

A COUNSELING MODEL FOR RURAL HOME OWNERS

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ABSTRACT

This paper is based on information from a broader study, directed toward developing a counseling model for rural home owners with Farmers Home Administration (FmHA) mortgages. We discuss the process involved in designing, developing, and pretesting a counseling model. The results of pretesting certain components of Phase I provided the following: (1) specific areas in which FmHA rural home owners needed counseling, (2) information necessary for developing a framework for the model, and (3) data from the questionnaire needed to develop a handbook which could be used by FmHA personnel to provide counseling to low-and-moderate income home owners.

INTRODUCTION

The rural segment of the population has been consistently faced with housing problems worse than those of the nation as a whole (Morris and Winter, 1982). The Farmers Home Administration (FmHA) has provided mechanisms to assist rural Americans in purchasing homes through Sections 502 single-family loan and 513 multi-family loans of PL 94-419.

Although the FmHA promotes quality housing and living conditions for rural Americans, several problems that were delineated by Hanson (1976) still exist. Those problems include: (1) delinquency in loan repayment, (2) abandonment of housing property resulting in an increased number of foreclosures, and (3) an increased number of homes in FmHA's inventory (Hanson 1976:8).

The possibilities for problems in these areas are further intensified by the fluctuating rate of unemployment, the recent instability of the American economy, the FmHA policies implemented to keep initial costs as low as possible often causing construction techniques to be of lower quality than preferred, yet in compliance with construction standards (Martin, 1982) and the nature of FmHA loans programs, because such loans are granted to low-and-moderate income families who may have relatively low repayment capacities.

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To combat those problems, Hanson (1976) indicated the need for increased assistance in training new home owners to better utilize their homes and home facilities, to plan for taxes and insurance, and to handle other home-owner responsibilities. Montgomery (1976) observed the need for training programs in housing for rural families to include use, care and home management.

In 1979, on FmHA loans administered to rural home owners, the Virginia Farmers Home Administration had the second highest default rate in the nation. Further, because of limited staffing throughout FmHA offices statewide, the number of already limited counseling sessions before and after loans are granted remained low. In an attempt to address those problems existing within Virginia FmHA offices, this project was designed in 1979 to explore on-going counseling concomitant with the acquisition of a home. The project, funded by the Cooperative State Research Service of USDA, focused on developing a counseling program to assist home owners. The counseling program involved two phases. Phase I included the design, development, and pretesting of a counseling model. Specifically, the following activities were undertaken:

- identifying problems of FmHA rural home owners,
- development and pilot testing of a questionnaire,
- design and development of a counseling model,
- design, development and pilot testing of a counseling handbook.

Each component of Phase I was developed in collaboration with FmHA personnel. Phase II included implementation of research measures and techniques conducted in Phase I that would provide quantifiable data on the counseling model. Activities conducted during this phase were:

- selecting a random sample of 220 FmHA rural home owners for the actual research study,
- readministering the revised pre- and post-tested 42 item interview schedule to home owners in experimental and control groups,
- counseling selected FmHA home owners using the revised counseling handbook,
- analyzing research data,
- compiling and writing the research report.

This paper is a report on Phase I which provided the theoretical foundation for the counseling model.

DEVELOPMENT OF THE COUNSELING PROGRAM

Stage 1: Planning for Model Design

A series of one-day meetings was held in 1980 and 1981 with state and local officials at the Virginia FmHA to identify problems of rural home owners that are likely to have an impact on successful home ownership. The following were identified as the most prevalent problem areas: family/interpersonal dynamics, energy conservation and legislation, family finances, home maintenance and care, and policies and procedures of the FmHA. It was decided to design a questionnaire that would help to determine whether the identified problem

areas were those for which FmHA home owners needed counseling.

Stage 2: Questionnaire

Questions for the questionnaire were developed based on the five problem areas identified. Questions related to demographic data were included to aid in obtaining data on characteristics. This process resulted in a 49-item interview schedule. Items on the schedule were primarily forced choices in which subjects could respond and interviewers could check appropriate spaces. Open-ended questions were included to obtain more explicit explanations pertaining to certain questions.

Black and white families (33 households) residing in southern Virginia were selected to participate in pilot testing of the interview schedule. Families in those households are 2 to 4 months delinquent in their mortgage repayment. This group was selected because they had not been identified by FmHA personnel as households that were classified as "very high-risk cases," and thus could benefit from on-going systematic counseling.

The families were interviewed by trained professionals and student interviewers in their homes, using the 49-item interview schedule. The results of the pilot study indicated home owners needed counseling in these areas: energy conservation, home maintenance and care, financial management, and the policies and procedures of the FmHA. The results were reviewed and tabulated in the form of percentages.

In Table 1, loss of employment was most frequently cited as the reason for the home owners' delinquency status. A slightly lower percent of the home owners gave no response. Other reasons are inability to manage finances, increased household expenses, health, seasonal employment, and lack of income management priorities.

The largest percentage of home owners, 49%, gave no response to ways the mortgage could become current within sufficient time. Although only 9 percent indicated that lack of establishing priorities to manage income was a reason for delinquency, 24 percent cited this variable as a way to become current. Only 12 percent of the home owners indicated employment as a way to become current, even though loss of employment was the reason given by 33 percent of the respondents for their delinquency status.

The FmHA partial-payment addition procedure was considered by a limited number of home owners (12%). The largest percentage (67%) of home owners had no response to the outcome of their delinquency status if the mortgage could not become current. Because of this variable, it was concluded that home owners may not understand it might be better to sell the property or convey it to FmHA, rather than to be faced with foreclosure.

Table 1. Factors associated with delinquencies

Factors	Percentage
1. Reasons	
Loss of Employment	33.3%
Inability to manage finances	9.1
Increased household expenses	6.1
Health	6.1
Seasonal employment	6.1
Lack of establishing priorities to manage income	9.1
No response	31.0
2. Ways Mortgage Can Become Current	
Learn to establish priorities	24.2
Partial payment addition	15.2
Employment	12.1
No response	48.5
3. Outcome of Delinquency if Mortgage Cannot Become Current Can Not Become Current	
Sell property	18.2
Volunteer conveyance to FmHA	9.1
Acquire second job	6.1
No response	66.6
	N=33

In Table 2, a substantial number, 60 percent, of the home owners are more indebted to finance companies than to other financial obligations. Other data revealed that these loans had been obtained for personal reasons, major household appliances, trips, etc. Additionally, home owners' expenditures related to living expenses had increased for heating and electricity. Since the most frequently cited financial obligation was with finance companies, and there was limited consideration given to establishing priorities, coupled with increased energy expenditures, it was concluded that home owners need counseling assistance.

Tables 3 and 4 show home owners' perceptions of the need for various home repairs and knowledge related to making repairs. According to the respondents, limited repairs are needed. Observations of interviewers and information from their thumbnail sketches revealed a considerable discrepancy in the home owners' perceptions of repairs needed and the actual conditions of the homes. Male and female respondents, 75 percent and 43.3 percent respectively, could make minor repairs.

Table 2. Income expenditures

Financial Obligations	Percentage
Finance companies	60.6%
Medical	42.4
Furniture companies	39.4
Department stores	36.4
Credit cards	30.3
Bank loans	27.3
Auto supply stores	21.2
Hardware stores	6.1
Drug stores	3.0
	N=33

Homeowners know how to make major repairs (54.2% males, 43.3% females). Less than 40 percent (38% males and 33.3% females) are aware of the FmHA repair loan. Based on information from these two tables, it was concluded that counseling pertaining to utilization of home owners' knowledge and skills for minor repairs, performed at minimum cost, could be emphasized as a form of preventive maintenance to reduce the possibility of certain major repairs.

Table 5 shows the home owners' knowledge of terms associated with home ownership and FmHA procedures. The first five terms were general in nature and would not have had an impact on the delinquency status of home owners. Although a large percentage (76%) of the home owners indicated that the partial payment process was explained to them by FmHA personnel and that they understood that process, only 15.2 percent chose it as a way to become current within sufficient time. Over 50 percent had the term "family budget form" explained, and approximately 50 percent indicated that they understood.

A large percentage (63.5%) of the respondents gave no response to the term "moratorium". Consequently, the data in this table helped in concluding that the first five terms should be included in the counseling program, at least as a review. However, information on FmHA processes assisting home owners with their delinquency status (additional family budget, partial payment, and moratorium) would be useful and more comprehensive in on-going systematic counseling.

Not revealed in the tables, but important, is the fact that thumbnail sketches indicated that respondents thought that their loans were made to FmHA, rather than to financial institutions. Perhaps the role of FmHA during the loan processing was not clearly understood and thus needed clarification.

Table 3. Home Repairs

Repairs Needed by Households	Percentage
Painting	30.3%
Structural	24.3
Install storm doors	18.2
Electrical	18.2
Plumbing	15.2
Install storm windows	12.2
Heating	9.1
Floor repairs	9.1
Septic	6.1
Installation of ceiling	6.1
Sink repairs	3.0
	N=33

Table 4. Homeowners knowledge of repairs

Type of Repairs	Males	Females
Minor repairs	75.0%	43.3%
Major repairs	54.2	43.3
Attended repair workshops	12.5	3.3
Aware of FmHA repair loan	38.0	33.3
n	24	30

Table 5. Knowledge of terms associated with home ownership and FmHA procedures

Terms	Explained	Understood
Deed of trust	82.0%	79.0%
Interest rate	88.0	85.0
Closing cost	88.0	85.0
Title search	79.0	76.0
Mortgage search	82.0	79.0
Additional family budget	55.5	52.0
Partial payment	76.0	76.0
Moratorium	36.4	36.4

Finally, the data presented in the tables, along with other information from the pilot study, were used as a basis for developing a theoretical counseling model and final 42-item schedule using concepts identified in four, rather than five, problem areas via this stage and stage one.

Stage 3: Counseling Model

The home owners' counseling model Figure 1 proposes a transition from the present mode of counseling used by Virginia FmHA offices to the home owners' counseling model developed in this project.

The basic premise of the counseling model is that rural home owners in Virginia obtained counseling related to the acquisition of homes, (1) during the initial stages of processing applications for home ownership and, (2) when the home owners became delinquent in repayment. Consequently, although those home owners were counseled, provisions for providing and obtaining information in certain areas needed to prevent delinquencies were limited. Frequently conceptualization and information processing of the multifaceted elements involved in successful home ownership were often not properly conceived. After many families moved into their homes, problems occurred related to repayment. When such a situation occurred, some home owners became delinquent. With the assistance of FmHA personnel, many of them were able to become current with payments. Others faced the reality of foreclosure which was often overlooked until it was too late.

The proposed mode of counseling is aimed at FmHA personnel reaching two groups: the prospective home owner, as well as the recently committed rural home owner. While both groups may be at the stage of seeking information about home ownership or completing the application process, any new home owner would be required to participate in systematic on-going counseling. This mandate would help ensure that the new home owner clearly understands FmHA and its operations, as well as the legal day-to-day issues pertaining to consumerism which affect home ownership. Day-to-day issues were defined as those that focus on financial management, energy conservation and home maintenance and care. Although not mandated to participate in counseling, prospective home owners would be encouraged to choose the option of counseling, and become better informed. For several reasons this mode of counseling is believed to be more beneficial for FmHA personnel than the one presently used because: (1) specific facts related to home ownership will be presented systematically and comprehensively to home owners before and during initial stages of the loan processing, which will provide a more rational basis for making decisions, (2) decision-making skills developed by home owners can be transferred to other future decisions related to home ownership, and (3) on-going counseling can serve as a preventive, rather than a coping measure, for rural home owners.

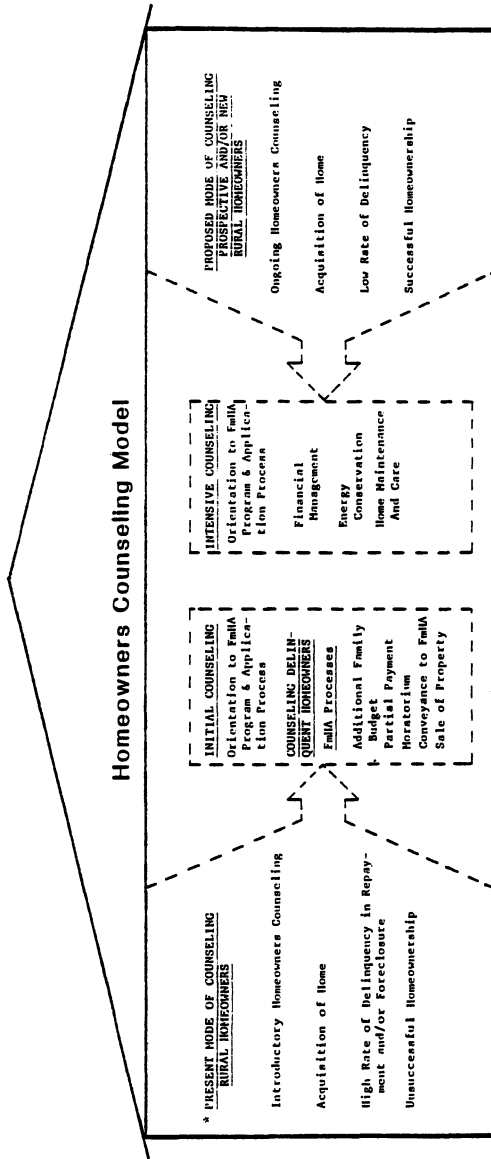


Figure 1
 *The mode of counseling to the left depicts the procedure presently used by Virginia FmHA personnel

Figure 1. The counseling model

The housing research staff of Virginia State synthesized information to be used during the pilot counseling sessions and developed a *Handbook for Counseling Rural Homeowners*, designed from a user's perspective, as a counseling tool which can be used before and after families have processed loans through FmHA. It was presented to a team of reviewers from the FmHA colleagues from other universities, and was pilot tested with rural home owners. It is divided into four areas which are consistent with the counseling model: energy conservation, home maintenance and care, financial management, and policies and procedures of the FmHA.

There are two versions of the *Handbook*, one for trainers, and one for home owners. Both versions include a collection of articles, leaflets, forms, glossaries, and checklists that are designed to clarify and expand knowledge about specific concepts. Additionally, the trainers' version includes counseling guides for the four areas. The counseling guides are valuable in assisting trainers in organizing materials and implementing plans for counseling sessions. The time required to counsel families using the *Handbook* varies, as some families have limited knowledge about the concepts emphasized, while others may have extensive backgrounds and experiences. It can be used successfully with either a group or an individual family counseling approach, and is intended to be used by counselors or trainers as a counseling tool and by home owners as a resource guide. When used correctly, it will aid home owners in making effective decisions related to home ownership. FmHA personnel will have a systematic approach to strengthen loan programs, which may ultimately lower the rate of mortgage delinquencies.

IMPLICATIONS FOR PROFESSIONALS INVOLVED WITH RURAL HOUSING ISSUES

In American society, owning a home was once considered a major investment for the family. However, fluctuating unemployment rates, "double-digit" interest rates on home mortgages, household energy-related expenses and other household-related expenses have altered the stability of this previously conceived investment. Today many economists view home ownership as a risk rather than a safe investment. Thus, the state of family equilibrium which was once established with the purchase of a home has transformed many families into a state of disequilibrium. This problem, along with others in the society, is a challenge for professionals working with rural housing issues. In meeting this challenge, professionals should continue efforts to assist families: (1) with decisions related to successful home ownership, (2) in exploring decisions pertaining to other housing arrangements consistent with their present financial status, and (3) in developing long-range plans for future housing goals.

Rural families are of particular concern in this paper because programs and services to assist this sector of the society have not been as prevalent as those available for urban society. According to *Rural Development Progress, January 1977-June 1979*, housing conditions in rural areas have improved within the past ten years. However, many households have experienced improvements more rapidly than others (United States Department of Agriculture, 1979). Even though the former statement is true, Day and others (1977) stress that application of research efforts pertaining to improving conditions

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of rural families has been minimal.

Increased involvement of professionals in research in the area of rural housing appears to be fertile ground for the expansion and exploration of new horizons. Using a generalist as well as a specialist approach, synthesizing the body of knowledge drawn from housing planning and policies, housing research, consumer economics, home management, energy conservation, and other areas will provide a multifaceted framework for professionals to develop and implement programs and services to assist families in coping with current societal changes and challenges.

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