

ASSESSMENT OF A NON-PROFIT HOMEOWNERSHIP PROGRAM FOR  
LOW-INCOME HOMEBUYERS IN LYNCHBURG, VIRGINIA

by

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(ABSTRACT)

The purpose of the study was to examine the Lynchburg Covenant Fellowship program in depth and speculate implementation in other geographical area. Various programs have been implemented at all levels of government as well as by private agencies in order to assist persons attain ownership. Some programs have met with problems while others have been deemed successful. The success of many low-income programs often has been attributed to the cooperation of private and public agencies working together.

Lynchburg Covenant Fellowship (LCF), a nonprofit organization located in Lynchburg, Virginia, has put together a joint venture combining public and private initiatives and investments which allowed each agency to perform in its specialized area. LCF along with four other implementers built homes to sell to low-income working families with a subsidy that insured their monthly mortgage payment would not exceed 25 percent of their income.

Descriptive statistics were used to analyze the homebuyers' questionnaire. The instrument showed that the housing categories (design, amount of space, cost, and maintenance), considered important by the homebuyers were satisfied and that the homebuyers were satisfied with their home. The intermediaries' questionnaire posed discussions of their specific role in the program and an assessment of the program.

The LCF Homeownership Program has been considered a successful program that could be implemented in other geographical areas to provide homeownership for low-income families.

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## CHAPTER I

### Introduction

Homeownership is held in high regard in the United States and has been since the founding of the country. Part of the impetus for immigration to the United States was the desire for homeownership, which was considered the "backbone" of America by several presidents (Morris & Winter, 1978). Homeownership is still highly desired by most, but is very difficult for some and impossible for others to obtain and maintain. However, various programs have been implemented by government, nonprofit organizations, and private institutions, to help low-, middle-, and upper-income people realize their dream.

The federal government has tried to assist Americans in obtaining homeownership in various ways, but the programs have run into a number of problems, such as affordability and political scandal. Federal assistance has taken various forms: tax advantages, mortgage insurance, interest credit, and direct lending programs. Homeowners are allowed to deduct property taxes and home improvement loans on their income tax returns. The Federal Housing Administration (FHA) has government-backed mortgage insurance, along with a direct lending program for homebuyers with less stringent qualification procedures than most other lending programs (Montgomery & Marshall, 1980).

Most federal homeownership programs have been directed toward middle- to upper-income households. Programs designed for lower-income households have encountered numerous complications. However, the state and local governments and private sectors have implemented successful homeownership programs for lower-income households. These homeownership programs function through the cooperation of several parties. No single organization (federal, state, local, or private) implemented these ventures alone. The piecing together of monies and skills, which require working with different groups and corporations, enables low-income families to obtain housing through homeownership.

#### Statement of the Problem

Abrams (1970) states that no single agency is able to fulfill the needs of the entire low-income segment of the population. He further declares that the United States government should employ private enterprise as an instrument for its objectives, and where private enterprise is unwilling or unable to do the job, the federal government must then be prepared to assist private enterprise. The joining of efforts enables each sector to perform the functions for which they are best suited. The success of low-income homeownership programs is attributed to this joining of forces. It is the nonprofit vehicle that is relied on as a joint venture to combine private and public investments and initiatives (Nolon, 1983).

Lynchburg Covenant Fellowship (LCF), a nonprofit organization located in Lynchburg, Virginia, has implemented such a homeownership program. In partnership with various other corporations, they have built homes and sold them at cost with low interest rate loans to low-income, employed families.

In order to understand the mechanics of this unique partnership, it was necessary to determine how these initiatives were placed together to produce optimum results. It was also appropriate to assess the responses of the various partners with respect to their particular involvement.

Thus, the purpose of this research was to examine the LCF program in depth to see how it is rated by participants and to speculate if it can be implemented in other geographic areas.

The specific objectives were to:

- (1) Assess the attitudes and satisfaction of the participants (both homebuyers and intermediaries) with the program
- (2) Review how well this program has been implemented
- (3) Speculate on the feasibility of program implementation in other geographic areas

#### Justification

"A key element of the nation's housing policy has been the goal of safe, decent, and sanitary housing for all

(National Governor's Association, 1986, p.i)." Since the time of the New Deal, the federal government has attempted to provide decent housing to those who could not afford it and housing has been situated on the nation's public agenda (National Governor's Association, 1986).

Housing affordability, due to fluctuating interest rates, and increased cost of houses, land, and development, has worsened. Since 1970, real incomes are up only 7%, while real house prices have risen 28%, and mortgage interest rates are a third higher. Moreover, during recent years, federal financial assistance for housing has been substantially reduced. For example, the United States Department of Housing and Urban Development's budget for assisted housing fell from 26.7 billion dollars for fiscal year 1980 to less than 10 billion dollars in fiscal year 1986 (National Governor's Association, 1986). This reduced level of funding continued through the 1980s and early 1990s. The reduction in funds has forced states and localities into addressing the housing situation as a major policy issue (Sidor, 1986). Some states already have existing tools and programs; others have been developing new programs to build upon their efforts. To accomplish their goals, states must employ resources efficiently and build on the support of the private sector, nonprofit organizations, and community and citizen groups.

Homeownership is a cherished goal of people everywhere, but is much stronger in the United States than in other countries (National Governors Association, 1986). Federal housing policy has focused on encouraging and facilitating homeownership. However, the increase in house prices and mortgage interest rates has thrust homeownership beyond the attainment of many households. The percent of homeowners between 30 and 34 years of age, the traditional age when most first time homebuyers make their first purchase, has fallen from 63% to 54% since 1978 and the overall rate for the nation fell from 66% to 64% (National Governor's Association, 1986; Brown & Yinger, 1986; National Housing Task Force, 1988). In the mid 1980s, the mortgage default rate rose to almost 1% of existing mortgages, the highest in over a decade. The foreclosure rate nearly doubled from 0.13% in 1980 to 0.25% in 1984 and 1985 (Brown & Yinger, 1986). These housing trends set the stage for the Lynchburg Covenant Fellowship Homeownership Program whose concept began around the time of these various housing concerns. Housing affordability started improving in 1986, due to the lower interest rates; however, interest rates again began to increase slowly in 1987. Although the increase leveled off and has been declining since 1990, homeownership is still difficult for most first-time homebuyers.

A survey conducted by the National Housing Institute (1988) found that the American public views the difficulty

of homeownership as an important problem for the nation, along with affordable rental units and homelessness. They support programs that will help with down payments and mortgage rate reductions. Support is so strong, they are willing to pay increased taxes for housing programs. It is strongly supported because of the potential benefits that will be received by the taxpayers.

In 1987, as part of a Congressional effort to undertake a review of housing policy, a task force was formed to analyze American housing policy. The nonpartisan group, led by James Rouse, Chairman of the Enterprise Foundation included persons from business, banking, community service, state, and local government. The group recommended various systems for delivering low cost housing. Among those suggested were nonprofit organizations and partnerships with government.

Federal housing programs have had a difficult time in meeting the affordability needs of the targeted potential homebuyer. Alternative methods are needed to supply the potential homebuyers with homeownership opportunities. States are using public-private partnerships to extend homeownership opportunities. These partnerships are occurring frequently at the local levels (National Governor's Association, 1986). By studying the LCF Homeownership Program, the effectiveness of this type of program can be monitored.

### Theoretical Framework

The success of homeownership programs has varied tremendously. The implementation of these programs demands the alignment of the participants, both the players in the partnership and the low-income buyers, in the correct position, similar to constructing a puzzle. If one section does not conform or adapt exactly as it should, the puzzle will not be completed. If the program is successfully concluded, can it be inferred that all of the parties were content to participate? If they were, to what extent and in what capacity?

The participants' level of satisfaction with the implementation and results of the program can be determinants of the success of the program. If the program met the goals that were established prior to implementation without a considerable degree of difficulty and all participants are relatively content with their roles and the result of their cooperation, the program will be defined as successful. It is assumed that if the participants are dissatisfied with either of the key components of the agenda, implementation or results, success of the program will be low in the perception of the participants.

### Limitations

Since the majority of the LCF houses have been sold, the findings may be generalized only to similar situations.



Delimitations

1. The researcher will not conduct a cost-benefit analysis due to the complexity of the analysis and time constraints.
2. Only direct participants of the LCF Homeownership program will be interviewed.

Assumptions

1. Respondents will answer questions truthfully.

Definition of Terms

Intermediaries - those corporations which participated in the LCF Homeownership program.(e.g. United Virginia Bank, L.G. Flint Construction Co.)

Participants - the low-income homebuyer and the intermediaries

## CHAPTER II

### Literature Review

Since the 1960s, there have been various homeownership programs administered by the federal government as well as those administered by state and local governments and private entities. The federal government encountered an excessive number of problems while other administrators often realized more success. This chapter will review various homeownership programs sponsored by the federal government, as well as other homeownership programs. The chapter will conclude with a review of the Lynchburg Covenant Fellowship Homeownership Program, the program being analyzed in this research.

#### Federal Government Homeownership Programs

According to Abrams (1946) "home ownership is America's tradition. American poets have sung its praises. Our chief executives have proclaimed it as a vital link in democracy. Any Congressman can deliver a homily on the subject without a minute's preparation and often does" (p. 36). Abrams's statement still holds true today.

Government encouragement of homeownership in the United States dates back almost two hundred years. The 19th century saw the enactment of the first Homestead Act, coupled with promises of land to anyone who would build a home and settle in the west (Fielding, 1969).

President Herbert Hoover endorsed homeownership for the working class, claiming that stimulating homeownership would produce good citizens (Silver, McDonald, & Ortiz 1985). The first Presidential Conference on Home Building and Home Ownership was called by President Hoover in 1932.

This conference suggested that the lowest wage earning group should be provided homes at the public expense. The attempt to make homeownership possible took various forms: direct and indirect subsidies, tax exempt plans, philanthropic housing schemes, limited dividends, cooperative apartments, and large scale housing developments. The committee believed that nonprofit enterprises could be very useful in assisting poor homeowners (Gries & Ford, 1932).

The National Housing Act of 1934 established the Federal Housing Administration (FHA); FHA-insured loans transferred the risk of loans from the builders and lenders to the federal government. Although the FHA helped millions of average Americans become homeowners, it was not able to assist the low-income. The financial situation was still unaffordable for the low-income. The public housing rental program, which combined federal and local subsidies to grade rents to tenants' income, was the only subsidy for the low-income wage earner until the early 1960s. While many new programs were formed and offered alternatives to public housing, none offered the possibility of

homeownership for low-income until 1966 (Fielding, 1969; Silver et al., 1985).

#### The 221(h) Program

In 1966, a bill was introduced that authorized FHA to insure below-market interest rates for nonprofit groups that undertook the purchase and rehabilitation of homes for resale to low-income families. The first direct piece of legislation that resulted in actual homeownership for low- to moderate-income families was 221(h), also part of the 1966 bill. Under the program, low-income families could qualify for an FHA-insured mortgage with an interest rate of 3% (Fielding, 1969; Russo, 1969; Silver et al., 1985). The original 221(h) program was amended to permit FHA to subsidize the interest rate down to 1% because most low-income families still could not afford housing at 3% interest (Russo, 1969).

#### The Turnkey III Program

In 1966, the concept of "turnkey" was developed by the Department of Housing and Urban Development (HUD), in order to attain more private builder involvement in public housing. The local housing authority (LHA) purchased a new development from a private builder at a previously-agreed upon price. The "key" to each unit was then "turned" over to the local housing authority from the builder to rent to public housing tenants. The developer was financed by federal funds. As Turnkey I increased in credibility, the

concept was applied to management. Turnkey II was designed to involve private management firms in the operation of public housing developments. In Turnkey III, the "key" was conveyed from the developer to the LHA and on to the home buyer. Turnkey III was developed by a group of housing and community interest organizations in Mississippi, in which HUD and the National Association of Home Builders enabled public housing residents to become owners of newly built, single family homes through a lease-purchase arrangement. The resident accumulated equity over many years and the purchase was completed when mortgage financing was arranged or the equity equaled the balance of the development cost for the unit ("New Directions," 1967; Silver et al., 1985).

A training program for residents was developed which added to the success of the project. The training consisted of home management skills, consumer education, and home maintenance skills. Buyers received information on the Turnkey III program, moving tips, legal and financial information, and sessions were conducted on the operation of the appliances in the new home (McKillop, 1974; "North Gulfport," 1969).

The Turnkey III program was a mixed success. Vacancy and turnover rates were low. The conditions of the houses were good, and home buyers fulfilled their maintenance responsibilities. However, the build-up of equity was too

gradual to provide incentives, and high interest rates made obtaining a mortgage unreasonable. In 1973, Turnkey III was terminated (Silver et al., 1985).

#### The Section 235 Program

Section 235 was an interest-rate subsidy program, set up in the Housing Act of 1968, to make it possible for low- or moderate-income families to purchase housing. The family was required to pay at least 20% of their adjusted monthly income on the mortgage, insurance, and property taxes. The remainder was subsidized by the government with below market interest rates. As the family income increased, the subsidy was reduced.

Family income and mortgage limits were established for each section of the country. A family had to have an income that did not exceed 135% of the maximum income limits for public housing in their community. Mortgages, generally 30 years in duration, were confined to \$15,000 in most places but in unique cases, such as in "high cost" areas or in the case of large families, the mortgage could ascend to \$20,000.

The families were required to make a small payment to cover closing costs, insurance, titles, etc. The mortgagee was responsible for recertifying a family's income every two years.

This program enabled low- to moderate-income families to acquire a home. There were no requirements that the

developer be nonprofit or limited dividend, which made it easier to attract investors ("Federal Housing," 1969; "How Washington," 1970; Lapin & Eudey, 1975; "Section 235," 1971).

Section 235 had a number of problems. Few low-income families were the beneficiaries since only the moderate-income families could afford to purchase these homes. There were political scandals concerning the allocation of Section 235 money. Eager buyers falsified their income in order to qualify for mortgages or FHA home-improvement loans, and often spent the subsidy on other possessions. Many of the families had budgeting problems (Robinson, 1973; "Fight On Fraud," 1971; Silver et al., 1985).

The auditors suspected that FHA appraisers were negligent if not corrupt. Some of the houses, both new and used, were often substandard and uninhabitable. Extensive building code violations were found: inoperative electric ceiling heat, wall corners cracked from ceiling to floor, leaking roofs, and cracked foundation slabs. The existing houses were even worse: no furnace, condemned wiring, basement flooded with sewage, and rotted steps. Real estate speculators had been overcharging for the houses. HUD allowed some of these corrupt things to go on and paid no attention to others (Boyer, 1973). This program was terminated in 1973, when President Nixon issued a moratorium on all new subsidized units (Silver et al., 1985).

### Other Homeownership Programs

The moratorium on the federal housing and urban renewal programs in 1973 induced the role of state and local governments to increase in importance. As a result, procedures have been combined, and federal, state, and municipal aid has been intertwined with private enterprise to yield housing (Morris, 1974). An overview of examples of homeownership programs targeting low-income households follows.

#### Minnesota Homeownership Assistance Fund

In 1977, the state of Minnesota appropriated 7.5 million dollars to the Minnesota Housing Finance Agency to be used to develop and carry out a proposal that would assist lower income families with housing costs. The intention of the "homeownership assistance fund" was:

- to encourage and assist households of modest-income in purchasing a house through the provisions of low-interest loans,
- to structure loan repayment terms to be consistent with anticipated and probable changes in the income of the borrower,
- to provide assistance with meeting down payment requirements, and
- to insure continuity in the program.

The maximum adjusted income was \$16,000 and the sale price of the house could not surpass \$37,500. Relying upon



a strong partnership with local private financial institutions, the Minnesota Housing Finance Agency provided a modest but helpful resource to many families in that state (Dlugosch & Korell, 1978).

#### In-Rem Housing Program

Silver, McDonald, and Ortiz (1985) consider the In-Rem Housing Program of the City of New York to be one of the most successful programs of sales of publicly owned housing to low-income persons. The stated goal of the program in 1978 was to return housing obtained through tax defaults and city-owned housing occupied by the poor to the tax rolls. The Division of Alternative Management Programs (DAMP), a program which sells In-Rem housing, had treated and sold many of these buildings as low-income tenant cooperatives by 1983. The best known DAMP program was Urban Homesteading, through which under-occupied city-owned buildings were rehabilitated and bought by organized low- and moderate-income homesteaders. Another program which sells In-Rem housing, the Tenant Ownership Program, sold occupied city-owned family homes to current residents. The sales prices were based on the appraised values, the down payment ranged from 5% to 25%, and the city offered a mortgage at 7.5% for 20 years. The low sales prices, good terms, gradual transfer of ownership, and financial "insurance" are the explanations cited for the success of the In-Rem programs (Silver et al., 1985).

### Habitat for Humanity

In 1968, Millard Fuller, lawyer and businessman, and the late Dr. Clarence Jordan, scholar and farmer, began work aimed at dealing with the problems of substandard housing. By 1976, Habitat for Humanity was formed in the United States as a nonprofit organization which established provisions by which the poor could obtain decent housing.

As a nonprofit Christian housing ministry, Habitat for Humanity operates in partnership with indigent people to improve the conditions in which they are forced to live. Through gifts and nonprofit loans, capital is raised to build or renovate simple, decent housing for the inadequately sheltered. The potential homebuyers and volunteers also assist with the construction of the houses. These houses are sold at no profit, with a no-interest mortgage repaid over a 15 to 25 year period. These house payments are then recycled to construct more houses.

Habitat relies heavily on volunteers for the construction and the administration of this project. The work is a cooperative effort between volunteers and homebuyers. There is a sweat equity provision that requires the homebuyers to contribute to the building of their own or other homes (Fuller, 1980). A representative of the corporation stated that as of August 1990, 6500 houses have been built and rehabilitated worldwide since 1970. The goal set and reached for 1990 was 1000 in the United States (M.

Lamonaco, 1990; Donohue, 1991). Although Habitat for Humanity started small, it is now a significant contributor to the low-income housing stock, building 1000 homes in 1990. They are now ranked as sixty-second on the top 100 builders list in Builder magazine (Donohue, 1991).

#### Home Buyers, Inc.

Home Buyers, Inc. in Washington D.C. was founded in 1967 as the outgrowth of a study group on urban housing problems sponsored by Lutheran Social Services of Washington. It is a nonsectarian, nonprofit corporation, which buys houses in basically sound condition and rents them to low-income families, who are prospective purchasers.

Monthly payments include principal and interest at the rate of 5% per year on the down payment. Home Buyers borrow funds, also at the rate of 5%, from individuals, churches, and foundations, usually for a term of five years. When the family purchasing the home has repaid the down payment, it takes title to the home, subject to the remaining long-term mortgage; alternatively, after part of the down payment and the mortgage have been repaid, new financing may be arranged (Severn, 1975).

#### Task Force for Historic Preservation

The nonprofit community development corporation, Task Force for Historic Preservation in the Minority Community in Richmond, VA., focuses on the following three principal areas: housing and economic development, education and

training, and cultural enrichment. In 1985, a housing development program entitled "Preservation One," was established to offer low- to moderate-income persons the opportunity to become homeowners. The group acquires, renovates, and manages housing in certain historic neighborhoods in Richmond.

After meeting certain requirements of the program, the person will lease the home. Under the lease-purchase agreement, a portion of each month's rent is set aside for property repairs. Any money that remains accumulates in a maintenance revenue fund and is applied to their down payment. Twenty-five dollars has to be saved each month by the homebuyer to be used for their closing costs. After five years, all money saved, along with a \$5000 grant, will be applied toward the closing costs and down payment. In 1987, the approximate cost of the houses ranged from \$15,000 to \$25,000. The average monthly rent is \$225 - \$275 (Task Force for Historic Preservation & the Minority Community, 1987).

#### Puerto Rico's Homeownership Programs

The Puerto Rican government has operated a number of housing programs during the last 45 years. The efforts have included programs to assist the low-income by making land available, self-help housing, low-interest mortgage financing, and so forth. In the early 1970s, Puerto Rico operated a homeownership program, Law 10, financed through

mortgage revenue bonds. Due to default problems, in 1973 the municipal bond market was no longer accessible to the government for the financing of housing. This led to a greater reliance of the government on the private sector to finance housing units. The private sector then became responsible for the Law 10 program, utilizing the government in an oversight role. The units constructed through private financing and construction mechanisms have been more successful than publicly financed units; fewer defaults, better appearance of units, and fewer vacancies. Although the interest rates on the mortgages have been higher, the advantages seem to have outweighed the disadvantages:

- The private sector was more responsive to the preferences of the potential residents.
- There was increased control of client qualification and underwriting of mortgage loans.
- Marketing efforts were better.
- Counselling efforts were also more effective when privately provided.

Puerto Rico was able to coordinate federal programs, where available, with state programs and work with the private sector in order to address their particular problems. This coordination allowed each sector to perform those functions for which it was best prepared (Smith & Martineau, 1980).

Community Reinvestment Act of 1977

Although the Community Reinvestment Act (CRA) is not a homeownership program, it merits discussion because of its possible effect on low-income homeownership. The CRA was enacted in 1977 by Congress due to the concern over unfair treatment of prospective buyers by financial institutions and the geographic differences in their lending patterns. The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Federal Home Loan Bank Board were appointed as "the agencies." The purpose of each federal financial supervisory agency is to examine the local financial institutions and encourage them to meet the credit needs of its entire community, including low- and moderate-income neighborhoods.

Under CRA, the financial institution uses a general framework for establishing services which relate to community needs and distributes them in a fair and nondiscriminatory manner while keeping with an institution's general approach to its business. Substantial leeway in developing specific policies and programs to meet CRA responsibilities, is given an institution due to the variance in size, business strategies and objectives of the institution, and the size, nature, and needs of the community involved. Some specific elements of an effective CRA process are:

- Use of more flexible lending criteria.

- Increased efforts to make loans, including participation in government-insured lending programs and other types, such as high-loan-to-value-ratio conventional mortgages with private mortgage insurance.

- Establishment of a process involving all levels of management in efforts to contact governmental leaders, businesses, economic development practitioners, and community organizations to discuss financial services needed by the community.

- Development of systems to provide assistance to customers or potential customers regarding federal, state, or local assistance programs to small businesses, or for housing or other similar community needs.

The government is continually assessing the CRA regulations in order to provide information from the effective programs to assist those institutions in need of improving their CRA rating profile (Crestar Bank, 1991).

CRA was revised and made stronger as a tool to increase low- to moderate-income housing as a result of the 1989 passage of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). "Although the primary impetus behind this legislation was the thrift industry crisis, FIRREA may well be the most important affordable housing legislation of the decade" (Fannie Mae, 1990, p.4). This

revision should lead to many productive local partnerships between lending institutions and the local community.

Lynchburg Covenant Fellowship Homeownership Program

Lynchburg Covenant Fellowship, Inc.

Lynchburg Covenant Fellowship, Inc., founded in 1950, was established as a nonprofit, tax-exempt, educational corporation. The purpose of Lynchburg Covenant Fellowship (LCF) is to promote Judeo-Christian fellowship and Judeo-Christian education. No requirements are placed on age or denomination, and it strives to function with people promoting the unification of Christian churches. Also, LCF endeavors to increase religious faith, witness, and action. To achieve these goals, LCF serves as a conduit for service and uplift programs targeted for the community. LCF establishes task forces whose aims are "constructive social change."

Lynchburg Covenant Fellowship particularly addresses its mission to individuals and groups usually by-passed by mainstream cultural and economic advancement. This is in accordance with LCF philosophy: "the dignity and infinite value of every person and in the need of each to understand and help one another" (Lynchburg Covenant Fellowship, 1984, p.2).

Over the years, LCF has engaged in numerous activities, such as various children's programs of summer day camp, pre-school and after school programs, tutorial programs, and



counselling with delinquent youth. An emergency wood program was initiated to assist families who used firewood as a primary heat source, and included supplying wood and replacing older heaters. Also, two volunteer work groups were set up to support world peace efforts.

Lynchburg Covenant Fellowship's interest in housing began in 1970, when they sponsored and brought into existence a nonprofit corporation, Shalom Apartments, Inc. The nonprofit constructed forty-six apartment units for low-income families under the federal program, Section 236(d). In later years, LCF was able to obtain Section 8 Rental Assistance, a rental subsidy that addressed the families need specifically, for the eligible residents of Shalom Apartments.

In 1976, they began the process of converting two abandoned school buildings, Lynchburg High and Frank Roane, in the central city into 96 low-income housing units. These apartments are also a part of the Section 8 Rental Assistance Program.

LCF's work in housing diversified even more in the 1980s. In 1982, LCF received a matching grant from Enterprise Foundation to create a revolving fund for housing rehabilitation. The program assists low-income homeowners in evaluating needed home repairs, securing labor and materials necessary for the repair, overseeing construction,

and providing low-interest or interest-free loans to the homeowner with low monthly repayment plans.

In cooperation with the Virginia Housing Development Authority, the state finance agency, LCF has built a second-stage housing facility for battered and abused women. A group home for mentally disabled persons has also been opened with two other such homes being developed. LCF is currently working on other housing projects for the mentally ill and low-income.

Lynchburg Covenant Fellowship is self-governed and directed by a board of twenty persons from a wide cross section of community life. The organization has no endowment, and is wholly dependent for financial support from voluntary gifts.

#### Enterprise Foundation

Upon retirement, Mr. and Mrs. James Rouse established the Enterprise Foundation. The Enterprise Foundation's purpose is to assist organizations, like LCF, all over the country who are working in housing especially for the low-income. The genesis of the Enterprise Foundation is a two-tiered structure : 1) the nonprofit 501(c)(3) Foundation and 2) the for-profit real estate development company called Enterprise Development Company. The Enterprise Development Company is exclusively owned by the nonprofit Enterprise Foundation. The Enterprise Development Company is similar to a small Rouse Company in that it constructs shopping

centers in medium-size cities while the Rouse Company targets large cities such as St. Louis, Philadelphia, and Boston.

The Enterprise Development Company built its first project, Waterside shopping center, in Norfolk, Virginia. One-half of the profit from Waterside reverts back to the city of Norfolk for the Norfolk Redevelopment and Housing Authority to develop projects in the city of Norfolk. The other half goes back to the nonprofit Enterprise Foundation. Enterprise Foundation give grants and make loans to organizations such as LCF.

In 1981, Jim Rouse and some members of the Board of Directors of Enterprise Foundation met with representatives of nonprofit organizations: Jubilee West in Oakland, HOPE Communities in Denver, Jubilee East in Baltimore, Jubilee Housing in Washington D.C., and LCF in Lynchburg. N. Gordon Cosby, Vice-President of the Enterprise Foundation, was also a member of the LCF board of directors, and knew of LCF's interest in low-income housing. At that meeting, Mr. Rouse asked Reverend Herbert Moore, director of LCF, what he would like to do next at LCF if money were not a consideration. Rev. Moore answered by saying he would like to assist persons to become homeowners. That was the beginning of the LCF Homeownership program (Moore, 1987).

LCF Homeownership Program Procedures

The LCF Homeownership Program had its formal beginning in 1982. LCF put together a development team, which consisted of Crestar Bank, L.G. Flint Construction Company, Edmonds Williams Law Firm, Architectural Partners, Lynchburg Redevelopment and Housing Authority (LHRA), and the Enterprise Foundation (see figure 1). Flint Construction Company worked with the architect in designing a house that would be affordable to people who were making between \$9,000 and \$15,000. The next problem was to work out a financial arrangement that would be approved by Enterprise Foundation, LCF, and the bank (see figure 2). The Enterprise Foundation agreed to deposit \$180,000 in the Lynchburg branch of Crestar Bank for a twelve year period of time, charging the bank 6% interest. The deposit is a mortgage default guarantee and the interest earned is used to subsidize the monthly mortgage payment as needed. LHRA received tax-exempt bonds from the federal government and sold twenty bonds at \$26,000 each to Crestar Bank. The bonds are attached to each house so when the house is purchased the homeowner assumes the responsibility of paying off the bond to the bank. Crestar Bank then loaned money to LCF to purchase the houses.

LHRA also purchased or acquired through eminent domain the land on which the houses were built. They excavated the properties on scattered sites in two neighborhoods, Daniels

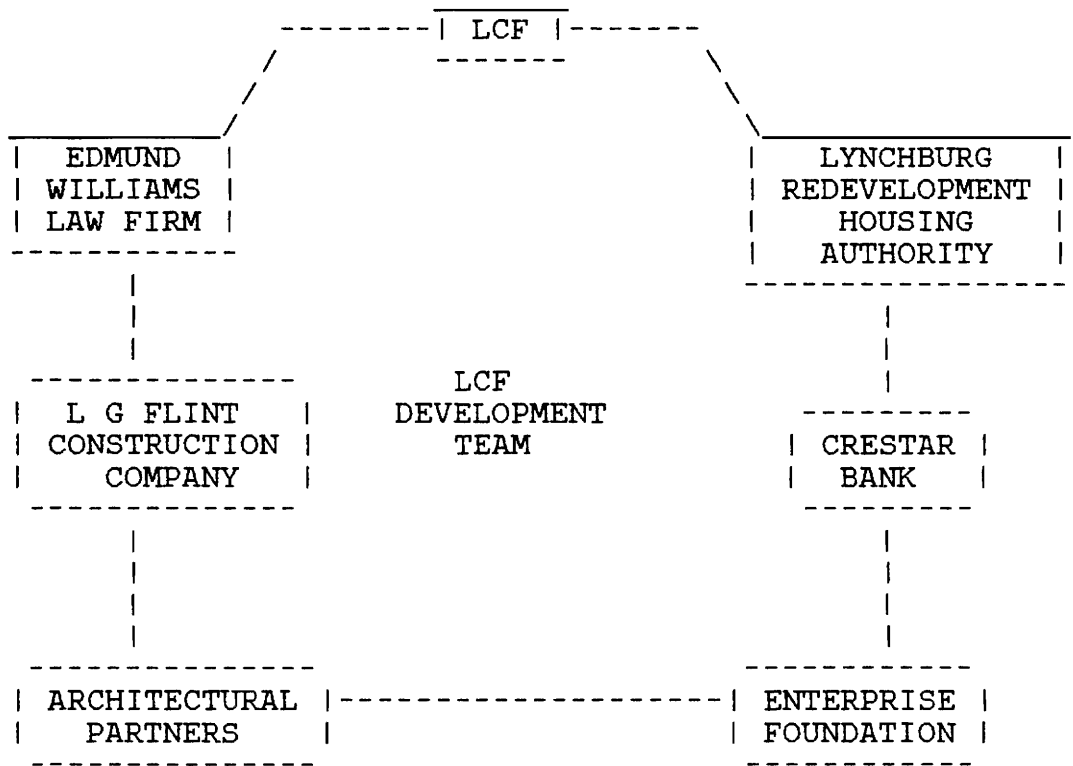


Figure 1. Lynchburg Covenant Fellowship (LCF) Homeownership Program Procedures: The Development Team.

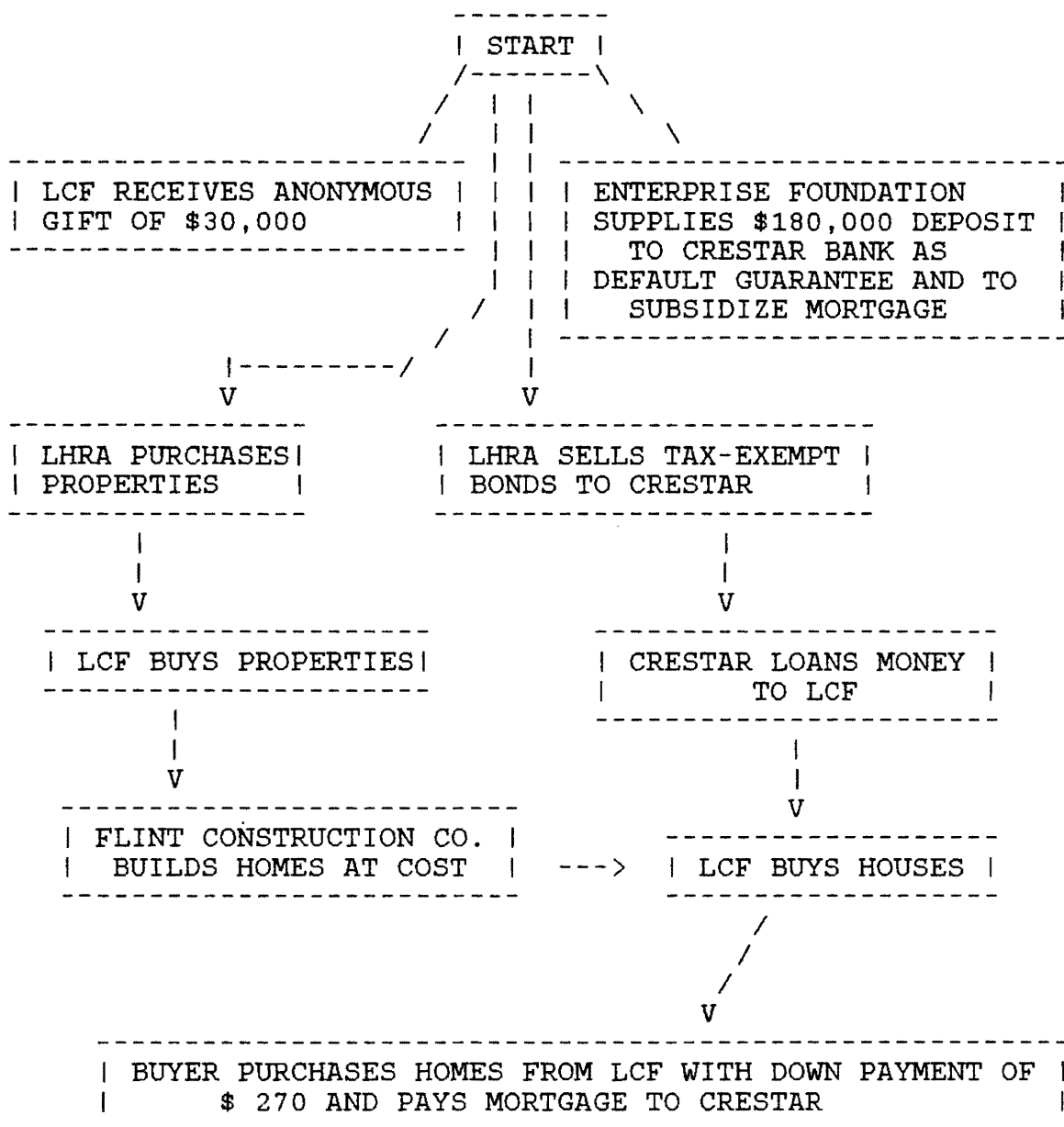


Figure 2. Lynchburg Covenant Fellowship (LCF) Homeownership Program Procedures: The Financing Process.

Hill and White Rock Hill, (Appendix A). With an anonymous gift of \$30,000, LCF purchased the properties from LHRA. Instead of selling the land at a given price per acre, \$1000.00 was paid per house to be built on the condemned property. In some cases, because of city regulations, it took two lots to build one house. The difference between the actual purchase price of the land and the selling cost was paid by LHRA with a community block grant. Flint Construction built the homes at cost (\$26,000) and LCF pays them upon completion of the house. The ideal situation is to have a purchaser qualified when the house is completed. The family is required to make a down payment of \$270 at the time they purchase the house from LCF. The \$270 goes to LCF to help cover the closing costs.

Crestar Bank agreed to give a 20 year mortgage at a 9% fixed interest rate to the family buying the house. The bank secures the loan with the deed of trust to the property.

Additionally, families who earned between \$9,000 and \$13,000 can receive an interest-free second mortgage. Families with an income between \$9,000 - \$10,000 would receive a subsidy for the entire second mortgage and it would be scaled down over the first 11 years of the mortgage. The purpose of the second mortgage is to prevent the family from paying more than 25% of their income for housing.

LCF recommended that potential buyers attend educational training programs that address various aspects of owning a home. Workshops, conducted by representatives from local agencies and businesses, were held on financial profile and counselling, house and grounds maintenance, taxes, banking, insurance, and energy conservation. In addition to the workshops, at closing, handouts were given to the homebuyers that explained the financial arrangements of the loan and basic information about homeowner responsibilities (Appendix B).

After purchasing the house, the owner no longer deals with LCF, but with the bank. They sign an agreement which stipulates that if they sell the house prior to paying off the first mortgage of \$26,000, they agree to pay half of the equity over and above the original cost of the house to the Enterprise Foundation. The purpose of this is to prevent the purchasers' from making a profit on a quick sell of the house. Reverend Moore stated, "That's not the spirit of this program." There is no restriction on how much money the family can make after the initial purchase.

#### Summary

The federal government has encouraged homeownership and implemented many programs in order to assist with this American dream. Most of the various government efforts such as tax advantages, capital gains exemptions, and government-backed mortgages, have been directed toward the higher-



income level households. These programs have not met with as many problems as specific homeownership programs directed towards low- to moderate-income families. Some of these programs were in cooperation with private companies, so the failures of the programs were not solely the federal government's responsibility.

With the reduction of federal housing programs in the 1980s more private, state, and local agencies became involved in housing. These entities often have been more successful at combining resources than the federal government. Most of these programs have been ventures where some type of partnership existed. The partnerships consist of private institutions, nonprofit organizations, and even volunteer groups and individuals.

An example of this type of partnership is the Lynchburg Covenant Fellowship (LCF) Homeownership Program where a team of nonprofit organizations, private corporations, and local government worked together to build houses to sell to low-income working families. Because these partnerships are becoming more common, it is important to examine their successes and shortcomings. This research will examine the LCF Homeownership Program.

## CHAPTER III

### Methodology

To evaluate the program, interviews were conducted with both homebuyers and intermediaries. Through the homebuyer instrument, background information on the homebuyers was gathered, along with characteristics of their former and present housing. A questionnaire was also used to help determine the participants satisfaction with the program. Intermediaries were interviewed to assess their perceptions about the program.

#### Participants in the Study

The population for this study included participants in the Lynchburg Covenant Fellowship Homeownership Program. Participants included the homebuyers and intermediaries (program director, contractor, financial director, housing agency, and financier). The names of the representatives were obtained from the executive director of Lynchburg Covenant Fellowship. The sample in this research included five of the intermediaries and nine of thirteen homebuyers who had purchased houses by June 1987. Of the four families not interviewed, two declined and two were not available.

#### Development of the Instruments

Two instruments were developed by the investigator and reviewed by a team of housing professionals (college professors and researchers) to determine whether or not they

would accomplish the objectives of the study and to establish content validity.

#### Description of the Instruments

The research instrument used to interview the homebuyers had 41 forced-choice and open-ended questions excluding a satisfaction scale (Appendix C). The homebuyers' instrument was composed of the following sections:

Previous Housing - This section was designed to obtain information about their former housing conditions.

Homeownership - Questions were asked about the likes and dislikes of the new house.

Housing Satisfaction - A scale was used to look at satisfaction with the new house.

Program - This section inquired about the LCF Program implementation.

Demographic Information - A few questions were asked to obtain a profile of homebuyers.

The Housing Satisfaction Scale was compiled and developed by Julia Beamish (1983), then tested with housing professionals. The Housing Satisfaction Scale had thirteen major categories, (layout of floor plan, storage, living areas, dining, bedrooms, bath, laundry, appearance, exterior, systems, structure and materials, and costs) each with a number of items to be rated on levels of importance and satisfaction (see Appendix D).

The intermediary questionnaire (Appendix E) was directed towards discussion of their role in helping to implement the program and their assessment of the specific role they played. The instrument, comprised of 19 open-ended and explanation questions, included these sections:

Program implementation - how it was implemented.

Project activation - how the various tasks of the program were carried out.

Project satisfaction - attitudes about the program's outcome.

Program feasibility - the possibility of replicating the program in other geographical areas.

A pilot test was conducted in June 1987 with two families similar to the homebuyers. The investigator attempted to interview a new Habitat for Humanity homebuyer because of the similarity of the programs, but was unable to do so because of the family's unexpected change of plans. The pilot interviews were conducted with renters. They were both Black, low-income working families with children; one was a single parent and the other dual parents. The questionnaire was tested to determine the reliability and to determine whether or not the questions were understandable. Slight revisions were made to the questionnaire based on the pilot test.

### The Interviews

A personal interview was selected as the method of data collection because the sample was small. The interviews were conducted by the investigator in June and July 1987. The homebuyers were interviewed at their homes while the intermediaries were questioned in their offices. The specific intermediaries interviewed were chosen due to their in-depth knowledge of the program. They were identified by the director of LCF. The following interviews were conducted :

- 1.) Nine homebuyers in the LCF Home Ownership Program,
- 2.) Director of LCF
- 3.) Assistant Director of LCF
- 4.) Representative of The Enterprise  
Foundation
- 5.) Representative of Lynchburg Housing  
and Redevelopment Authority
- 6.) Representative of Crestar Bank
- 7.) Representative of L.G. Flint  
Construction Co.

### Data Analysis

The type of data collected from the homebuyer was quantitative; therefore, descriptive statistics were used to analyze it. Frequencies, means, or percentages were used to describe all sections of the homebuyers' instrument excluding the housing satisfaction scale. For that scale,

measures of central tendency and variability were measured by use of means and standard deviations.

The data from the intermediaries' questionnaire was qualitative. The responses from the questionnaire were summarized and presented.

## CHAPTER IV

### Findings

The purpose of this study was to evaluate the LCF Homeownership Program and assess the participants' satisfaction with it. In the following discussion, data compiled from the instruments will be analyzed and the results evaluated.

### Homebuyers

#### Description of the Sample

A profile of the typical LCF homebuyer is a Black, divorced female between 30 - 39 years of age with one or two children, and an income of approximately \$13,500.

All of the families interviewed were Black (see Table 1). The majority of the homebuyers (78%) fell into the age range of 30 - 49. Only one homebuyer was married, 67% were divorced and 22% were single. In one instance, a homebuyer was married at the time of the purchase but had since divorced. Household size ranged from one to five members. The occupation of the homebuyers varied: laborers (33%), managerial (11%), clerical (22%), semi-professional (11%), and service work (22%).

Over 50% of the buyers fell into the \$13,001 - \$15,000 annual income range. One buyer was in the \$8,500 - \$10,000, two families were in the \$10,001 to \$13,000 range, and one was in the \$15,001 plus category.

Table I

Description of Homebuyers


---

Characteristics	Number	Adjusted Percent
<hr/>		
Race		
White	0	-
Black	9	100
Other	0	-
Age of Household Head		
20 - 29	1	11
30 - 39	4	44
40 - 49	3	33
50 +	1	11
Marital Status		
Single	2	22
Married	1	11
Divorced	6	66
Widowed	0	-



Table I (CONTINUED)

Description of Homebuyers


---

Characteristics	Number	Adjusted Percent
<hr/>		
Size of Household		
1 Person	1	11
2 Persons	2	22
3 Persons	4	44
4 Persons	1	11
5 Persons	1	11
Occupation		
Semi - professional	1	11
Managerial	1	11
Clerical	2	22
Laborer	3	33
Service worker	2	22
Annual Income		
\$8,500 - \$10,000	1	11
\$10,001 - \$13,000	2	22
\$13,001 - \$15,000	5	55
\$15,001 +	1	11

---

Note. Percentages do not add to 100 because of rounding.

### Previous Housing

Of those in the program, only one had previously owned a house, and she was married at the time. Apartments were the type of housing that three-fourths of the homebuyers had lived in prior to purchasing their house. The sizes of the former dwellings also varied. The average number of rooms in their previous dwelling was five with an average number of 2.5 bedrooms. Over 50% of the former residences had two full bathrooms (see Table 2).

Although monthly rent payments ranged from \$0 - \$450, three-fourths paid \$200 or more per month before buying the LCF home. In some cases, the rent included utilities, which accounts for lower utility payments in their former residence (see Table 3).

Maintenance problems in the former dwellings were very low. Eight of the respondents had no major maintenance problems with their previous housing. However, one homebuyer had experienced plumbing and heating difficulties.

Most of the homebuyers felt the cost of their previous housing was "somewhat" or "very" high. There was no strong preference for any feature in their previous housing, two even stated nothing was liked, while neighborhood and privacy were least liked (see Table 4).

Table 2

Description of Previous Housing

Characteristics	Number of Homebuyers	Percent of Homebuyers (%)
<b>Type of Housing</b>		
Apartment	7	78
Townhouse	1	11
Single family	1	11
<b>Rooms in Dwelling</b>		
4.5	3	33
5	0	-
5.5	4	44
6	1	11
6.5	0	-
7	0	-
7.5	1	11

Table 2 (CONTINUED)

Description of Previous Housing


---

Characteristics	Number of Homebuyers	Percent of Homebuyers (%)
<hr/>		
Number of Bedrooms		
2	3	33
3	4	44
4	1	11
5	1	11
Number of Baths		
1	2	22
1.5	2	22
2	5	55

---

Note. Rooms in Dwelling Section - 1.5 is a combined living/dining area.

Number of Baths Section - .5 refers to bath with no tub or shower.

Table 3

Amount of Rent and Utility Payments for Previous Housing


---

Range of Payments (\$/month)	Number of Homebuyers	Percent of Homebuyers (%)
<hr/>		
Rent		
0 - 100	1	11
101 - 200	1	11
201 - 250	5	56
251 - 300	1	11
301 - 450	1	11
Utility payments		
25 - 40	1	11
41 - 65	5	56
66 - 100	3	33

---

Table 4  
Impressions of Previous Housing

	Number of Homebuyers	Percent of Homebuyers (%)
<u>Previous Housing Costs</u>		
Very low to about right	3	33
Somewhat high to very high	6	66
<u>Least Liked About Previous Housing</u>		
Neighborhood	3	33
Privacy	3	33
Insects	1	11
Maintenance	1	11
Inspections	1	11
<u>Most Liked</u>		
Air conditioning	2	22
Neighborhood	1	11
Location	1	11
Design	1	11
Space	1	11
Number of baths	2	22
Nothing	2	22

Note. Percentages do not add to 100 because of rounding.

### New House

Two prototype houses were constructed, a single-level and a two-story. Each home included three bedrooms, living/dining area, kitchen, and one bath with laundry hookups. Appendix F shows an illustration and a floor plan of each prototype. The first five houses were constructed as prototype "A", the single-story house. Only one of Prototype "B" was constructed due to the difficulty of selling it despite the contemporary design. After the first six houses the remaining houses were built as prototype "A" with minor changes. For example, the living and dining areas were separated with a partition, and the back door was repositioned in the kitchen/dining area versus the bedroom.

Prototype "A" had a selling price of \$26,000 with a required downpayment of \$270.00 and the two-story, Prototype "B" was \$3000.00 more expensive with a required down payment of \$3,270.00. The difference in down payment related to the price of the bonds attached to each house.

Each homebuyer was asked about the new house that they had purchased. When the interview was conducted approximately three-fourths of the respondents had lived in their new houses from one to two and one-half years (see Table 5).

None of the homebuyers felt their previous house was better than the new housing (see Table 6). Most of the homebuyers' favorite feature was the privacy that they

Table 5  
Length of Residence

---

Years	Number of Homebuyers	Percent of Homebuyers (%)
one year or less	2	22
1.01 - 2.00	4	44
2.01 - 2.50	3	33

---

Note. Percentages do not add to 100 because of rounding.



Table 6  
Impressions of New House

	Number of Homebuyers	Percent of Homebuyers
<u>Comparison With Previous Housing</u>		
Better	8	88
Worse	0	0
About the same	1	11
<u>Liked Best About New House</u>		
Privacy	5	55
House itself	1	11
Homeownership	1	11
Neighborhood	1	11
<u>Least liked</u>		
Space	3	33
Maintenance	2	22
Location	2	22
Neighborhood	1	11
Nothing	1	11

Note. Percentages do not add to 100 because of rounding.

equated with their new home, others liked the house itself, homeownership, and the neighborhood.

One homebuyer disliked nothing about the LCF house while others disliked the amount of space in the house, the maintenance, and the location. When asked about the maintenance of the new house, the homeowners responded that the new home took more time and money to keep in good condition.

The change in maintenance as compared with previous housing was a combination of cost and time. One homebuyer cited no change in maintenance from her previous home. Another stated that the cost had increased, but the time devoted to maintenance had not changed. Some homebuyers acknowledged an increase in the cost of maintenance, while the time required remained unchanged. The remaining noted an increase in both time and cost. For some, the increase in time and cost of maintenance was manageable, while others had to spend more time and/or money because of yard work and tools. One respondent had to pay for maintenance on the house because problems arose after the warranty had expired.

"Build a front porch," "install central air," "pave the drive," "add on another room," "expand the kitchen," "fix up the yard," and "upgrade the materials in the house" are things that the homebuyers would do if they were given \$500.00. Due to the expense, the feasibility of accomplishing these improvements is low. However, the

respondents have adapted well to their role as homeowners by thinking of ways to improve their home and protect their investment.

In response to the question "In what way has owning a home lived up to your expectations?" "pride" was the most common reply. This was followed by comments such as "the feeling of it being ours," along with "freedom" and "joy."

When asked about the overall satisfaction with the house, 80% were very satisfied and 20% were satisfied. When asked if they would move, four stated "no," and three said "maybe." Two who answered "yes" would move because of space and the neighborhood.

#### Housing Satisfaction Scale

The Housing Satisfaction Scale developed and tested by Beamish was included as a part of the questionnaire (Beamish, 1983). Although the scale is called a satisfaction scale, questions are answered on levels of importance also. This scale was used previously by residents to rate their relative satisfaction with specific features in their housing unit. Based on Beamish's findings, it is assumed that the scale can help measure the homebuyers' satisfaction with their housing. With the areas or categories the respondents perceived as important and their relative satisfaction with these categories, a determination of their satisfaction will be made. If the satisfaction with these categories is high, the respondents

are satisfied with the homes. The scale consists of thirteen categories:

- layout of floor plan (FP)
- storage (ST)
- living areas (formal & informal) (LI)
- dining (DI)
- kitchen (KI)
- bedrooms (BE)
- bath (BA)
- laundry (LA)
- appearance (AP)
- exterior (EX)
- systems (SY)
- structure and materials (SM)
- cost (CO)

The homebuyers responded to each of the housing categories on their level of importance and level of satisfaction. The levels ranged from one to six, where a value of one equated to very unimportant or very dissatisfied and six equated to very important or very satisfied. The relation between homebuyers' responses regarding importance and satisfaction was used to help measure whether the program was deemed successful. To determine if a relationship between the data existed, mean scores, graphical analysis, and a satisfaction/importance index were used. In the first step towards identifying a

trend, the mean values of the satisfaction and importance levels were calculated (Table 7).

The individual mean scores indicate that all of the thirteen housing categories were considered important to very important by the homebuyer while in only two categories, appearance and cost, homebuyers reported they were satisfied. Of the remaining categories, ten were ranked as somewhat satisfied and one, storage, was deemed unsatisfactory.

Mean scores. The calculations showed that the composite mean importance score (I-mean) for all thirteen categories listed on the Housing Satisfaction Scale was 5.4 out of a maximum of 6. This indicates that the homebuyers believed that the housing categories identified were very important. The composite mean satisfaction score (S-mean) for all categories was 3.9 out of a maximum of 6, which indicates that the homebuyers were somewhat satisfied with the home they received with respect to the housing categories identified. In every housing category, the mean score for importance was greater than that for satisfaction. From this point forward, in order to avoid confusion, the mean Housing Satisfaction Scale value for the importance values will be referred to as the "I-mean." Also, the mean Housing Satisfaction Scale value for the satisfaction values will be

Table 7

Mean satisfaction and mean importance scores


---

Housing Categories	Mean Importance	Mean Satisfaction
Layout	4.7	4.3
Storage	5.5	2.9
Living areas	5.4	3.6
Dining	5.9	3.7
Kitchen	5.4	3.8
Bedrooms	5.5	3.5
Bath	5.1	3.6
Laundry	5.2	4.2
Appearance	6.0	5.0
Exterior	4.7	4.0
Systems	5.7	4.1
Structure & materials	5.8	3.8
Cost	5.9	5.0

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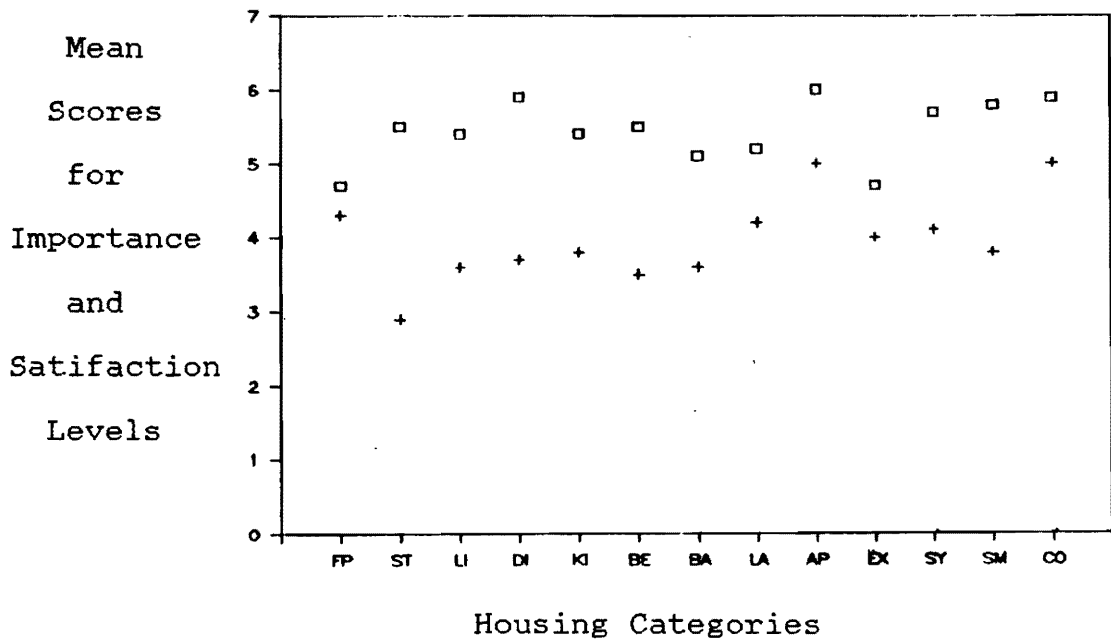
Note. Scores ranged from 1 (very unimportant or very dissatisfied) to 6 (very important or very satisfied)

referred to as the "S-mean." To determine if the responses fit a normal distribution or were linearly related, an x-y graph was created from the data.

Graphical analysis. Statistical analysis could not be performed because of the very small sample number. An X-Y graphical analysis of the mean values showed there was no linear relationship between the data (Figures 3). However, to determine if any of the differences between the mean importance and mean satisfaction levels were important, the standard deviation between the mean values were calculated.

The standard deviation of the mean values of the importance and satisfaction levels are 0.4 for the importance categories and 0.6 for the satisfaction categories. Since the data did not form a normal distribution curve, a percentage of the data cannot be assumed to be within the standard deviation of the mean (I-mean or S-mean). The standard deviation will be used to identify data that is "extreme" (beyond the I-mean plus or minus the standard deviation and beyond the S-mean plus or minus the standard deviation) and deserves further treatment.

Appearance was considered the most important Housing Satisfaction Scale category based on the values reported by the homebuyers. The dining and cost categories were also upper extremes. The categories, exterior and layout, were lower extremes.



[ ] = Mean Importance Level

+ = Mean Satisfaction Level

Figure 3. Graph of Mean Importance Scores from Housing Satisfaction Scale. Satisfaction Scale Categories where FP-layout of floor plan, ST-storage, LI-living areas (formal & informal), DI-dining, KI-kitchen, BE-bedrooms, BA-bath, LA-laundry, AP-appearance, EX-exterior, SY-systems, SM-structure and materials, and CO-cost.



When reviewing satisfaction responses, similar results were noted. Appearance and cost were the two Housing Satisfaction Scale categories where the mean satisfaction levels were higher extremes and the storage category was a lower extreme.

From the data, two of the three upper extreme values in the importance categories and the two extreme satisfaction level ratings are the same Housing Satisfaction Scale categories, appearance and cost. The third extreme importance category was dining. Although considered very important, homebuyers reported they were somewhat satisfied. Layout and exterior, although in the lower extremes, were considered somewhat important, and the homebuyers reported that those categories were satisfied. Storage ranked as important to the homebuyers, a lower extreme on the satisfaction scale, indicating the category was unsatisfied.

The categories where a conclusion was drawn are cost, appearance, and storage. These categories are where the homebuyers reported values that were extreme on the satisfaction and importance scale. It is concluded that two of the three most important categories were satisfied, and homebuyers were dissatisfied with storage, an important feature. It is not surprising that appearance and cost were ranked as satisfied because the houses were new and very attractive, and this program was designed specifically to make houses affordable. Likewise, due to the small size of

the houses, storage was very limited and understandably viewed as a design problem by the homebuyers. The next method of evaluating the data was the housing satisfaction/importance index.

Housing satisfaction/importance index. A housing satisfaction/importance index was adapted from Morris (1976) by Goss (1985). For this study, the scores were calculated using the responses from the Beamish Housing Satisfaction Scale and the Weighting of Scores for the Satisfaction and Importance Scale (Appendices D & G). At each item on the Housing Satisfaction Scale, the respondent reported a value for its level of importance and a value for its level of satisfaction for the item presented. These values were used in a matrix fashion to determine a weighting value from the weighting of scores for the satisfaction and importance scale. For example, if the respondent reported an importance level of 4 out of 6 and a satisfaction level of 5 out of 6, the corresponding columns on the weighting scale are somewhat important and satisfied. Moving across the matrix to the intersection of the somewhat important column and the satisfied row, the weighting value is 14. Summing the values for all respondents yields the scores for the housing satisfaction index.

Based on the data from the Housing Satisfaction Scale, the range of possible scores for each respondent on the housing satisfaction/importance index was 0 - 1275; actual

scores ranged from 482 - 880. A high score would indicate that the respondent was very satisfied with the new house and felt that the items evaluated were very important.

The scores were divided into four equal levels of housing satisfaction: 957 - 1275 (high), 638 - 956 (medium-high), 319 - 637 (medium-low), 0 - 318 (low). Fifty percent of the homebuyers were in the medium-high range. The remaining scored in the medium-low range (Table 8). Of those in the medium-low range, their scores were in the upper half of that range. Therefore, it is concluded that the respondents were satisfied or tended to be satisfied with the new house.

#### LCF Program

The majority of the participants learned of the program through friends and co-workers. The remainder were informed by relatives, literature, or the church (Table 9).

Workshops were given for homebuyers in order to assist them. Homebuyers who attended the workshops considered the meetings informative, helpful, and enjoyable. The most attended workshops were household maintenance and financial profile and counselling. The financial profile and counselling workshop was designed to encourage the homebuyers to develop budgeting habits. The counselor who conducted the workshop invited every participant to set up a budget with her assistance. A housing specialist from the

Table 8

Housing Satisfaction/Importance Index Levels

---

Levels of Housing Satisfaction	Scores	Number of Homebuyers
High	957-1275	0
Medium high	638-956	4
Medium low	319-637	5
Low	0-318	0

---

Table 9

Source of Information about LCF and Workshop Participation

	N	%
<u>How Informed of Program</u>		
Fellow employee/employer	2	22
Friend	4	44
Relative	1	11
Brochure	1	11
Minister	1	11
<u>Workshops Attended</u>		
Financial Profile and Counselling	4	44
Housing and Grounds Maintenance	3	33
Taxes	1	11
None	5	55

Note. The percentages add to more than 100 because of multiple responses.

Cooperative Extension office held the housing and ground maintenance workshop which discussed keeping up the appearance of the house and yard beautification and maintenance. A session was also given on taxes and homeownership, including the changes in income taxes as well as paying property taxes.

A difficult hurdle in meeting the program requirements for some homebuyers was the qualification process. Two respondents had problems with the qualification process. Because of their past financial situation, the lending institution was skeptical that they would be able to make their monthly payments. One person's percentage of debt was a bit higher than allowed. Also, acquiring the down payment was a problem.

When asked about improving the program, homebuyers offered suggestions. The homebuyers felt the materials used to construct the house were the lowest priced materials and they would have paid more to get an upgrade. They also wanted more space such as attic space, basement, and/or larger rooms for storage and play areas.

#### Intermediaries

A representative from each participating agency or firm was interviewed: LCF, Enterprise Foundation, Lynchburg Housing and Redevelopment Authority, Crestar Bank, and L. G. Flint Construction Co. The personal interviews were conducted in the interviewees' office with the exception of

a telephone interview with the Enterprise Foundation representative. The questions covered five areas: implementation, activation, satisfaction, improvements or changes, and feasibility.

On the question of implementation, the intermediaries responded positively. They stated that screening of applicants was good, the plans were followed, one-on-one interaction with the homebuyers went smoothly, and the goal was completed. They also believed that the financing process was too complicated, because monies were coming from various sources and cycled through several different methods to fund the program. One situation that is not common to this sort of program was the monetary gift used to purchase the land.

The activation of the program was new in some cases. It was the first time that the Lynchburg Housing and Redevelopment Authority had ever had extensive involvement with a nonprofit agency. Although they had participated in similar types of activities, they had always been with a profit-motivated organization. The builder had never built and sold houses for no profit and the role of Crestar Bank varied from its usual lending practice by not qualifying the homebuyer for the mortgage. Representatives from the bank also participated in the banking workshop for homebuyers.

The team received a great deal of satisfaction from the program. Reverend Moore of LCF stated that the team that

made it happen was excellent. All the intermediaries indicated that they would participate in a program like this again because of the program management, business rewards and personal satisfaction. They commented that the program demonstrated excellent cooperation and the correct mix of counselling for homebuyers. Also, it provided good leverage for the participants' money and was an opportunity for people to make an investment and feel good about themselves. The intermediaries stated the personal satisfaction involved was rewarding and that they were contributing to improving housing for people. They believed as though they were contributing to the community by letting the community know they care, and that it was community involvement working to solve a national problem. They also stated this method of improving housing eliminated the blighting influences on residential neighborhoods.

There was general agreement that the outcome of their participation in the program was successful because:

- 1) everyone cooperated.
- 2) the lender was able to create account relationships for the bank, as well as helping low-income persons obtain homeownership.
- 3) unproductive land was recycled into an investment.
- 4) everyone (including employees) was enthusiastic about the project.



- 5) the mission of new houses and upgraded neighborhoods was accomplished.
- 6) it was a positive investment - "a good use of money and a model to follow."

The intermediaries stated the outcome of the LCF program was very successful, and that it was a benefit to the community.

Some different points of view were reflected in the intermediaries suggestion for changes and improvements. Some changes, such as building materials like insulation, building procedures, and the floor plans were made after the program was initiated. The construction of the homes has undergone minor changes. Construction was changed to better serve the homeowner, by making the house more energy efficient and economical to maintain. The floor plans were altered slightly by separating the living/dining area with a partition and placing the back door in the kitchen/dining area instead of a bedroom.

Most had ideas about changing some things if they were to develop a similar program. Some aspects could not be changed because of laws. Some individual suggestions were:

- 1) give homebuyers more input such as sweat equity.
- 2) restructure program more realistically because of the large amount of gift-giving.
- 3) streamline the financial plan.

- 4) construct a different house with low maintenance and upgraded items. Add brick veneer, energy efficient heating systems and more storage space.
- 5) investigate actual details of land acquisition so the time frame of program can be better monitored.

When questioned on program feasibility, the intermediaries were again positive. They stated this type of program could work in other geographic areas with ingredients such as a committed team, and good relationships. Suggestion and comments were made about the success of this type of endeavor in other areas. One intermediary said the program should be confined to mostly small- to medium-size cities that do not have high costs of living and where the cost of labor is low. Another suggested purchasing one tract of land and making a subdivision type area with more landscaping. Depending upon the situation and area income levels, subsidies may have to be adjusted. Other changes would depend on state laws and changes in the internal revenue tax code.

#### The LCF Homeownership Program Today

A look at the status of the LCF program today reveals success is continuing. In the winter of 1991, after seven years of program implementation, the LCF program is coming to a close with only two houses left to complete. During the past six years, changes have been minor.

The last two houses that were built and the two planned are in a different location than previously planned. Although the cost increased for the builder due to the delays, the additional costs were not passed on.

All of the homeowners are still in their homes. Although two of the homebuyers had fallen behind with their payments, they were able to work with the bank to catch up with their payments. One homebuyer has added a room to the house.

The LCF Homeownership Program has received national recognition and was designated as a national model by the former manager of the Virginia Office of Housing and Urban Development, G. William Thomas, Jr. It was also a factor in helping Lynchburg receive the All-American City award in 1987. The program has opened doors for another low-income homeownership program, Habitat for Humanity, which has opened an office in Lynchburg. The corporation is building houses next door to LCF homes and is using the LCF floor plan as a base design for their houses.

## CHAPTER V

### Summary and Conclusions

Homeownership is highly valued by most Americans and is still a very desired achievement. Despite the overwhelming urge to obtain homeownership, it is very difficult for low-to moderate-income households. Once obtained it is also hard to maintain ownership. Various programs have been implemented at all levels of government as well as private agencies in order to assist persons in attaining ownership. Some programs have met with problems while others have been deemed successful.

The success of low-income programs has been attributed to the combination of agencies, private and public. Lynchburg Covenant Fellowship (LCF), a nonprofit organization located in Lynchburg, Virginia, established a joint venture combining public and private initiatives and investments which allowed each agency to perform in its specialized area. LCF, along with four other implementers, built and sold homes to low-income working families.

It is useful to determine how this type of unique partnership is initiated and how it is organized to produce optimum results. The purpose of the study was to examine the LCF program in depth. Specifically, the objectives were

to assess attitudes and satisfaction of the participants (both homebuyers and intermediaries) with the program, review how well this program has been implemented, and speculate on the feasibility of program implementation in other geographic areas.

To accomplish the objectives, interviews with the participants, both homebuyers and intermediaries were conducted. An instrument composed of 41 forced-choice and open-ended questions plus a satisfaction scale (about previous and present housing and satisfaction with the house and program) was used to collect data from the homebuyers. The intermediaries' questionnaire (19 open-ended and explanation questions) posed discussions of their role in the program and an assessment of their part.

A profile of the typical LCF homebuyer is a Black, divorced female between 30 - 39 years of age with one or two children and an income of approximately \$13,500.

The new house was considered better than the previous house by the homebuyers, with privacy being the most liked feature. Most of the categories on the housing satisfaction scale were considered important by the homebuyers while the satisfaction levels varied.

The responses showed that the two housing categories that the homebuyers ranked as most important, cost and appearance were also the categories with which the homebuyers were most satisfied. After calculating the

weighted scores of the homebuyers' satisfaction/importance index, fifty percent of the homebuyers felt satisfied and the others somewhat satisfied. When asked by the interviewer, 80% responded that they were very satisfied with their house.

All of the intermediaries were pleased that they had participated and would be willing to do it again. They received personal satisfaction from the experience and thought it was a very rewarding opportunity.

The homebuyers' interview responses were positive about the program's implementation. The intermediaries also stated the program was implemented adequately, although the project initiated changes in some of the corporations' usual operating procedures. The actual changes in the LCF homeownership program were minor.

Although all of the intermediaries believed that a similar program could be implemented in other geographical areas, some stated there would have to be certain situations, such as a small city and low labor costs, to be successful. Changes were recommended that could add to the program's success in other geographical areas, such as more homebuyer sweat equity and a simplified financial plan.

Both the implementers and the homebuyers were pleased with the outcome of the program. This type of initiative can be successful given the correct combination of partners, partners that are willing to create changes.

### Recommendations

Based on the findings of this study, the investigator makes the following recommendations in three general areas: overall program suggestions, working with future homebuyers, and further research.

Overall program suggestions:

1) For any community thinking of implementing a public/private low-income homeownership program, a motivated organizer is needed to coordinate the program and provide emotional commitment.

2) Communities should research homeownership programs such as the LCF Homeownership Program to use as models and/or address problems their specific program may encounter.

3) Organizations should survey potential homebuyers in order to get a general knowledge of their specific housing needs and wants, and incorporate them into the design of the home and program implementation if possible.

4) Banks may find it particularly beneficial to participate in a program like the LCF Homeownership Program to fulfill their Community Reinvestment Act requirements.

Suggestions for working with future homebuyers:

1) Require attendance at homeownership workshops, such as taxes, insurance, and maintenance, and form support groups within the pool of homebuyers.

2) Incorporate some sweat equity activities, such as landscaping and cleanup, which may also be used to organize support groups among homebuyers.

3) Channel a small percentage of the mortgage into an association fund for community improvement if houses are situated as one development.

Reviewing the areas of possible improvements leads to recommendations for future studies.

1) Implement a homeownership program in another geographical area to see if a blueprint can be developed from the LCF program and see if it merits as a model for other communities to follow.

2) Assess the applicant screening process to determine if the process contributes to the success of the program.

3) Conduct further research of the Enterprise Foundation's involvement in low-income housing programs. Study the methods used in coordinating private-public ventures as a vehicle to assist with the problem of low-income housing.

4) Evaluate city characteristics to determine if they assist in hosting successful homeownership programs.

5) Study the long-range benefits of the LCF Homeownership program to the homebuyer, as well as the problems encountered.



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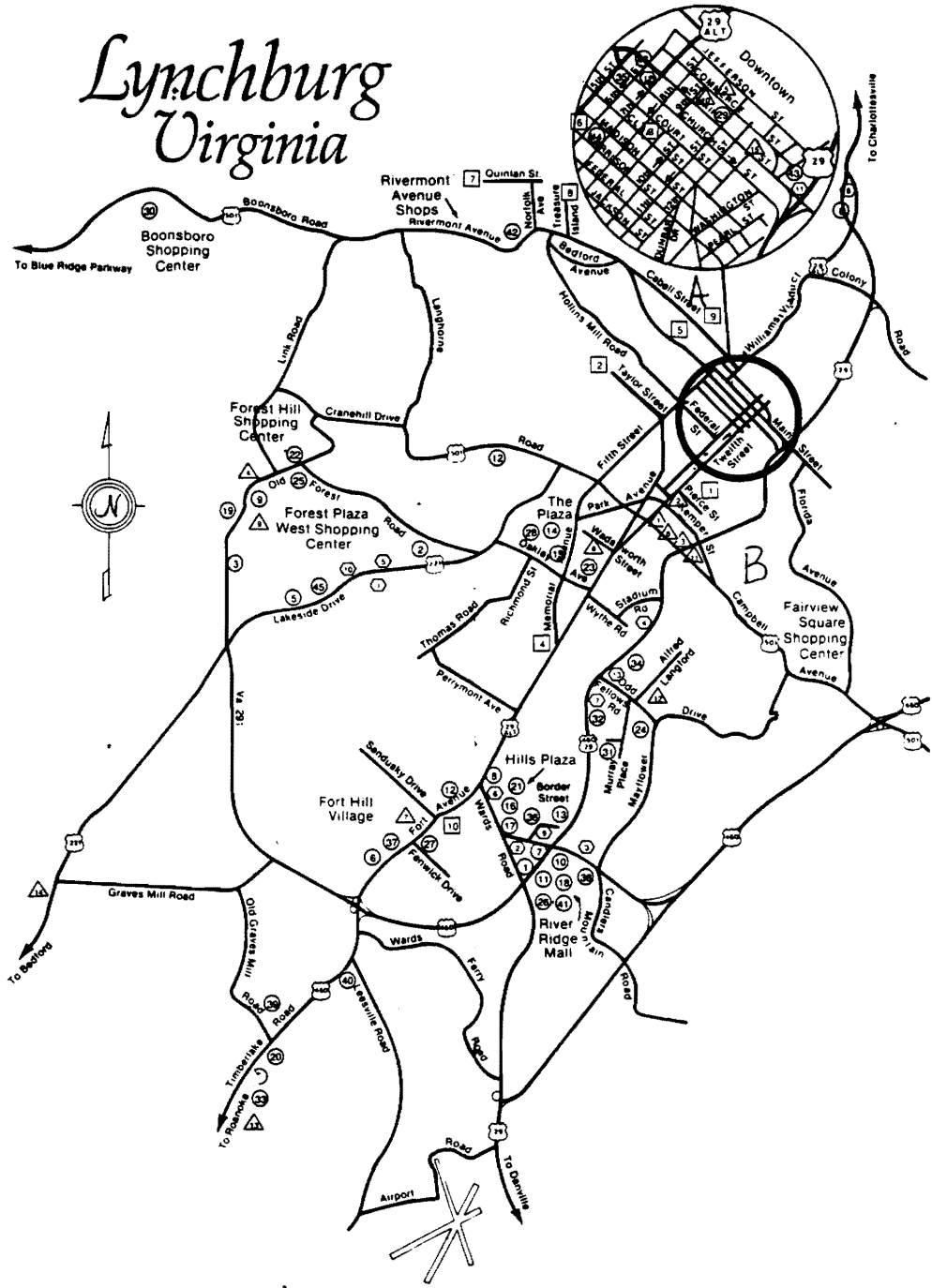
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APPENDIX A

Location of LCF Houses

# Lynchburg Virginia



A - Daniels Hill

B - White Rock Hill

APPENDIX B

Homeowner Information


**THE ENTERPRISE FOUNDATION**

October 26, 1984

JAMES W. ROUSE  
CHAIRMAN

EDWARD L. QUINN  
PRESIDENT

N. GORDON COSBY  
VICE PRESIDENT

PATRICIA T. ROUSE  
SECRETARY - TREASURER

## TRUSTEES

N. GORDON COSBY  
MATHIAS J. DeVITO  
CUSHING N. DOLBEARE  
COY EKLUND

JOHN GARDNER  
SAMUEL GARY

W. H. KROME GEORGE  
RONALD GRZYWINSKI  
ERNEST W. MAHN  
PATRICIA ROBERTS HARRIS  
ANDREW HEISKELL

JING LYMAN

ROBERT S. McNAMARA

LOUIS E. MARTIN  
CHARLES McC. MATHIAS  
MILTON PETRIE

EDWARD L. QUINN

HENRY S. REUSS

JAMES W. ROUSE

PATRICIA T. ROUSE

LEEDA MARTING STEIN

ALEXANDER B. TROWBRIDGE

RAUL YZAGUIRRE

Dear Prospective Homeowner:

The home that you are about to purchase was made possible because of the hard work of many individuals and organizations who believe that all people, regardless of income, have a right to live in decent, affordable housing. This home was designed and constructed by an architect and builder whose goal was to provide the best possible quality at an affordable price. The financing was made possible because of the joint efforts of several public and private agencies, including Lynchburg Covenant Fellowship and The Enterprise Foundation, who found a way to reduce the monthly payments to you by combining funds in an innovative way.

This letter is intended to describe this financing arrangement and the documents you are being asked to sign by The Enterprise Foundation as part of the loan closing.

HOW WILL I PAY FOR MY HOUSE?

1. Your house will be sold to you by Lynchburg Covenant Fellowship (LCF). The United Virginia Bank has agreed to provide you with a loan of \$26,000 to purchase the house.
2. To encourage United Virginia Bank to make this loan to you, The Enterprise Foundation, a charitable organization that supports low income housing across the country, has deposited funds in the Bank to protect the bank's investment.
3. If your income falls below the bank's guidelines, The Enterprise Foundation is providing assistance payments to help you meet the bank loan payments. The assistance payment will be paid directly to the Bank each month, to assist you in paying your mortgage. The monthly payment amount, if any, that The Enterprise Foundation will make to the Bank during each year that you receive this assistance is described in the attachment (Appendix A) to this letter.

Homeowner  
Page 2

#### HOW WILL I REPAY THE LOANS?

1. You will pay the United Virginia Bank a certain sum of money each month for twenty years to repay their loan to you. The Enterprise Foundation assistance payment is a loan to you, similar to the Bank loan, except that you are not required to make monthly payments on the Enterprise loan. The Enterprise loan must be repaid when:

- a) You sell your home; or
- b) You have fully repaid the United Virginia Bank for the first mortgage loan.

By this time, you can expect that your home will have increased in value, and if needed, you should qualify for a bank loan to repay Enterprise. If you have cash savings, however, it may not be necessary to borrow the money.

2. If you sell your home, The Enterprise Foundation and the Lynchburg Covenant Fellowship will be sharing any net proceeds from the sale of your home with you in order to use these funds to provide homeownership opportunities for other low income people.

When you sell your home, the receipts from the sale will be distributed in the following manner:

- a) To pay any outstanding amount due to the United Virginia Bank;
- b) To pay The Enterprise Foundation loan; and
- c) To pay any reasonable expenses you have had in selling your home. Reasonable costs will include, but not be limited to, costs incurred in construction of improvements on the property which increase the square footage of the house.

You will receive 50% of whatever money is left after these payments have been made. The other 50% will be shared equally by Lynchburg Covenant Fellowship and The Enterprise Foundation.

If you still own your home in twenty (20) years after the United Virginia bank and Enterprise loans are repaid, there will no longer be an obligation to share the net proceeds on a future sale with Lynchburg Covenant Fellowship and The Enterprise Foundation.

#### WHAT LOAN PAPERS MUST I SIGN?

The Enterprise Foundation asks you to sign two documents to receive the Enterprise loan: A promissory note and a deed of trust. The United Virginia Bank will require you to sign the same type of loan papers.

The promissory note is a legal document that shows the amount of money you are borrowing from The Enterprise Foundation.

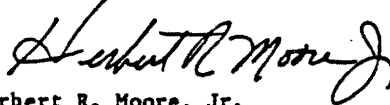


Homeowner  
Page 3

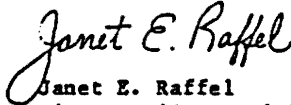
The deed of trust is a legal document which secures your repayment of the promissory note to Enterprise and is recorded by the State of Virginia. These types of legal documents are used for almost all home loans in Virginia.

On behalf of Lynchburg Covenant Fellowship and The Enterprise Foundation, we wish you the best of luck in your new home.

Sincerely,



Herbert R. Moore, Jr.  
Lynchburg Covenant Fellowship



Janet E. Raffel  
Vice President, Field Services  
The Enterprise Foundation

JER:jlm

I HAVE READ AND UNDERSTOOD THE CONTENTS OF THIS LETTER. THE TERMS AND CONDITIONS OF THE LETTER ARE ACCEPTED AND AGREED TO THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 19\_\_.

ATTEST

\_\_\_\_\_  
(Witness)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

WELCOME . . .

TO HOMEOWNERSHIP

IN

LYNCHBURG, VIRGINIA

Congratulations on becoming a new homeowner in Lynchburg, Virginia. You have now made a major investment in your life, and we are extremely proud to be a part of it.

Homeownership is not a small matter. Along with the pride your new home brings to you, there are permanent financial commitments, and ongoing responsibilities which are necessary to keep your home safe, and in good living condition. You have also acquired responsibility to share in the upkeep of your neighborhood, so that it continues to be attractive and a desirable place to live.

Home ownership is a major step for anyone, and many fail. However, as we have stressed in many meetings with you, we want you to succeed, and have therefore, done as much as possible to help you achieve success. Additionally, we have put some information together in the hope of providing you with a head start toward meeting your goals.

It is very important for you to read the information contained in this package and keep it in your home as a permanent reference.

Again, we welcome you to our Home Ownership Program and feel sure that you will make a substantial contribution to your new neighborhood.

LYNCHBURG COVENANT FELLOWSHIP, INC.  
412 Madison Street  
P. O. Box 916  
Lynchburg, Virginia 24505  
804/847-9059

## WHEN YOU FIRST MOVE IN...

Contact the utility companies of the cut-off date at your present address and to turn on service to your new home.

City of Lynchburg - Water	847-1320
Appalachian Power Company	522-4810

Make telephone installation arrangements.

Notify the U.S. Post Office of your address change.

Don't forget to change your address with the following:

- Banks
- Insurance Company
- Credit Accounts
- Voter Registration
- Medical (Doctors/Dentists)
- Magazines, Newspapers
- Churches
- Automobile Registration
- Employment or other sources of income

## FIND OUT WHERE YOUR UTILITY SHUT-OFF VALVES ARE LOCATED...

Make sure that everyone in your family knows the locations and how to turn the connections on and off at the

- Main circuit breaker panel (electric)
- Main water shut-off valve

Familiarize the family with the smoke detector and garbage disposal.

Check all doors for operating locks. If you are moving into a house that someone previously lived in, changing locks is advisable for security purposes (but only if you can afford it). It is also advisable to have a duplicate set of keys to all locks, and to keep them in a safe place. Only you and your family should know where the duplicate keys are kept.

Check to see that you have adequate electrical power before bringing in additional appliances, i.e., more or higher powered air conditioners, clothes dryer, microwave oven, etc. If you are uncertain, locate a reputable electrician. This might cost you a little, but it will insure your safety, and avoid any damage to your appliances.

- 2 -

If during the moving process you find that there are large amounts of trash, i.e., boxes, old furniture, etc., do not pile it in the alley behind your house or on the pavement. Call the City's trash service and make arrangements to have that material picked up.

#### MORTGAGE MATTERS

At the closing you received a comprehensive explanation of how the Home Ownership Program works, and these important items regarding your mortgage were discussed at many meetings. However, it is very important to reiterate.

One month's mortgage payment includes the following:

Principal  
Interest  
Escrow Expenses for Taxes and Insurance

Bills for any of these expenses may be sent to you for payment, since they are included under the escrow portion of your mortgage payment. Make a record of the amount of bill and forward bill to your lender (United Virginia Bank). If the expense is not covered under the escrow portion of your mortgage payment, you are responsible for paying it yourself on or before the due date. If you have any questions, call our office for assistance.

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NOTES:

**SUPPOSE YOU CAN'T MAKE YOUR MONTHLY MORTGAGE PAYMENT ON TIME?**

To protect your investment, it is very important that you make your monthly mortgage payments on time!

Don't delay and don't skip any payments.

If, for some good reason, you know that you will be unable to make your payment on time, let your lender know immediately, so that arrangements can be worked out for you to make up the payment.

Whenever you do not pay your lender on time, two things can happen:

The lender will charge you a late payment fee (Late Charge)

Your credit rating could be hurt

The end result of failure to make your payments is that the lender could foreclose on your mortgage!

Foreclosure means...You lose your house

You lose the money you have put in it

Your credit rating is seriously hurt

Do not hesitate to call your lender if you are having trouble. Better yet, write your lender.

United Virginia Bank - Mrs. Lois Bruffy or  
(847-2200) Mr. Earl Dooley

**WILL YOUR MONTHLY MORTGAGE PAYMENT EVER CHANGE?**

**YES!**

Your monthly mortgage payment may change as a result of one of a number of the following:

- Increase or decrease in property tax rate
- Increase or decrease in the assessed value of your property
- Increase or decrease in any insurance premium
- Increase in monthly mortgage payment resulting from a second, interest-free loan made to you by Enterprise Foundation (information of same provided you at closing, with schedule of annual incremental increase)

If changes occur to your monthly mortgage payment, and you do not understand them, call your lender.

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NOTES:

- 4 -

**HOW MUCH INSURANCE COVERAGE SHOULD I HAVE FOR MY HOUSE?**

Lenders normally only require homeowners to have hazard insurance, which only protects against fire, windstorm, hail and other natural disasters.

You should consider getting a comprehensive homeowners insurance, which takes in the hazard insurance, but also protects against theft, other common hazards, and protects you in case someone is injured on your property and brings suit.

You should make sure that the homeowners insurance that you have or get, covers the replacement value of your house and its contents.

Realize that the replacement value of your house and its contents will change and most likely increase as time goes by. This happens when you buy new appliances, make improvements to your house (new roof, new kitchen, etc.), and even as you buy more clothing, utensils, silverware and other items.

Periodically, you and your insurance agent should take stock of all the contents in your house, the dollar value of improvements you have made to your house, and the current market value of your house. You may then want to increase the amount of your homeowners insurance coverage.

**HOW ARE PROPERTY TAXES FIGURED?**

Property taxes are generally figured at 100% of the most current assessed value of your house.

If you have any questions about your property tax assessment, call the City of Lynchburg Tax Assessment Office, Personal Property, 847-1470.

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NOTES:

## MANAGING YOUR HOUSEHOLD FINANCES

YOUR NUMBER ONE PRIORITY NOW SHOULD BE TO MAKE THOSE MONTHLY MORTGAGE PAYMENTS. THEREFORE...

You really need to start looking at your income from a completely different point of view:

Take your total monthly family take-home pay (after taxes, social security and other deductions)

Subtract from that your monthly mortgage payment

The balance is what you have left for everything else including:

- Utilities (electricity, water and telephone)
- Car payment
- Bus transportation
- Insurance
- Food
- Clothing
- Medical expenses
- Child care
- Emergency expenses
- Savings

For Example:

Your monthly take-home pay	\$1,000
Your monthly mortgage payment	- 270
The realistic balance left for your monthly living expenses	<u>730</u>

In other words, starting now, you should only count on that remaining monthly balance as your total spendable income, therefore:

Start setting up a realistic household budget based on that balance amount, i.e., what you can afford to spend monthly on utilities, fuel, food, clothing, car payment, bus transportation, medical care, etc. Involve your family in setting up this budget, and try to really stick by it.

Never put off making your monthly mortgage payment in order to pay credit card, or other non-essential bills. You can live without the new washing machine or dishwasher, but you cannot afford to lose your house.



**EVERY HOMEOWNER WILL FACE THE NEED FOR UNEXPECTED OR EMERGENCY REPAIRS.**

Your furnace could break down, a water pipe could burst, or your roof may start to leak.

If this is your first house, remember that you are not a tenant anymore. There will be no landlord to call to have these unexpected repairs taken care of.

On a monthly basis, you should set aside whatever money you can afford to cover unexpected home repairs--even if it's only \$10.00 a month.

Do not take the attitude that you will deal with an emergency repair situation when it comes, or figure that it might never come. It will, and most likely, it will come when you least expect it. Therefore, start saving for it now!

**YOU CAN BE YOUR WORST ENEMY**

Do not try to buy all new furnishings and appliances and furniture for a year until you have had some time to judge your basic living expense needs.

Avoid buying on installment. First of all, you wind up paying a lot more because of high interest rates. Secondly, installment purchases have a way of creeping up on you. It is so easy to do, and before you know it, you have got more monthly bills than you can afford to pay.

It is best to put off a purchase until you have saved enough to pay for it in cash. If you really need to buy something, and the sale price is particularly good, but you just don't have the cash, consider a lay-away arrangement instead of installment buying.

As a new homeowner, you are a natural target for people selling everything from kitchen remodeling to wallpaper to mortgage life insurance. Think first if you need it, and more importantly, if you can afford it. Don't be pressured into saying "yes." Never sign anything until you have had a chance to think about it, and how you are going to be able to pay for it. Wait a day or two, check the company out with the Better Business Bureau (Toll Free - Dial 1 and then 800/533-5501).

Do not forget to adjust your "Will" to specify what you want to happen to your home, should anything happen to you. If you do not have a will, you should consider having one drawn up.

- 7 -

**HOME MAINTENANCE AND REPAIR**

**REMEMBER, YOUR HOUSE IS A MAJOR INVESTMENT, A LITTLE EFFORT WILL GO A LONG WAY IN PROTECTING THAT INVESTMENT FOR THE FUTURE.**

In addition to routine housekeeping...

Regular home and equipment maintenance work will help prevent unexpected major repairs. Such repairs can be extremely costly, and you can avoid them by doing the following:

Have your furnace checked once a year (i.e., cleaning, filters changed, etc.) If you have baseboard heat, of course this does not apply.

A termite inspection should be done once a year.

Make sure gutters and downspouts around the exterior of your house are always clear and free of debris.

Get leaky faucets and toilet tanks repaired before bad stains develop and your water bill soars.

Patch the caulking around bathtubs and shower stalls before water damages the floor.

Patch cracks in the wall before they become gaping holes.

Fix sluggish drains before they become clogged and overflow.

If this is your first house, remember that you are not a tenant anymore, and there will be no landlord to call when things need fixing. It is entirely up to you now, so keep on top of everything. Think prevention, think maintenance. Protect your home and investment.

**IF REPAIRS ARE NEEDED, AND YOU CANNOT DO THEM YOURSELF, HOW DO YOU GO ABOUT CHOOSING A CONTRACTOR?**

Ask friends or relatives for names of contractors who have done satisfactory work for them.

Contact your community or neighborhood association to get advice or recommendations on contractors. Also, Lynchburg Covenant Fellowship will have recommendations to share with you given our experience with different contractors.

Get names and addresses of homeowners for whom the contractor(s) have done work before and check with them as to whether they were satisfied.

Always get several estimates and compare.

Get all work estimates in writing.

Note that under law, you have three (3) days from the date you sign a contract to change your mind and cancel the contract.

Also, under law, home repairs/improvement work exceeding \$100 must be performed by a licensed contractor. If you allow unlicensed persons to do the work (exceeding \$100), you are not protected from any faults, damages or injuries resulting from such work.

#### WHAT KINDS OF HOME REPAIR IMPROVEMENT WORK REQUIRE PERMITS?

All building work except minor repairs must be done under permit. Applications for permits may be obtained from City Hall, Building Inspections (847-1572).

All electrical, heating and plumbing work must be done under permit by a licensed contractor.

In addition to permit requirements, there may be certain restrictions or standards which govern any changes or additions to your house, depending on:

- What is spelled out in your deed.
- If your house is in a historical preservation area.
- If your house is in an urban renewal area.

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#### NOTES

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**BEING A RESPONSIBLE HOMEOWNER**

Lynchburg is renowned as the "City of Seven Hills." The twenty homes that are being built under LCF's Home Ownership Program are being built in White Rock and Daniels Hills. The strength of this reputation is built on homeowners who share a love for this City, and who have strived to keep its neighborhoods strong, active and attractive. The two neighborhoods that we have concentrated our efforts have been neglected through the years. As a new homeowner, we hope that you will accept certain responsibilities which are vital in insuring that not only your new home, but your neighborhood becomes a source of pride, with great improvements anticipated for the future....

Keep up the exterior of your house by painting when necessary. All exterior woodwork should be painted over completely at least once every four years.

Sweep the sidewalk and curb (gutter) outside, and the alley behind your house at least weekly. Don't leave the sweepings in the gutter. Do sweep up the debris, bag it, and put out for collection on trash day.

Keep your trash in metal containers with tight fitting lids, and put out only on the morning of trash collection day.

Never leave trash or bulk items (old furniture, mattresses, etc.) in your alley or discard them on a vacant lot. Call the City's bulk trash service and arrange for large items to be picked up.

Mow your lawn and don't let weeds grow.

Trim your bushes.

Don't let your dog run loose outside--remember Lynchburg's Lease Law.

Pick up your dog's droppings from your back yard and sidewalk, so as not to draw rats.

Supervise your children.

Join your community or neighborhood association. Ask your neighbors or call the Lynchburg Redevelopment and Housing Authority (845-9011) to find out the name and contact person for the neighborhood association that serves your area.

Help your community or neighborhood association organize block clean-ups.

Help your community or neighborhood association keep a watch out for burglaries, vandalism and arson.

Help organize block parties to celebrate your achievements and to bring neighbors closer together.

Work with and support your local business people.

- 10 -

**REGULAR BILLS RELATING TO THE MAINTENANCE AND UPKEEP OF YOUR HOUSE**

Keep copies of all bills and receipts such as:

- Property tax bills
- Special assessment bills
- Utility (electricity, water and telephone) bills
- Home improvement/repair bills, e.g., new kitchen, new roof, new heating system, landscaping, etc. If you plan to do the work yourself, keep copies of all the sales receipts for purchase of materials and supplies.
- Insurance bills (hazard, mortgage life)

Bills such as these should be kept in a metal fire-proof box. Some of these bills, such as property taxes, are deductible on your annual tax return. To find out what is deductible, call the U.S. Internal Revenue Service.

Other expenses, particularly those for home improvement/repair, are not generally deductible on your annual tax return (with the exception of energy conservation work). However, you will need records of these expenses in the event you ever sell your house. Consider buying an accordion file to keep all these bills in order of which expense each relates to.

**DAY-TO-DAY LIVING EXPENSES**

Try to keep monthly accounts of what you spend on essentials such as food, clothing, car, medical, etc.

In a year, you should be able to review your expenses, improve your household budgeting for the next year(s), and find out what you really can afford for "frills" for the house.

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**NOTES**

APPENDIX C

Homebuyers Questionnaire

## HOMEBUYER'S QUESTIONNAIRE

As I told you earlier, I am a graduate student at Va Tech and I am studying the Lynchburg Covenant Fellowship Home Ownership Program. I will be asking you questions about the program, your new home and your previous housing. If you have any questions feel free to stop me at any time.

First, I would like to ask you a few questions about your previous housing.

1. Have you owned a house in the past?
  1. Yes
  2. No
  
2. If so, when? \_\_\_\_\_year sold
  
3. Now tell me about the last house did you lived in.  
What type of house was it?
  1. single family
  2. apartment
  3. townhouse
  4. mobile home
  5. other\_\_\_\_\_
  
4. What was your monthly rent (mortgage)?  
\_\_\_\_\_dollars

5. On the average, how much did you pay each month for utilities -- for heat, gas, electricity?
1. \_\_\_\_\_ dollars
  2. included in rent
6. Did you feel that, for what you were getting, the total monthly cost for housing was:
1. very low
  2. low
  3. about right
  4. somewhat high
  5. very high
  6. not applicable
7. How many rooms were in your dwelling, not counting bathrooms or closets?
- |        |        |        |      |
|--------|--------|--------|------|
| 1. 3   | 3. 4   | 5. 5   | 7. 6 |
| 2. 3.5 | 4. 4.5 | 6. 5.5 |      |
8. How many bedrooms were in your dwelling?
- |      |      |      |      |
|------|------|------|------|
| 1. 1 | 2. 2 | 3. 3 | 4. 4 |
|------|------|------|------|
9. How many bathrooms were in your dwelling?
- |        |        |
|--------|--------|
| 1. 1   | 3. 2   |
| 2. 1.5 | 4. 2.5 |
10. Did you have any problems with your previous housing, such as plumbing, heating, roofing, etc.?
1. yes
  2. no
11. What were the problems?



12. What did your family like best about your previous housing?

1. location
2. neighborhood & neighbors
3. privacy
4. house design: size, plan, and layout
5. yard or outdoor space
6. amount of maintenance
7. other\_\_\_\_\_

13. What did your household like least about your previous housing?

1. location
2. neighborhood & neighbors
3. privacy
4. house design: size, plan, and layout
5. yard or outdoor space
6. amount of maintenance

Now, I would like to ask about you new home.

14. How long have you lived in this house?

1. \_\_\_\_\_ months
2. \_\_\_\_\_ years

15. Even though this housing may be different from your previous dwelling, would you say your housing is:
1. Better
  2. About the same
  3. Worse
16. What does your family like best about where you live now?
1. location
  2. neighborhood & neighbors
  3. privacy
  4. house design: size, plan, and layout
  5. yard or outdoor space
  6. amount of maintenance
  7. other\_\_\_\_\_
17. What does your family like least about where you live?
1. location
  2. neighborhood & neighbors
  3. privacy
  4. house design: size, plan, and layout
  5. yard or outdoor space
  6. amount of maintenance
  7. other\_\_\_\_\_

18. Has the amount of maintenance or upkeep in your new house changed from that of your previous housing?
  1. yes
  2. no
19. If yes, in what way?
  1. cost
  2. time
  3. other\_\_\_\_\_
20. Has the change created any problems for you?

Now, please take a few minutes to fill out this brief set of questions about your new house.

(Hand scale to respondent)

(Demonstrate while explaining)

Answer all the questions on the left, first. they deal with the importance of your new home. Next look at the set of numbers on the right and rate your satisfaction with the features of your home.

21. Overall, how satisfied are you with your house?
  1. very satisfied
  2. satisfied
  3. somewhat satisfied
  4. somewhat dissatisfied
  5. dissatisfied
  6. very dissatisfied
22. Would you like to move into another dwelling in the next few years?
  1. yes
  2. maybe
  3. no
23. Why would you want to move?
24. If you were given \$500 to change something about this house what would it be?
25. Why?
26. In what way has owning a home lived up to your expectations?

Now, I'd like to discuss the Lynchburg Covenant Fellowship Home Ownership Program.

27. How did you hear about the LCF Homeownership program?

1. Relative
2. Friend
3. Newspaper
4. Brochure
5. other\_\_\_\_\_

The qualification process for the program included attending workshops,

28. Which workshop(s) did you attend?

1. House and Grounds Maintenance
2. Financial Budgeting and Counselling
3. Taxes, Banking, and Insurance
4. Energy Conservation

29. Do you have any comments about the workshops?

30. Did you run into any problems during the qualifying process?

1. Yes
2. No

31. If so, what were they?

32. Did you run into any other problems?

1. Yes
2. No

33. What were they?

34. Do you have any suggestions for a group who might try this type of program somewhere else?

35. Would you like to share any other information?

Demographics

36. Who lives in this house

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37. Household head

1. dual-parent
2. single-parent

38. Age

1. 20 - 30
2. 31 - 40
3. 41 - 50
4. 51 +

39. Race (observe and record)

1. Black
2. Hispanic
3. White
4. other\_\_\_\_\_

40. What is your current martial status?

1. single
2. married
3. divorced
4. widowed
5. separated
6. other\_\_\_\_\_

41. What is your occupation?

---

(Interviewer will complete later)

1. professional
2. semi professional
3. managerial
4. clerical
5. sales
6. laborer
7. service worker
8. retired
9. other\_\_\_\_\_

42. Look at these cards and tell me the number that matches your total annual income.

Income range

1. 8,500 - 10,000
2. 10,101 - 13,000
3. 13,101 - 15,000
4. 15,001 +



43. Are you receiving any extra income, such as :?

1. Gov't funding such as Food Stamps, Medicaid,  
etc.
2. second job
3. alimony
4. Social Security
5. other\_\_\_\_\_
6. none

APPENDIX D

Housing Satisfaction Scale

HOUSING SATISFACTION SCALE

For each of the following housing characteristics rate how important each feature is to you, then rate how satisfied you are with the feature. Rate the importance of the feature on a scale of 1 through 6 (1 indicates Very Unimportant; 6 indicates Very Important). Your satisfaction with the feature should also be rated on a scale of 1 through 6 (1 indicates Very Dissatisfied; 6 indicates Very Satisfied). In the space provided, please comment about what you like or dislike about the housing feature.

<u>Very Unimportant</u>		<u>Very Important</u>		<u>Very Dissatisfied</u>		<u>Very Satisfied</u>		<u>What Do You Like Or Dislike About This Feature</u>				
<b>Layout of Floor Plan</b>												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Separation of work areas, living areas and sleeping areas												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Privacy for family members												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Separation of children and parent areas												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Childrens play area indoors												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Childrens play area outdoors												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Number of rooms												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Access between different areas in the house												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Arrangement of rooms												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Number of levels in home												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Types of rooms												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Flexibility of spaces for more than one use												
<b>Storage</b>												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Closet space in master bedroom												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Closet space in other bedrooms												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Storage for out-of-season clothes												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Storage for household linens												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Storage for cleaning equipment and supplies												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Outdoor storage for lawn and yard equipment												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Storage at entry												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Storage space in bath(s)												
<b>Living Areas</b>												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Number of living areas												
1. Formal, Primary or Only Living Area: i.e., living room, great room												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Flexibility in arranging furniture												
1	2	3	4	5	6	1	2	3	4	5	6	_____
Ability to arrange furniture to avoid traffic												

Very Unimportant		Very Important				Very Dissatisfied		Very Satisfied		What Do You Like Or Dislike About This Feature			
1	2	3	4	5	6	1	2	3	4		5	6	
1	2	3	4	5	6	Size of living area	1	2	3	4	5	6	_____
1	2	3	4	5	6	Ability to arrange furniture for conversation	1	2	3	4	5	6	_____
2. Informal or Secondary Living Area: i.e., family room, den, recreation room													
1	2	3	4	5	6	Flexibility in arrangement of furniture	1	2	3	4	5	6	_____
1	2	3	4	5	6	Ability to arrange furniture to avoid traffic	1	2	3	4	5	6	_____
1	2	3	4	5	6	Size of living area	1	2	3	4	5	6	_____
1	2	3	4	5	6	Ability to arrange furniture for conversation	1	2	3	4	5	6	_____
Dining													
1	2	3	4	5	6	Size of dining space	1	2	3	4	5	6	_____
1	2	3	4	5	6	Location of dining area(s)	1	2	3	4	5	6	_____
1	2	3	4	5	6	Number of dining areas	1	2	3	4	5	6	_____
Kitchen													
1	2	3	4	5	6	Amount of counter or work space in kitchen	1	2	3	4	5	6	_____
1	2	3	4	5	6	Amount of storage space in kitchen	1	2	3	4	5	6	_____
1	2	3	4	5	6	Arrangement of work space in kitchen	1	2	3	4	5	6	_____
1	2	3	4	5	6	Arrangement of storage space in kitchen	1	2	3	4	5	6	_____
1	2	3	4	5	6	Location of kitchen	1	2	3	4	5	6	_____
1	2	3	4	5	6	Traffic pattern in kitchen	1	2	3	4	5	6	_____
1	2	3	4	5	6	Kitchen counter and cabinet finishes	1	2	3	4	5	6	_____
Bedrooms													
1	2	3	4	5	6	Number of bedrooms	1	2	3	4	5	6	_____
1	2	3	4	5	6	Flexibility in arranging furniture in master bedroom	1	2	3	4	5	6	_____
1	2	3	4	5	6	Flexibility in arranging furniture in other bedrooms	1	2	3	4	5	6	_____
1	2	3	4	5	6	Size of master bedroom	1	2	3	4	5	6	_____
1	2	3	4	5	6	Size of other bedrooms	1	2	3	4	5	6	_____
1	2	3	4	5	6	Location of bedrooms	1	2	3	4	5	6	_____
Bath													
1	2	3	4	5	6	Number of bathrooms	1	2	3	4	5	6	_____
1	2	3	4	5	6	Location of bathroom(s)	1	2	3	4	5	6	_____
1	2	3	4	5	6	Bathroom fixtures	1	2	3	4	5	6	_____
1	2	3	4	5	6	Size of bathroom(s)	1	2	3	4	5	6	_____
1	2	3	4	5	6	Arrangement of bathroom fixtures	1	2	3	4	5	6	_____

<u>Very Unimportant</u>		<u>Very Important</u>				<u>Very Dissatisfied</u>	<u>Very Satisfied</u>	<u>What Do You Like Or Dislike About This Feature</u>					
1	2	3	4	5	6	1	2	3	4	5	6		
<b>Laundry</b>													
1	2	3	4	5	6	Location of laundry area	1	2	3	4	5	6	_____
1	2	3	4	5	6	Size of laundry area	1	2	3	4	5	6	_____
1	2	3	4	5	6	Arrangement of space for laundry	1	2	3	4	5	6	_____
<b>Appearance</b>													
1	2	3	4	5	6	Appearance of outside of home	1	2	3	4	5	6	_____
1	2	3	4	5	6	Appearance of inside of home	1	2	3	4	5	6	_____
<b>Exterior</b>													
1	2	3	4	5	6	Privacy from neighbors and public	1	2	3	4	5	6	_____
1	2	3	4	5	6	Control of noise from outside	1	2	3	4	5	6	_____
1	2	3	4	5	6	Private outdoor living areas	1	2	3	4	5	6	_____
1	2	3	4	5	6	Car storage and drive	1	2	3	4	5	6	_____
<b>Systems</b>													
1	2	3	4	5	6	Control of plumbing noises in living areas	1	2	3	4	5	6	_____
1	2	3	4	5	6	Control of mechanical equipment noises	1	2	3	4	5	6	_____
1	2	3	4	5	6	Plumbing system	1	2	3	4	5	6	_____
1	2	3	4	5	6	Location and number of electrical outlets	1	2	3	4	5	6	_____
1	2	3	4	5	6	Lighting quality	1	2	3	4	5	6	_____
1	2	3	4	5	6	Control of humidity	1	2	3	4	5	6	_____
1	2	3	4	5	6	Control of interior space temperature	1	2	3	4	5	6	_____
1	2	3	4	5	6	Air circulation within home	1	2	3	4	5	6	_____
1	2	3	4	5	6	Control of ventilation	1	2	3	4	5	6	_____
1	2	3	4	5	6	Absence of drafts	1	2	3	4	5	6	_____
1	2	3	4	5	6	Energy efficiency of home	1	2	3	4	5	6	_____
1	2	3	4	5	6	Security systems	1	2	3	4	5	6	_____
<b>Structure and Materials</b>													
1	2	3	4	5	6	Floor materials	1	2	3	4	5	6	_____
1	2	3	4	5	6	Wall materials	1	2	3	4	5	6	_____
1	2	3	4	5	6	Ceiling materials	1	2	3	4	5	6	_____
1	2	3	4	5	6	Ease of cleaning walls	1	2	3	4	5	6	_____
1	2	3	4	5	6	Ease of cleaning floors	1	2	3	4	5	6	_____
1	2	3	4	5	6	Number, location and type of windows	1	2	3	4	5	6	_____
1	2	3	4	5	6	Number, location and type of doors	1	2	3	4	5	6	_____
1	2	3	4	5	6	Structural soundness of home	1	2	3	4	5	6	_____
<b>Costs</b>													
1	2	3	4	5	6	House payments or rent	1	2	3	4	5	6	_____
1	2	3	4	5	6	Maintenance costs	1	2	3	4	5	6	_____
1	2	3	4	5	6	Utility costs	1	2	3	4	5	6	_____

APPENDIX E

Intermediary Questionnaire

## INTERMEDIARY QUESTIONNAIRE

As I told during our telephone conversation, I am a graduate student at Va Tech and I am studying the Lynchburg Covenant Fellowship Homeownership Program. I would like to talk to you about the part your cooperation played in the program.

1. Do you think the Lynchburg Covenant Fellowship program was adequately implemented?
  1. yes
  2. no
2. Why or why not?
3. Describe your corporation's involvement with the LCF program.
4. Did this involvement differ in any way from your normal involvement in the (construction, lending) process?
  1. yes
  2. no
5. How?

6. Did you make any changes in your procedures after the program had begun?
  1. yes
  2. no
7. If yes, what changes?
8. Why?
9. How do you feel about your part in the LCF program?
10. How did you feel about working with the other corporations involved in the LCF project?
  1. United Virginia Bank
  2. L.G.Flint Construction Co.
  3. Lynchburg Housing Authority
  4. LCF
  5. Enterprise Foundation



11. Would you participate in a program like this again?
  1. yes
  2. no
12. Why or why not?
  
13. Would you change anything with the new program?
  1. yes
  2. no
14. What?
  
15. Do you feel the outcome of your project was successful?
  1. yes
  2. no
16. Why or why not?
  
17. How do you feel about the outcome of the LCF program?

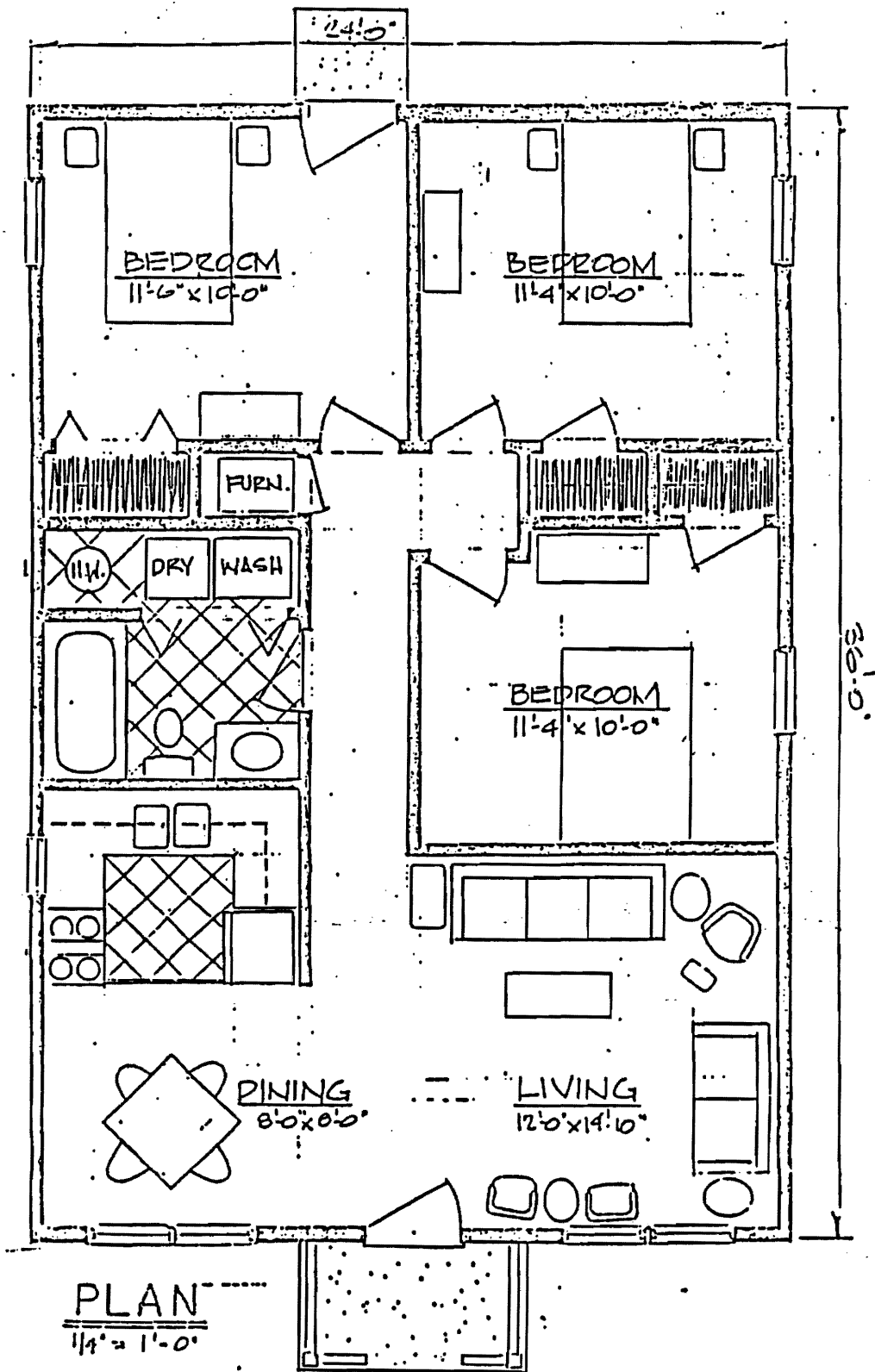
18. Do you think this type of program could work in other geographic areas?
  1. yes
  2. no
19. What changes (if any) would be necessary in order for this program to work in other geographic areas.

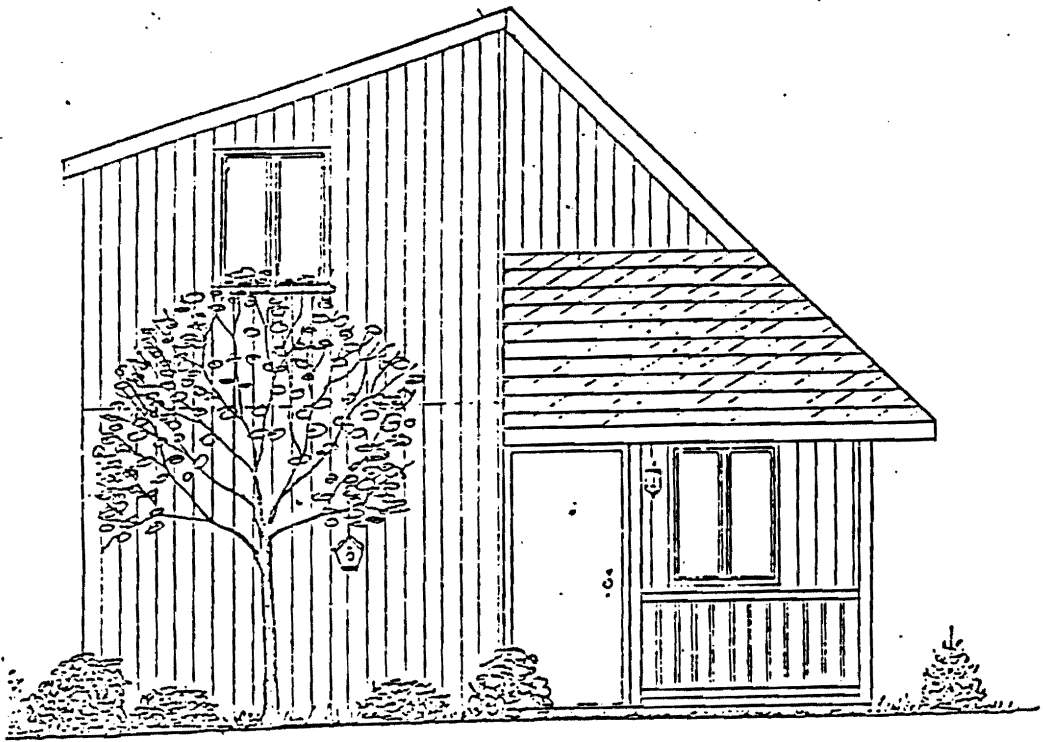
APPENDIX F

House Prototype A & B

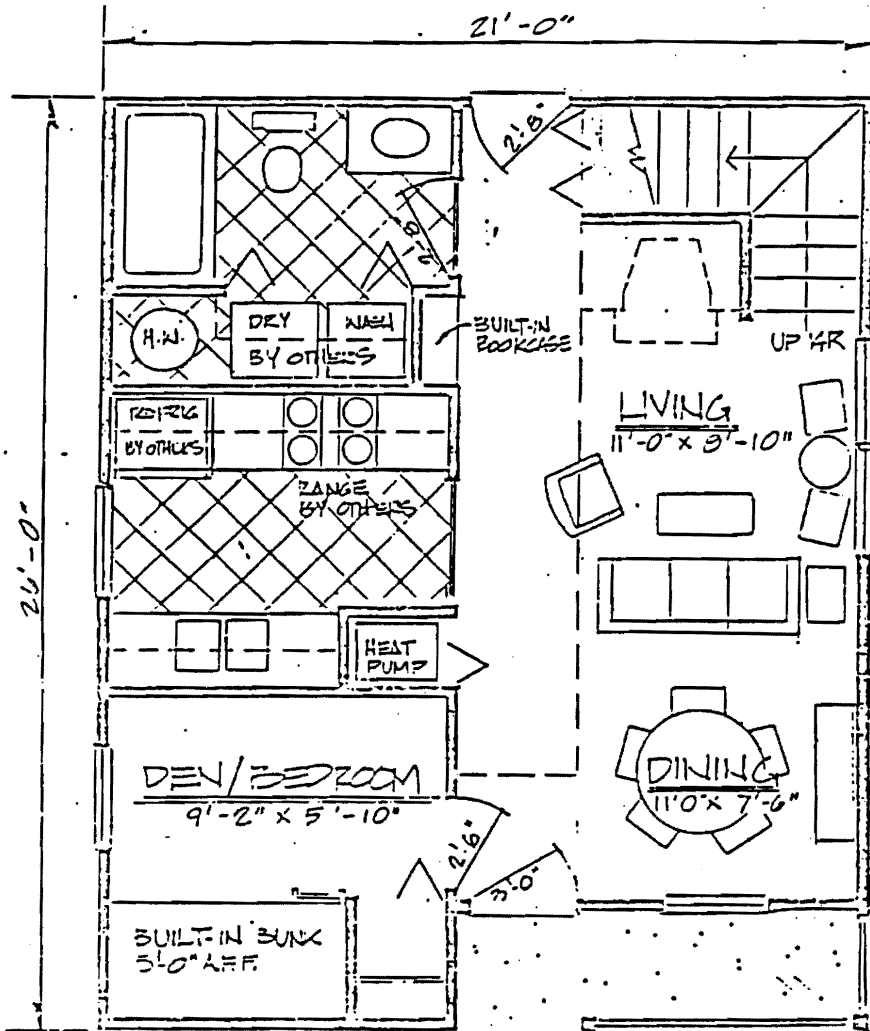


PROTOTYPE HOUSE "A"



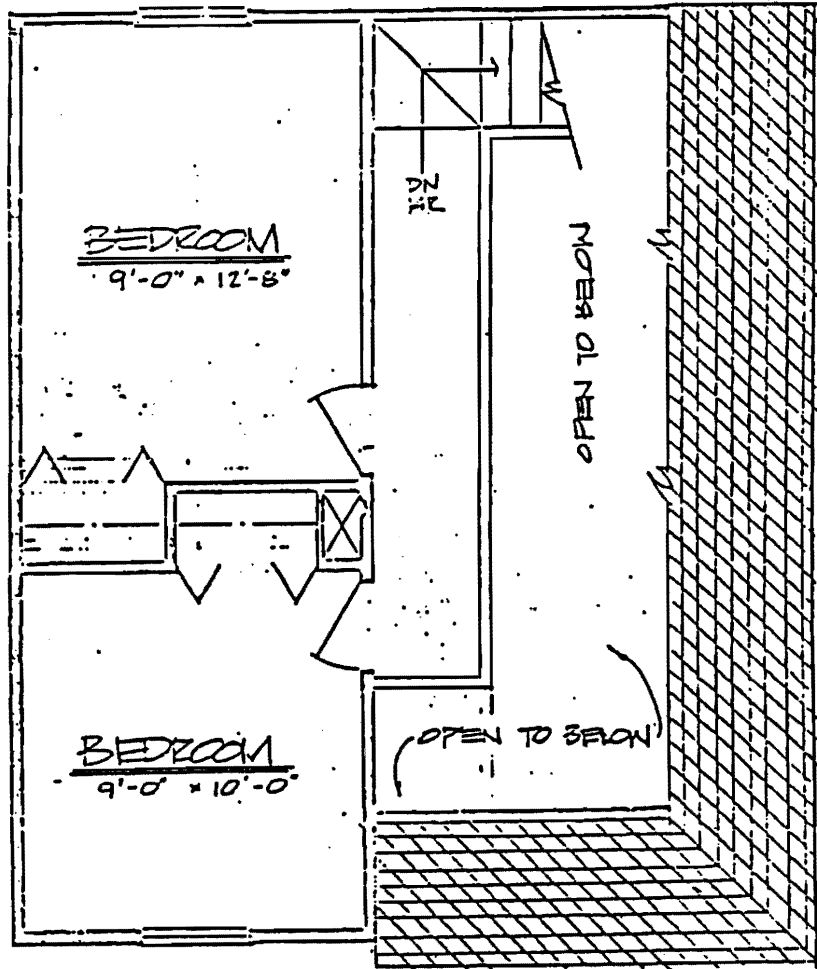


PROTOTYPE HOUSE 'B'



FIRST FLOOR PLAN

1/4" = 1'-0"



SECOND FLOOR PLAN  
1/4" = 1'-0"



## APPENDIX G

### Weighting of Scores for the Satisfaction-Importance Scale

**Weightings of Scores for the Satisfaction-Importance Scale**

	Very Unimportant	Unimportant	Somewhat Unimportant	Somewhat Important	Important	Very Important
Very Satisfied	11	12	13	15	16	17
Satisfied	10	11	12	14	15	16
Somewhat Satisfied	9	10	11	13	14	15
Somewhat Dissatisfied	8	7	6	4	3	2
Dissatisfied	7	6	5	3	2	1
Very Dissatisfied	6	5	4	2	1	0

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