



# FACT SHEET

## ENERGY CONSERVATION IN THE RURAL HOME

### TIPS ON FINANCING HOME WEATHERIZATION

Would you like to add insulation, storm doors and windows, or make other home improvements to save money and energy but are short of cash? This information will help you.

If your house was cold and drafty last winter and your heating bills high, you should do something about it. First determine what you can do to save fuel. Make a list or ask a reliable contractor, your power supplier, or appropriate Government agencies for help.

You can pay for insulation and storm windows and doors with the money you save from smaller utility bills. Or you can finance home weatherization through banking institutions and Government agencies. You'll find two kinds of financial assistance generally available:

1. You can borrow money from some banks and lending agencies and pay on a monthly or other basis. Interest will be at current market rates or less.
2. If your income is below or near the poverty level, you may qualify for a grant.

The following brief description of sources for financing home weatherization will help you to determine which arrangements you may qualify for and where to get assistance.

**Store Credit:** Stores, lumberyards, and building supply firms may provide financing for weatherization materials they sell. If the material supplier also does the work, the total project may be financed by the store.

But the interest you pay the store on an annual basis may be higher than the interest you might pay on a refinanced mortgage, money you might borrow on your life insurance, or on some other straight interest loan. Truth in lending laws now require lenders to tell you

what the interest rate on a loan is on an annual basis, so ask.

**Shopping for Credit:** Before you borrow money for your home weatherization project, get two or three estimates of cost from reliable contractors. Take these cost estimates with you when you go shopping for credit. It will pay you to shop carefully for the amount of money needed and the most favorable interest rate and payback period.

When looking for a loan always ask yourself these questions:

- What percent of the purchase price may I finance?
- What is the actual rate of interest I'll have to pay?
- What is the total amount of interest and special charges, if any, I will have to pay?
- How much extra interest will I have to pay if I pay off the loan sooner than scheduled?
- Will I have to provide collateral?
- According to the terms of the loan agreement, what will happen if I miss a payment?

Be sure you can live with the answers before you apply for the loan.

**Farmers Home Administration (FmHA)** programs serve people of rural areas and towns of up to 10,000 population. Under certain conditions loans can be made in places up to 20,000 population. Under a special program, weatherization loans under FmHA's Section 502 program are being made through participating public utilities. To qualify your home must be in a rural area as determined by the FmHA; you must have a low or moderate income and be unable to obtain credit from other sources; and your dwelling must meet minimum property standards when the weatherization work is completed.

Loans of up to \$1,500 are made at 8 percent interest payable in up to 5 years. You apply for these loans at your public utility; loan payments are collected with monthly utility bills.

If your rural area is not served by a participating utility, or your weatherization needs exceed \$1,500, or if you can't meet the terms of a loan through the utility, you can apply to the FmHA County Supervisor (listed

in phone book under U.S. Government, Department of Agriculture, FmHA) for assistance under another program.

FmHA's Section 504 program helps very low-income owner occupants make repairs to substandard houses to remove safety or health hazards. This includes weatherization. Loans at 1 percent interest rates are available, and grants are authorized for the elderly with income too low to repay a loan. The maximum assistance is \$5,000.

FmHA loans are made to individuals to buy, build, or repair a home. Funds can be included in these loans for weatherization purposes. In fact, new homes financed by the FmHA must meet new weatherization standards, and existing homes must be weatherized to the extent practical.

If you need more information contact the local FmHA office.

**The Department of Housing and Urban Development (HUD)** assists with weatherization through a number of programs:

Title I offers Federal Housing Administration (FHA) insurance on home improvement loans. The maximum loan amount is \$15,000 for a single-family home. The length of the loan is 15 years, with an interest ceiling of 12 percent. If you are interested, contact your local HUD office for information or apply for an insured loan through a lending institution in your community.

Section 312 offers direct Federal loans for rehabilitation at 3 percent interest with a repayment term of 20 years. The maximum amount of the loan is currently \$27,000. Section 312 loans can be used for weatherizing a home. If the home has any code deficiencies, they must be repaired. To be eligible, homes must be in urban renewal areas, in code enforcement areas, or in areas designated for rehabilitation under the Community Development Block Grant Program.

Section 203(b) is the basic FHA program for mortgage insurance. You might consider refinancing your mortgage to cover weatherization costs, using Section 203(b) assistance. For additional information, contact your lending institution.

In the Community Development Block Grant (CDBG) Program, Federal grants are given to communities for development projects chosen by the communities themselves. Rehabilitation, including weatherization, of existing housing is eligible under this program. You might contact your mayor or the chief executive officer of your community to see if CDBG funds have been set aside for rehabilitation in your area.

For additional information on any of the HUD programs, contact the nearest HUD office.

**Department of Energy (DOE)** has a weatherization program for low-income homeowners, especially for the elderly or handicapped. This voluntary grant-in-aid program is administered through your State energy office or State Economic Opportunity Office.

Eligible persons are those whose income is either at or below the poverty-level guidelines—\$5,850 for a family of four—or those who received cash assistance payments under Aid to Families with Dependent Children or Supplemental Income during the past 12 months. Within these income tests, priority is given to serving the elderly and the handicapped. The ceiling on grants provided to each dwelling unit is \$400 for materials (not labor) unless your State certifies that local conditions require a higher ceiling.

For more information about this program in your State, contact the Governor's office or write to Office of Weatherization Assistance, Department of Energy, Washington, D.C. 20461.

**Department of Health, Education and Welfare (HEW)**, as part of Title XX of the Social Security Act, can provide funds to States for minor home repairs or renovation, which includes weatherization work. Funds are available for this program in most States.

You may be eligible for a grant if you have an income up to 115 percent of the State's median income as adjusted for family size. For further information on home repair grants, contact your local welfare department.

**Administration on Aging (AOA)** serves the elderly, 60 years and over, with a range of social services under Title III of the Older Americans Act. Among these services is assistance to eligible households with installation of storm doors and windows and insulation, caulking, and weatherstripping.

For more information, contact your State Office on Aging.

**TVA Home Insulation Program:** The TVA home insulation program, offering interest-free insulation loans and free home energy surveys, potentially can assist every consumer in the TVA Region. Loans must be repaid in at least 3 years as an additional charge on each monthly electrical bill.

If you're interested, request a free home energy survey from your local power distributor. These surveys are available regardless of how you heat your home. Special energy advisors are being hired and trained by power distributors to work in the field with the local systems in making the surveys.

If the energy advisor finds that you, as an electric heating or cooling consumer, have less than R-19 value attic insulation, you will be offered an interest-free loan to get the insulation installed. You make your own arrangements with local contractors to have the work done. When the job passes inspection, the local power distributor pays the contractor for his services.

If you can do the insulation job yourself, you may receive a loan for the cost of materials only.

If you don't heat or cool electrically you will get the same thorough inspection of your home as those who do, and the energy advisors will recommend measures that you can take to save energy and fuel costs.

### **Community Services Administration (CSA):**

Among other things CSA promotes energy conservation and works to lessen the impact of high energy cost on low-income individuals and families. It develops community-based programs to deal with energy-related problems and mobilizes resources within the State and community to help the poor deal with the energy crisis. A major part of the program supports weatherization activities which will increase the thermal efficiency of the homes of eligible participants who are the poor and near-poor in both rural and urban areas.

For this program, the near-poor are defined as those persons whose incomes are between 100 percent and 125 percent of the poverty thresholds.

CSA's energy programs are coordinated by their Office of Community Action. For more information, contact your Community Action Agency, State Economic Opportunity Office, or the Community Service Administration, 1200 19th Street, N.W., Washington, D.C. 20506.

**Banks, Savings and Loans, Credit Unions, and other Credit Agencies** will provide credit for insulation and other weatherization improvements for families who can qualify for conventional loans. In some areas, banks and other lending agencies are making special low interest loans for energy conservation measures to homeowners.

**Power Suppliers:** Many public and private utilities are providing credit to their customers for home insulation and other weatherization improvements.

Contact your power supplier for further information.

### **Fact Sheets In The Home Weatherization Series**

1. Why Weatherize Your Home?
2. How To Determine Your Insulation Needs
3. Save Heating And Cooling Dollars With Weatherstripping And Caulking
4. How To Save Money With Storm Doors And Windows
5. What To Look For In Selecting Insulation
6. How To Install Insulation For Ceilings
7. How To Install Insulation For Walls
8. How To Install Insulation For The Floor And Basement
9. Solving Moisture Problems With Vapor Barriers And Ventilation
10. Weatherize Your Mobile Home To Keep Costs Down, Comfort Up
11. Tips On Financing Home Weatherization
12. Keeping Home Heating And Cooling Equipment In Top Shape
13. Landscaping To Cut Fuel Costs
14. Home Management Tips To Cut Heating Costs
15. Locating New Home Sites To Save Fuel

Single copies are available upon request to Special Reports Division, Office of Governmental and Public Affairs, U.S. Department of Agriculture, Washington, D.C. 20250.

This series of fact sheets was assembled from research, Extension, and other sources by the USDA Task Force on Weatherization.

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6. How To Install Insulation For Walls
7. How To Install Insulation For The Floor And Basement
8. Solving Moisture Problems With Vapor Barriers And Ventilation
9. Weatherize Your Mobile Home To Keep Costs Down
10. The Office of Economic Home Weatherization
11. Keeping Home Heating And Cooling Equipment In Top Shape
12. Insulating To Cut Fuel Costs
13. Home Management Tips To Cut Heating Costs
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