipment and spot unsafe conditions.

Rules will be established for the use of personal protective equipment and safe clothing and will be enforced for the users of portable power tools. Safety glasses or face shields must be worn where chips or dust may fly into the face. Persons using drills, saws, grinders, etc. should wear no gloves, ties, jewelry, or loose clothing. Most portable electric saws come with guards by the manufacturers. Construction supervisors should see that these guards are fully functioning. A safety belt should be worn when working in high places as power tools can break or develop a short circuit, which could cause a serious fall. Electric tools should not be used in any wet locations, as it could cause a person to be shocked. If electric equipment must be used in a wet location, workers should be given insulation platforms or rubbermates and their machines should be in number one condition.

Most electric tools today are double insulated and use a three-wire (grounded) power cord. Even though the ground is now built in, it will do no good if it is not plugged into a grounded receptacle. If a two-wire adapter is used, the protruding green wire must be connected to the ground.

Workers can be injured in several ways with electric drills. They may be pushed into the hand, leg or other parts of the body. Eye protection should be worn as a worker could be hit by flying material or parts of a broken drill bit. Also, a lot of accidents happen with loose clothing being worn. Using the shortest drill bit possible will also give the worker more protection.

Oversized bits should not be ground down to fit smaller drills. An adapter or longer drill should be used. Also, small pieces of wood should be clamped or anchored to prevent their movement. Workers should be trained not to jam or crowd a drill or saw. All movement should be started and stopped outside of the work area. The operator should also be trained to keep his body out of the line of cut as much as possible. Some newer electric tools come equipped with a dead-man trigger, which is a good safety feature.

LADDERS AND SCAFFOLDING

Step ladders, extension ladders, and scaffolding can also be a high injury area. Wooden ladders should be checked often for cracks or rotten rungs. Metal ladders should be checked often also. Although they won't rot like a wooden ladder, they should be inspected for broken or missing rivets or screws, which can easily be repaired. Scaffolding should also be inspected often. When using scaffolding, use all the braces. Sometimes you may be short a –brace or two, but don't skip any for this could cause the scaffolding to capsize and injure someone. Scaffolding, as well as ladders, should always be sitting on a strong foundation for them to remain stable. It is also a good idea to secure the top of ladders and scaffolding, especially on windy days. One should not try and overreach. Good common sense must be used when working with or on equipment, especially when in high places. Extreme caution must be taken when moving tall ladders (or anything that will conduct electricity) so as not to hit electric wires. This can kill a person or seriously hurt someone in seconds.

One of the most common problems supervisors face is the unauthorized use of tools, particularly electric power tools. Many workers, when seeing portable power equipment used, assume they can do as well. This often results in injury or broken equipment. Therefore, the supervisors must clearly state the use and who is to use certain equipment.

MAINTAINING A SAFE JOB SITE

Maintaining a neat and clean work area is the best way to prevent accidents from happening. Cut-off scraps and other trash should be put in a pile out of the way at least once a day. Bend nails over or drive them out of wood scraps. It only takes a few seconds to back a nail out and then the lumber may be ready to be used again. The nails left sticking out of boards can be very painful if stepped on or fallen on. If lumber is left scattered all over is easy to trip. If your lumber and other materials are stacked neatly and safely out of the way, it looks like a real professional is doing the work, which makes for a good reputation.

This cannot be stressed enough. ***Constant training on site safety and tool use is a must.***

GLOSSARY OF CONSTRUCTION TERMS

ANCHOR BOLTS – Bolts to secure a wooden sill plate to concrete or masonry floor or wall.

BACKFILL – loose earth placed outside foundation walls for filling and grading.

BASE or BASEBOARD – a board placed against the wall around a room next to the floor to finish properly between floor and plaster.

BEARING WALL – a wall that supports any vertical load in addition to its own weight.

BRIDGING – small wood or metal members that are inserted in a diagonal position between the floor joists at mid-span to act both as tension and compression members for the purpose of bracing the joists and spreading the loads.

CASING – molding of various widths and thickness used to trim door and window openings at the jambs.

COLLAR BEAM – horizontal tie beam connecting rafters considerably above the plate.

CORNICE – overhang of a pitched roof at the eave line, usually consisting of a fascia board, a soffit for a closed cornice, and appropriate moldings.

CRAWL SPACE – shallow space below the living quarters of a basementless house, normally enclosed by the foundation wall.

DORMER – an opening in a sloping roof, the framing, which projects out to form a vertical wall suitable for windows or other openings.

DRYWALL – interior covering material, such as gypsum board or plywood, which is applied in large sheets or panels.

EAVES – the margin or lower part of a roof projecting over the wall.

ELEVATION – drawing showing the projection of a building on a vertical plane.

EXPANSION JOINT – joint between two adjoining concrete members arranged to permit expansion and contraction with changes in temperature.

FACIA or FASCIA – a flat board, band, or face used sometimes by itself but usually in combination with moldings, often located at the outer face of the cornice.

FLASHING – strips of metal bent into an angle between the roof and wall to make a water-tight joint.

FOOTING – a masonry section, usually concrete, in a rectangular form wider than the bottom of the foundation wall or pier it supports.

FOUNDATION – the supporting portion of a structure below the first-floor construction, or below grade, including the footings.

FROSTLINE – the depth of frost penetration in soil. This depth varies in different parts of the country. Footings should be placed below this depth to prevent movement.

GABLE – the portion of the roof above the eave line of a double-sloped roof.

GABLE END – an end wall having a gable.

GIRDER – a large or principal beam of wood or steel used to support concentrated loads at isolated points along its length.

HEADER – a beam perpendicular to joists and to which joists are nailed in framing for chimney, stairway, or other openings.

JAMB – upright member forming the side of a door or window opening.

JOIST – one of a series of parallel beams, usually 2 inches in thickness, used to support floor and ceiling loads, and supported in turn by larger beams, girders, or bearing walls.

LALLY COLUMN – compression member consisting of a steel pipe filled with concrete under pressure.

MILLWORK – finished wood products manufactured in millwork or planing mills such as window frames, windows and doors, stairways, interior trim, etc. Does not include flooring, siding, or ceiling.

MULLION – vertical member forming a division between adjoining windows.

NON-BEARING WALL – wall which carries no load other than its own weight.

O.C. (ON CENTER) – the measurement of spacing for studs, rafters, joists, and the like in a building from the center of one member to the center of the next.

PARTITION – a wall that subdivides spaces within any story of a building.

PENNY – as applied to nails, it originally indicated the price per hundred. The term now serves as a measure of nail length and is abbreviated by the letter “d”.

PITCH – the incline slope of a roof or the ratio of the total rise to the total width of a house. Roof slope is expressed in inches of rise per foot of run.

PLUMB – exactly perpendicular, vertical.

PLYWOOD – a piece of wood made of three or more layers of veneer joined with glue, and usually laid with the grain of adjoining plies at right angles. Almost always an odd number of plies are used to provide balanced construction.

PURLIN – horizontal members of roof that rest on roof trusses and support rafters.

RAFTERS – one of a series of structural members of a roof designed to support roof loads.

RAKE – trim members that run parallel to the roof slope and form the finish between the wall and a gable roof extension.

RIDGE – highest horizontal member of the roof receiving upper ends of rafters.

RISER – each of the vertical boards closing the spaces between the treads of stairways.

ROUGH IN – installation of all concealed plumbing, electrical, heating, etc.

RUN – in stairs, the horizontal distance covered by a flight of stairs.

SHEATHING – the structural covering, usually wood boards or plywood, used over studs or rafters of a structure.

SHIM – thin pieces of material used to bring members to an even or level bearing.

SHINGLES – roof coverings of asphalt, wood, tile, slate, or other material cut to stock lengths, widths, and thickness.

SIDING – finishing material nailed to the sheathing of wood frame buildings forming the exposed surface.

SILL – horizontal timber forming the lowest member of a wood frame house, lowest member of a window frame.

SOFFIT – underside of a stair, arch, or cornice.

SOLEPLATE – horizontal bottom member of a wood stud partition.

SPAN – the distance between structural supports such as walls, columns, piers, beams, girders, and trusses.

SQUARE – a unit of measure – 100 square feet – usually applied to roofing material. Sidewall coverings are sometimes packed to cover 100 square feet and are sold on that basis.

STRINGER – members supporting the treads and risers of a stair.

STUCCO – fine plaster used for coating wall surfaces or molding usually on exterior surfaces.

STUD – one of a series of slender wood or metal vertical structural members placed as supporting elements in walls and partitions.

SUB-FLOOR – boards or plywood laid on joist over which a finished floor is to be laid.

TERMITE SHIELD – a shield, usually of metal that does not corrode, placed in or on a foundation wall or other mass of masonry or around pipes to prevent passage of termites.

TOENAILING – to drive a nail at a slant with the initial surface to permit it to penetrate into a second member.

TONGUE and GROOVE – boards or planks machined in such a manner that there is a groove on one edge and a corresponding tongue on the other.

TREAD – the horizontal board in a stairway on which the foot is placed.

TRUSS – a frame or jointed structure designed to act as a beam of long span, which each member is usually subjected to longitudinal stress only, either tension or compression.

UNDER LAYMENT – a material placed under finished coverings, such as flooring, or shingles, to provide a smooth, even surface for applying the finish.

VAPOR BARRIER – material used to retard the movement of water vapor into walls and prevent condensation in them.

WEATHERSTRIP – narrow or jamb-written sections of thin metal or other material to prevent infiltration of air and moisture around windows and doors.

SELF-HELP PARTICIPANTS REQUIRED TOOL LIST

Participants are expected to provide a selection of basic hand tools as an out-of-pocket expense that is not reimbursed by RHS or the agency. The required tool policy has two very significant benefits. First, it cuts program costs and targets the funds available to directly provide housing. Second, it ensures that the participants learn to maintain tools to keep up their house after it has been complete.

The following list of tools is only suggested, and does not necessarily include the most appropriate tools for each type of housing that a self-help agency may build:

1. 16 or 20 ounce hammer curved or straight claw
2. Nail apron, cloth is fine and 5 carpenter pencils
3. (1) 20’ or 25’ tape measure per family
4. (1) utility knife with extra blades per family
5. Each person on the job must supply their own safety glasses or goggles
6. (1) 8-point handsaw per family
7. (1) speed square or equivalent per family
8. (1) 100’ chalk line with chalk per family
9. (1) catspaw nail puller per family

If families already own some of the tools listed above, the construction supervisor should inspect them prior to use.

Construction Demonstration

The families should build something using multiple construction tools. This will give them a hands-on approach to tools and safety as well as a start to finish on a construction project. They can build a sawhorse or perhaps a shed.

Hardware stores sometimes offer classes that may prove beneficial also.

Final Construction Preparation

This is the time to complete any last-minute preparation before building begins. Make sure permits are ready, scheduling is done, etc.

Meeting IX:

Homeownership Responsibility & Maintenance

HOMEOWNERSHIP RESPONSIBILITY & MAINTENANCE

OBJECTIVES

To help self-help participants prepare for the responsibility of homeownership and be aware of necessary maintenance.

a. Home exterior

b. Lawn care

c. Appliances

d. Heating / Cooling Element

SPEAKERS

a. A local real estate agent or the Construction Supervisor might discuss the importance of proper maintenance for a home.

b. Group Worker

PREVENTIVE HOME MAINTENANCE

Taking time to do preventive maintenance will make your home safer and save you money by keeping your home in working order. There is a good deal of physical work and a knowledge of mechanicals needed to complete these lists. So, if you are unable to do all the work yourself, ask or hire someone to help you.

MAINTENANCE TOOLS & MATERIALS

Most home maintenance projects will require only a few simple tools. Here is that list and some other tools that you may find useful.

- Adjustable wrench
- Slip-joint pliers
- Utility knife
- Regular screwdriver
- Phillips head screwdriver
- Drain auger (plumber's snake)
- Flashlight
- Shop-grade vacuum cleaner
- Power washer/sprayer
- Buckets & heavy-duty sponges
- Tri-sodium phosphate (TSP)
- Caulk gun & caulk
- 6' step ladder & extension ladder
- Work gloves & rubber gloves

MONTHLY SAFETY TESTS

Make your home safer by inspecting these items monthly and keeping them up to date.

- Automatic garage door opener
- Ground fault interrupter receptacles and circuit breakers
- Smoke alarms
- Inspect and lubricate (if needed) windows for emergency exits
- Carbon monoxide detectors
- General inspection of heating unit and water heater

EMERGENCY ITEMS

Write down this important information about your home and keep it accessible in case of an emergency. If you can't find or operate any of these items, ask someone knowledgeable to help. All adults in the home should know where these items are and how to shut them off:

- Heating fuel main shutoff
- Main electrical shutoff (service panel, a.k.a. fuse/breaker box):
- Main water shutoff

- Fire extinguishers
- Main drain line cleanout

NOTE: Some people recommend "exercising" all fuel, electric and water shutoff valves and switches (turning them "off" and then "on") to ensure that they don't get stuck open. Some fuel valves are difficult to turn, so you may want to keep a wrench nearby.

FALL & SPRING CHORES

No matter where you live, seasonal changes in temperature and moisture levels require special maintenance tasks. Fall and Spring-cleaning are necessary to maintain a house's appearance and keep it in good condition.

- Close and drain hose bibs (fall), open hose bibs (spring)
- Rake debris away from side of house and other structures
- Clean out gutters and downspout elbows
- Check gutters, downspouts, and roof penetrations for leaks
- Treat wood gutters (fall)
- Check and repair caulk (if needed) around exterior surfaces (fall)
- Note any cracks in foundation, brick or stucco
- Hose off house exterior (spring)
- Scrub mildewed areas of house exterior and treat for mildew and fungus on decks (spring)
- Clean gaps between deck boards above joists
- Clean around air conditioner compressor
- Trim any trees or shrubs that touch house
- Inspect and replace (if needed) weather stripping
- Inspect and repair (if needed) screens
- Inspect and clean (if needed) storm window weep holes
- Clean out under decks and porches
- Inspect and repair (if needed) glazing compound
- Clean out basement window wells
- Examine septic system drain field for flooding, odor; have tank pumped as necessary depending on age of system and number of users

MONTHLY INTERIOR JOBS

These are some monthly jobs that should be done to keep appliances and mechanicals working properly. Doing so will likely extend the life and performance of each item.

- Inspect and clean faucet aerators and shower heads
- Clean frost-free refrigerator drain pan

- Inspect dishwasher for leaks
- Clean kitchen exhaust fan filters
- Grind ice cubes in disposal
- Check and replace (if needed) heating system air filter
- Drain 1-2 gallons of water from water heater
- Maintain drains with baking soda or hot water, not with chemical drain openers
- Pour water down unused drains
- Inspect visible foundation areas, pipes, vents and ducts

ANNUAL INTERIOR CHORES

At least once a year, these items need to be checked. It's important to properly check the fireplace and combustion appliances by fall, because the house is "sealed up" in the winter and not much fresh air enters in.

- Clean and seal tile grout
- Inspect plumbing shutoff valves
- Inspect toilets for stability
- "Exercise" circuit breakers
- Vacuum smoke alarms
- Vacuum heating registers, vents, ducts, radiators
- Inspect fireplace flues for "glassy" creosote buildup and have flues cleaned regularly
- Inspect fireplace firebrick and mortar for cracks and deterioration, patch small cracks, but large ones require professional repair

HEATING/COOLING & HOT WATER SYSTEMS

Most heating system maintenance should be done twice a year, once before the heating season and once before the cooling season.

- General furnace inspection: look for rust, scaling on heat exchanger, proper flame color, note odd sounds or smells and check condition of venting
- Test for proper drafting at furnace and/or water heater diverter, examine flue for leaks, rust, or damage
- Examine pressure-temperature relief valve for leaking, and test, if desired
- Arrange for appropriate regular servicing and cleaning of combustion appliances
- Drain hot water system expansion tank
- Check hot water system water level (pressure)
- Bleed hot water system radiator

Meeting X:

Landscaping

LANDSCAPING

OBJECTIVES

To assist families with landscape preparation and familiarize them with the methods of planting.

a. Landscape function
b. Planning
c. Selecting plants and shrubs
d. Planting techniques

OTHER SPEAKERS

a. An employee of a local nursery / landscape architect
b. Construction Supervisor

ACTIVITIES

a. Visit a local nursery to select plants and shrubs

(For more information for you or the self-help participants, check out Hometime's web site at www.hometime.com.)

LANDSCAPING

LANDSCAPE FUNCTION

Consider what you want the landscaping to do for your house and yard. The function of your landscape could be to create new areas for play and leisure, increase privacy, block the sun, wind, or street noise, or to improve the view of your house. If you have large windows or a sliding glass door, think about how you can improve the views from inside. You may also want to improve views from a porch, patio, or a deck.

PLANNING

Landscaping is a lot of work and can cost a lot of money. For these reasons, most do-it-yourselfers go with a 3-to-5-year landscape plan. That way the work and cost can be spread over a few years. A good plan is essential in landscaping. Without it, you'll end up wasting a lot of time and money.

Many nurseries will provide you with a free plan if you are buying their plants, but you could also create your own. The important thing about this plan is to make sure you have thought it through before any planting is done.

If you decide to create your own plan, you can use graph paper to draw it out or an online tool. First measure the size of your lot and the dimensions of your house. Then have a pretty good idea where the house sits in relation to the boundaries of the property. Once this is established you can try to place plants, flowers, and trees where you think they will look their best, and accomplish some of your goals, if you have any.

Below are some examples of goals that you may have for your home:

- Frame the front of the house with taller plants anchoring the corners with a shade tree on one side and an ornamental tree on the other. Spreading these out a couple of feet will make a small house seem a bit bigger.
- Put a series of medium sized shrubs along the foundation to cover any exposed block.
- Frame the entry with a group of taller deciduous shrubs.
- A row of evergreens on the north side of the house might provide a real nice wind barrier in the winter.

- For privacy a hedge of tall shrubs, like lilacs or arborvitae, could be used. They could also be used to soften a long featureless wall on one side of the house.
- A few shade trees on the south side of the house would eventually shade the house in the summer but drop their leaves in the winter and let the sun warm the house.

This is just a short list of examples of some possible goals you may have for your landscaping.

SELECTING PLANTS

When purchasing, look for plants with healthy foliage and make sure they are firmly rooted in the soil. Avoid plants with roots exposed on the surface or with roots growing out of the bottom. They won't root as well in your yard. With trees, a strong leader branch promotes good growth. You also need to consider climate, sun exposure and sizes and shapes.

If you're going to plan your own landscape you'll need a pretty good idea of which trees, shrubs, and flowers work best in your climate. Flowers, trees and shrubs are categorized according to suitable climate zones. A climate zone map divides the country into several climate zones, linking areas with similar climates. You should determine your own zone and choose only the plants suitable for your area. Your local nursery will stock plants that are hardy to your climate. If they do carry non-hardy plants, they should alert you to the special care those plants need to survive your climate. If you plan to order plants from a catalog, remember that they sell to the entire country and not all the plants they offer will be suited to your area. Be sure to check the climate zone information before ordering.

In addition to the climate factor, there's also the sun factor for trees, shrubs, and flowers. Some plants need full sun, some need full shade, and many won't thrive in the opposite extreme. Plant guides and catalogs will list the plant's sun or shade requirements, and that is something you have to consider in your planning.

You want the shapes and sizes of your plants to blend with the house architecture and even disguise features you don't like. In general, taller and darker plants work best in the back of a bed with shorter, lighter colored plants in front. Catalogs and guides list the plant size at maturity, which is critical for proper spacing on your plan and in your yard. You should also know the time of year when the flower or shrub is in bloom, especially if you are trying to maintain color throughout the entire growing season. You need to decide what sizes to buy your shrubs and trees. They are sold at several stages of growth in 1-to-7-gallon containers. But you can get larger ones balled and burlapped. Small plants are less expensive, but they take longer to mature. So it's really a question of budget versus patience.

PLANTING TECHNIQUES

Have someone from the nursery where the plants are purchased show the families the best way to plant their chosen trees, shrubs, and flowers.