

# HOUSING WORKSHOP 4

Site-Built Homes and Self-Help Housing

1 Facilitator Needed

Estimated Time: 2 hrs 10 min

## Things to Prepare BEFORE THE WORKSHOP:

| ITEM  | APPENDIX #        | PAGE # USED |
|---|-------------------|-------------|
| Flip Chart 4-1  | A-4-1             | 4-2         |
| Flip Chart 4-2  | A-4-1             | 4-3         |
| Flip Chart 4-3  | A-4-1             | 4-5         |
| Flip Chart 4-4  | A-4-2             | 4-10        |
| Handout 4-1 <i>Construction Sequence</i>                  | A-4-3             | 4-4         |
| Handout 4-2 <i>Site-Built Homes and Self-Help Housing</i> | A-4-6             | 4-9,4-12    |
| Evaluation Form   | Trainer's Section | 4-13        |

| Activity  | Page              | Time  | Materials   |
|---|-------------------|---|---|
| <b>Introduction</b> <ul style="list-style-type: none"> <li>Introduction of Facilitator and participants</li> <li>Review workshop objectives</li> </ul>                      | 4-2<br>4-2        | 15 min<br>5 min<br><b>20 min</b>            | <input type="checkbox"/> Flip Chart 4-1 Workshop Objectives   |
| <b>Learning Activity 1: Planning Considerations</b> <ul style="list-style-type: none"> <li>Group Discussion</li> <li>Group Exercise</li> <li>Group Discussion II</li> </ul> | 4-3<br>4-4<br>4-5 | 15 min<br>20 min<br>15 min<br><b>50 min</b> | <input type="checkbox"/> Flip Chart 4-2 Planning Consideration<br><input type="checkbox"/> Handout 4-1 Construction Sequence<br><input type="checkbox"/> Flip Chart 4-3 Construction Planning |
| <b>Break</b>  | 4-8               | <b>15 min</b>                               |   |
| <b>Learning Activity 2: Financial Trouble</b> <ul style="list-style-type: none"> <li>Group Discussion</li> <li>Group Discussion II</li> </ul>                               | 4-9<br>4-10       | 20 min<br><b>20 min</b>                     | <input type="checkbox"/> Flip Chart 4-4 Property Taxes<br><input type="checkbox"/> Handout 4-2 Site-Built Homes and Self-Help Housing   |
| <b>Learning Activity 3: Self-Help Housing</b> <ul style="list-style-type: none"> <li>Group Discussion</li> </ul>  | 4-12              | 15 min<br><b>15 min</b>                     | <input type="checkbox"/> Handout 4-2 Site-Built Homes and Self-Help Housing   |
| <b>Wrap Up</b> <ul style="list-style-type: none"> <li>Workshop Evaluation</li> </ul>  | 4-13              | <b>10 min</b>                               | <input type="checkbox"/> Evaluation Form  |

# Introduction

Time: 20 min

Materials: Prepared Flip Chart 4-1

Reminder: The Trainer's role is always to *educate*, not to provide *advice*

- **Introduction of Facilitator and Participants**

- ❑ Welcome the participants and introduce yourself to the group.
- ❑ Ask the participants to introduce themselves and conduct one Icebreaker selected by the facilitator from Icebreaker list.
- ❑ Tell the group that this session will focus on Site- Built Homes and Self-Help Housing.

- **Workshop Objectives**

- ❑ Show Flip Chart 4-1: Objectives and review it with participants
- ❑ Hang the Flip Chart so it is visible to the entire group

# Learning Activity 1: Planning Considerations

Time: 40 min

Materials: Prepared Flip Chart 4-2, Prepared Flip Chart 4-3, Handout 4-1

- **Group Discussion**

- ❑ Read: *Some of you may have already built a home. For others who are either living with family members or in a mobile home, building your own home is something you may be thinking about or planning for. Today's session is designed to provide basic information about building a durable, energy-efficient home.*
- ❑ *Building a home is a major activity, in terms of time and money. Therefore, it is important to take the time to assess your current and future needs and plan accordingly.*
- ❑ Open your Flip Chart 4-2: Planning Considerations and read the list out loud.
- ❑ Tell the group:
  - This class will help you understand some of the basics things to consider:
    - **Size:** The first consideration is what size home is needed. Consider how many people will live there now, and whether you expect the family to grow in the future. Decide how many bedrooms and bathrooms you will need. Remember to distinguish between “needs” and “wants”, because “wants” can greatly add to the cost of the home. Of course, the larger the home, the more expensive it will be, in terms of materials, heating, cooling and property taxes.
    - **Design Features and Amenities:** The floor plan and layout of the home should be well-designed and functional. It is important to consider the household's needs including traffic patterns, where you will place furniture, and install electrical outlets. Well-designed homes accommodate the needs of the people that live there and incorporate sleeping needs with social spaces where the family eats, watches TV, uses the computer, etc. Many homeowners include other amenities according to their wants and their ability to pay for them. Amenities are features that increase the physical or material comfort. Amenities include the roof type and pitch, ceiling height, number of closets and other storage units, porches and patios, fireplace, laundry-room, den, and safety features.

- **Heating and Cooling:** Heating and cooling needs vary depending on the climate you live in. In drier areas, swamp coolers work very efficiently, and are more cost-effective than refrigerated air-conditioning. In other areas, swamp coolers may work some of the time, but the units require refrigerated air-conditioning as a back-up to keep the home comfortable. The size and model of the heating and air-conditioning units should correspond to the size and climate. It is also important to have adequate ceiling height for installation of the ductwork.

- **Group Exercise**

1. **Before the exercise**, make copies of Handout 4-1: Construction Sequence. Cut along the dotted lines to make a set that consists of 21 strips. Prepare as many sets as necessary, according to the number of groups (Ideal groups consist of 2-4 people per group).

2. Give EACH group a set of strips, marker, tape, and a Flip Chart page with the following phrase:

**CONSTRUCTION SEQUENCE**

Ask the groups to number from 1-21 and tape the strips in the order they think is the construction sequence to follow when building a house from the bottom up. (See Figure 4-1: Construction Sequence EXAMPLE for an example on how the flip chart page should look like).

3. Hang the pages on the wall and ask a volunteer from each group to read each of the lists explaining why they chose what they did.

**After completing the exercise:**

- Explain that there are different approaches to building a house but the following is thought to be the most successful one according to a local Architect and contractor.

Read:

1. *Grading and Site Preparation*
2. *Rough Plumbing*
3. *Foundation Construction*
4. *Framing*
5. *Installation of Windows and exterior Doors*
6. *Roofing*
7. *Siding*

8. *Pop-out Rough Electrical*
9. *Rough Plumbing*
10. *Rough HVAC (Heating, Ventilation, Air-Conditioning)*
11. *Insulation*
12. *Drywall*
13. *Trim and interior Door finish*
14. *Painting*
15. *Finish Electrical*
16. *Bathroom and kitchen counters and cabinets*
17. *Finish Plumbing*
18. *Carpet and Flooring*
19. *Finish HVAC (Heating, Ventilation, Air-Conditioning)*
20. *Hook-up to water main or well drilling*
21. *Hook-up to sewer or installation of a septic system*

- **Group Discussion II**

- Open your Flip Chart 4-3: Construction Planning and tell the group:
  - **Plans and Permits** – The next step is one often overlooked by do-it-yourself home builders. Preparing plans that include construction drawings and specifications is often overlooked due to the perception of high cost.
  - However, having professionally prepared plans can actually save you money in the long run. There is a common misconception that architects are a luxury in the home-building industry. However, a qualified, licensed architect combines budget, function, and aesthetics into a design everyone can feel good about.
    - Whether building a new home or renovating an older one, architects play an important role in combining your desires, your needs and your budget into a home that fits your lifestyle. Architects are trained problem solvers. Just a few of their daily tasks are to help define needs, present options that may have not been considered, plan for the future, design around a budget, and help obtain contractors and permits.

- One of the most important services an architect can provide is monitoring construction. Typically a small part of the architectural fee, this service can be the most valuable.
  - Having a qualified professional reviewing the contractor's work, ensuring that the design is followed through, and identifying construction problems early in the process can save time and money down the road. The national average for design fees on a new house is 1.7% of the cost of the house.
- In many rural areas, you do not need to obtain a permit to build your home. While this makes the home building process easier, it removes the requirement for inspections at important construction phases and may ultimately result in problems in the long run.
- **Site Preparation** – Properly preparing the lot for construction is important to the structural integrity of the home. Houses are generally built on a foundation that is either a basement, a crawl space or a slab.
- Usually a backhoe and/or bulldozer are needed to clear the site of any trees, rocks and debris. The site must be dug and made level as necessary for the foundation being built.
- **Material Selection** – Deciding what materials are needed and in what quantity is an important consideration. Poor quality materials will not hold up over the years and will necessitate costly repairs. (This is another area where using an architect can be helpful.)
- **Workmanship** – You must next decide who will build your home, that is, will it be a do-it-yourself project or will you hire others for all or part of the work.
- If you are considering doing the work yourself, you should honestly assess both your skills and those of anyone who might help you, and the time it will take to build the house. If built in stages, will construction materials have adequate protection from the weather, or other elements that can damage them?

- **Construction Steps** – There is a sequence to the steps involved with home construction. Some steps may be best left to professional subcontractors, such as roofing, installation of electricity, plumbing and the heating/cooling system.
- If a general contractor is hired for the job, he will be responsible for completing the house on time and on budget.
- If you borrow money to build your home, you may be required to hire a contractor instead of doing the work yourself.
- **Energy-Efficiency** – According to the Energy Center at the University of Texas at El Paso, “If it isn’t energy efficient...it isn’t affordable.” The cost of adding features to a home that will allow it to exceed Model Energy Code by 10% to 15% is one cent on a dollar (1%). This extra 1% expenses can decrease your gas and electricity bills by 35% to 50%.
- **Visitability** – By including certain design features as you build your home, you can prepare to live in your home for a long time. As we age, or if someone in your family becomes disabled, including these features when you build will assure that you will not have to pay for costly repairs later on. These simple and inexpensive features include:
  - 1) One no-step entrance (may be at the front, side, back or garage entrance)
  - 2) Doorways throughout the home are at least 32 inches wide; hallways at least 36 inches wide;
  - 3) Reinforced walls near the toilet and bathtubs so that grab bars may be added, if needed at a later date
  - 4) Light switches and electrical controls no higher than 48 inches and electrical
- **Septic Tank** – Local government has jurisdiction over the types and sizes of septic tanks that are permitted. Homeowners must adhere to these requirements or face stiff fines. Septic tanks must be installed by certified installers. The cost varies based upon the number of bathrooms and type of soil.

- **Water Tank** – For health and safety reasons, it is important to make sure your family has safe drinking water. If your lot cannot be hooked-up to municipal water, you may opt to purchase a water tank to store potable water that can be filled by a water delivery service. (Twenty-five hundred gallon tanks cost approximately \$1,000.)
- If you cannot afford this, purchase a five-gallon container. Be sure to boil and chlorinate the water before drinking it. Be careful not to use other types of containers that were not originally designed for water storage.
- Drinking untreated water can result in a variety of diseases.

-----15 min BREAK-----

## Learning Activity 2: Financing, Property Taxes, and Risk Insurance for Site Built Homes

Time: 20 min

Materials: Prepared Flip Chart 4-4, Handout 4-2

- **Group Discussion**

- *Read: Once you have completed the planning process, you need to make some decisions regarding how you will finance the work. Building a new home is a costly undertaking. Since most families do not have all the cash they need to build their home, many resort to building their home a little at a time with whatever funds they can spare, and use whatever materials they can. This often results in a home that is not durable over time, and is not energy efficient. Unprotected building materials may deteriorate quickly while waiting for funds to complete construction, compromising the structural integrity of the house.*
- *So how can low-income families finance their homes? First of all, you need to understand some lending basics to see if you are in a good position to obtain a loan from a credit union or bank.*
- Distribute Handout 4-2: Site Built Homes and Self-Housing and ask them to look at the “Barriers to Obtaining Financing” section.
- Tell the group:
  - To acknowledge these situations in order for them to avoid them happening to them. This will enable them to get financing.
- Read the information under the “Barriers to Obtaining Financing” out loud to the group.
- Refer back to Handout 4-2: Site Built Homes and Self-Housing and ask them to look at the “Sources of Credit and Related Issues” section.

- **Group Discussion II.**

- *Read: The next issue to consider is that of property taxes. All homeowners are assessed property taxes on both their land and improvements. It is important to*

*consider this when you are planning your home. The amount of taxes you pay annually depends on two things:*

- Open your Flip Chart 4-4: Property Taxes and read the list out loud.
  
- Tell the group:
  - The assessed value is based upon an appraisal by the local tax district. They consider such factors as size and condition of property, as well as the location. The same home in a different neighborhood may have a different appraised value. Homes are generally appraised every two to three years, and appraised value may go up or down.
  
  - The tax rate is determined annually. It is based on the budgetary needs of each of the tax authorities. Generally, property owners pay taxes to support the county they live in, the school district, perhaps a county hospital, or a community college.
  
  - Because property taxes are based on these two factors, the amount you owe can change each year. It is important to know that if property taxes are not paid on time, fines and interest are added to the outstanding balance. Tax districts may place a lien on the property for unpaid taxes, and, more drastically, may initiate foreclosure.
  
  - Property owners pay property taxes for as long as they own their homes. It is important to ask what exemptions are available to reduce your tax burden. Texans may declare the property that they live in as their homestead and receive an exemption. Other exemptions may be given for elderly homeowners or homeowners with disabilities.
  
  - **Risk Insurance** – Insurance that protects homeowners from loss due to fire, wind, hail or other natural disasters, excluding floods.
  
  - For most of us, our home is our largest investment. Therefore it is wise to insure our property against loss.
  
  - If you are paying a mortgage or placed your home as collateral for a loan, the lender will require you to insure your home. But even if you are not paying a mortgage, property insurance offers valuable protection.
  
  - Homeowners of limited means often think it is too costly to purchase this protection. However, careful planning may make it possible. Consider this: Could you afford to replace your home or repair it if it is severely damaged? Learn how to keep insurance costs down at a money management class.

- One suggestion is to consider paying the full insurance premium each year when you receive your income tax refund. This will eliminate making monthly payments which many families find difficult.
- A comprehensive homeowner's insurance policy provides coverage for fire damage, water damage (not by flooding, which is covered by federal flood insurance), personal possessions, personal liability, vandalism, theft, and loss of use of the house. If you are financing your home purchase, your lender will require you to buy at least basic hazard insurance.
- Straight replacement cost coverage, or cash value coverage will pay to rebuild your house if it's destroyed, but coverage is limited to the policy amount. Make certain you're insured for enough to rebuild.

## Learning Activity 3: Self-Help Housing

Time: 15 min

Materials: Handout 4-2

- **Group Discussion**

- *Read: Most families want to own their own homes. For those families that have been priced out of the real estate market, lack resources or access to financing, self-help-housing programs present an opportunity to reach that goal.*
- *Many nonprofit organizations across the U.S.-Mexico border offer self-help housing. By contributing the labor, families develop “sweat-equity” in their homes. Sweat-equity means that once the home is completed, it will be worth more than the family paid for it. For example, the nonprofit organization may sell the house for \$30,000, but it may actually be worth \$35,000 or \$40,000, giving the new homeowner equity in the property that usually takes several years to develop in a traditional sale.*
- Refer back to Handout 4-2: Site Built Homes and Self-Housing and tell the group to look at the “Self-Help Housing” section and read the information out loud.
  - Tell the group that the programs may vary, but there are some basic similarities that will give them an idea about how they work:

# WRAP UP

Time: 10 min

Materials: Evaluation Form

- **Evaluation of Workshop**

- Distribute Evaluation Forms.
- Ask the group to please complete Evaluation Form with their comments
- Let them know that their comments are important to further improve the module
- Thank them for taking the time to attend this workshop and ask them if they have any questions.
- If you cannot answer a particular question, write it down along with the contact information for the person who asked the question. Contact them later with an answer.

## **FLIP CHART 4-1: Objectives**

### **OBJECTIVES**

#### **TO LEARN ABOUT:**

Planning Considerations

Financing your Home

Taxes and Insurance

Self-help Housing

## **FLIP CHART 4-2: Planning Considerations**

### **Planning Considerations**

Size

Design Features & Amenities

Heating & Cooling

## **FLIP CHART 4-3: Construction Planning**

### **Construction Planning**

Plans and Permits

Site Preparation

Material Selection

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**(second flip chart page)**

Workmanship (Contractor vs. Homeowner)

Construction Steps

Energy Efficiency

“Visitability”

Infrastructure – Septic tanks and water

## **FLIP CHART 4-4: Property Taxes**

**Property Taxes**

--Assessed value

--Tax Rate

## **FIGURE 4-1: Construction Sequence**

### **Construction Sequence**

1. Grading and Site Preparation
2. Rough Plumbing
3. Foundation Construction
4. Framing
5. Installation of Windows and Exterior Doors
6. Roofing
7. Siding
8. Rough Electrical
9. Pop-out Rough Plumbing
10. Rough HVAC (Heating, Ventilation, Air-Conditioning)
11. Insulation
12. Drywall
- ETC....
21. Hook-up sewer or installation of a septic system

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Grading and Site Preparation

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Rough Plumbing

---

Foundation Construction

---

Framing

---

Installation of Windows and Exterior Doors

---

Roofing

---

Siding

---

Rough Electrical

---

Pop-out Rough Plumbing

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---

Rough HVAC (Heating, Ventilation, Air-Conditioning)

---

Insulation

---

Drywall

---

Trim and Interior Door Finish  
Painting

---

Finish electrical

---

Bathroom and kitchen counters and cabinets

---

Finish Plumbing

---

Carpet and Flooring

---

Finish HVAC (Heating, Ventilation, Air-Conditioning)

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Hook-up to water main or well drilling

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Hook-up to sewer or installation of a septic system

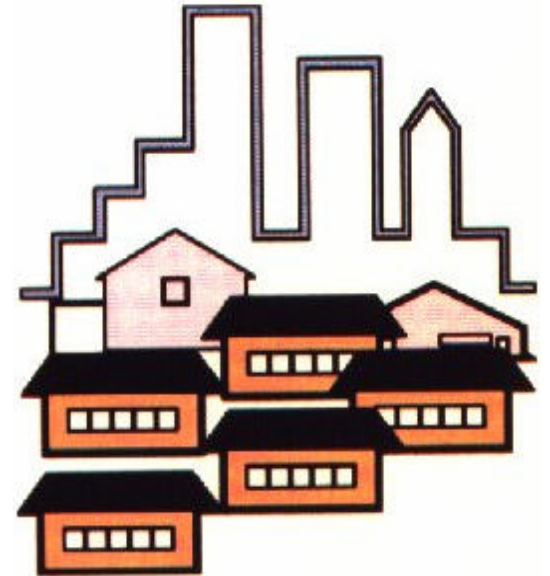
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## SELF-HELP HOUSING

- o The labor contributed by the families lowers the cost of the house and the monthly payments. This “sweat equity” serves as the down payment so that each borrower pays only minimum closing costs. Mutual self-help makes homes affordable for people who are not able to afford homes in the conventional housing market.
- o Applicants must apply and meet specific income and credit guidelines. Some nonprofit developers require prospective homebuyers to be residents of particular areas.
- o Participants (or other family members) are required to work a stipulated number of hours building a group of homes built during the same period (*tanda*).
- o Some of the construction may be outsourced to subcontractors, such as plumbing, HVAC (heating, ventilation and air-conditioning), and possibly insulation, cabinets, moving the house, and caliche work at the homeowner’s site. The work that is outsourced varies from program to program.
- o Some programs require participants to own their lots. Homes for members of the *tanda* may be built at the nonprofit organization’s site and moved to the participants’ lots at a specified time during the construction cycle.
- o For programs that require participants to own their lots, they may also require: access to potable water; sewer disposal available or suitable for use of septic tank; adequate drainage; lot not in flood-prone area; structures not approved by the organization not on the lot; lot is fully paid for or participant is current with lot payments; property taxes are current (or in an acceptable payment plan); lender must be able to obtain first lien position.

- o Other nonprofit builders own the lots themselves and sell them to the buyer as part of the sale.
- o Self-help housing developers may either finance the homes themselves or arrange the financing with selected financial institutions.
- o Many programs require participants to attend housing counseling and/or financial literacy sessions. Training in home construction may also be required.
- o Buyers generally have the opportunity to select some of the features such as colors, tile, and cabinets.

## SITE-BUILT HOMES AND SELF-HELP HOUSING



# BARRIERS TO OBTAINING FINANCING

## Ownership of Land -

- Traditional lenders often require that you own the land before they will extend credit to build a house. If you do not own the land, you can expect to encounter more barriers. If you do not owe too much, the lender may be willing to pay off the note on the land in addition to lending you money for construction.

## Type of Ownership

- Many families purchased their lots under Contracts for Deed. These contracts do not transfer title of the property to the buyer until the last payment is made. If you have a Contract for Deed instead of a traditional Deed, it is unlikely that you will be able to obtain construction financing.

## Lack of Traditional Credit

- Families that are used to paying cash for everything frequently find it more difficult to obtain credit, especially for the amount of money needed to build a home. Lenders always check your credit and if you have not established credit, obtaining this type of loan will be difficult.

## Poor Credit History

- It is even harder for people who have had bad credit to obtain a loan. Lenders are interested in whether you pay your debts according to the agreement you established with the creditor. Late or missed payments, accounts that have been sent to collection agencies or were charged-off – that is, considered losses by the creditor, will affect your chances of obtaining credit.

- Repossessions, even voluntary repossessions, and foreclosures of past property are other serious credit issues. Filing bankruptcy affects your credit for up to ten years. If you have credit issues it is advisable to consult with a HUD-approved housing counselor or the Consumer Credit Counseling Services in your area to see what steps you can take to improve your credit.

## Over-extended Credit

- Some families have established excellent credit, but still face another barrier – they are spending too much of their monthly income on debt repayment. Lenders look very carefully at this figure because they know that most families cannot afford to keep up with all of their payments over a long period of time when they are carrying too much debt.

## Unstable Income

- Lenders generally verify the stability of income before they extend credit. Income such as Social Security Retirement or Disability is considered stable since it can be counted on monthly. Employment income is generally reviewed over a period of time – frequently two years. Gaps of unemployment during this period can effect the credit decision.

## SOURCES OF CREDIT AND RELATED ISSUES

| Financial Institution       | Issue for Borrower   |
|-----------------------------|--|
| Credit Unions               | Good source of credit for those with acceptable credit   |
| Banks                       | Good source of credit for those with acceptable credit   |
| Nonprofit Community Lenders | Good source of credit – may have somewhat more flexible lending policies than credit unions and banks  |
| Finance Companies           | Often serves borrowers with less than perfect credit, but interest and fees are higher than those of credit unions, banks, and nonprofit community lenders |
| Credit Cards                | Not a good source of loan capital due to extremely high interest rates   |

This chart shows possible sources of financing your home improvements.

**Note that not all recommendable!**

