

The following information on remodeling comes from First Suburbs Coalition partners Fannie Mae and the National Association of the Remodeling Industry (NARI).

Selecting a professional contractor

Following are a few tips in selecting a remodeling contractor:

- 1 Employ a contractor with an established business in your area. Local firms can be checked through past customers.
- 2 Check the remodeling contractor with the government Consumers Affairs Office and the Better Business Bureau to ensure there is no adverse file on record.
- 3 Ask to see a copy of the contractor's certificate of insurance. Most states require a contractor to carry workers compensation, property damage and personal liability insurance.
- 4 If you elect to solicit bids from several different contractors, be sure they are bidding on the same scope and quality of work. Discuss variables in bids and beware of any bid that is substantially lower than others.
- 5 Ask for references and follow up on them. Call the references and ask such specific questions as: "Did the contractor begin work on time?" "Was the job site kept neat?" "Did the contractor stay in touch throughout the project?" "Would you use this contractor again without hesitation?"

NARI's Ten-Step Program to Remodeling:

Following are steps based on NARI's recommendations to guide your remodel planning. These steps, although they assume you will use a contractor, are largely applicable if you are doing your own work.

- 1 Assess your current situation. Make sure you have the financial resources, time and patience to undertake a remodeling project before you start.
- 2 Decide how long you intend to live in your present home. If you plan on selling your home in the next few years, check the real estate comparisons for your neighborhood to see how much you can invest in remodeling and still recoup those costs when you sell your home.
- 3 Define the areas of the home you want to change. Have some idea of what you want the remodeling project to include and what rooms you would like to change before calling a contractor. Make a list of the rooms you would like to remodel as well as the reasons for the changes and what you would like done to each room. You may want to consider using an architect, general contractor, or a design/build contractor.
- 4 Allow plenty of time for the remodel. Keep in mind that possible delays may occur during the project due to materials shortages, weather and unforeseen problems. Delays are especially common for

special orders and kitchen cabinets. Take these into account when creating a timetable with your contractor. An unrealistic time frame will only add to the difficulty and stress.

- 5 Most cities, towns and counties have established building codes. They vary from one jurisdiction to the next. A building permit generally is required whenever structural work is involved or when the basic living area of a home is to be changed. If you have a home with an unfinished basement and would like to finish off a portion of it for a family room or bedroom, you would need a building permit because you are changing storage space to living space. If you are using a contractor, have the contractor obtain the building permit so he will be liable for the work.
- 6 Create a realistic budget. Decide how much money you can spend on home improvements before undertaking the project.
- 7 If you are using a contractor, get a comprehensive proposal from him. This allows you to know up front how much money the project will cost. The proposal should also include the types of products to be used.
- 8 Get a signed contract before any work begins. The contract should detail the scope of the project, start and approximate completion dates, a payment schedule, product types, and responsibilities of the contractor and any subcontractors. The contract should also include provisions for change order procedures, warranties, and alternative dispute resolution clauses.
- 9 Tie payments to work stages. Avoid contractors who ask for the total cost or a large sum of money up front. Kitchen remodeling often requires more money up front to cover the costs of ordering cabinets and appliances.
- 10 Keep your perspective. Remodeling is disruptive to your normal household environment. It is important to take a deep breath, keep your focus, and work toward the end result. If problems occur, talk to your contractor about your concerns.

FINANCING YOUR PROJECT

RP02

One of the most important considerations for your home improvement project is financing. After all, the project will go nowhere if you can't pay for it. Fortunately, there are several options.

Five of the most common are:

- 1) purchase-rehab mortgage
- 2) home improvement loan
- 3) home equity line of credit
- 4) home equity loan (second mortgage)
- 5) cash-out refinancing of your current mortgage.

However, the simplest method of financing is cash.

Cash

If you have cash in savings to pay for your remodeling project, this may be the best way to finance your home improvements. Be sure to consider that by paying in cash, you tie up money that could be earning interest in other investments. Look at the interest rate that you would be charged to finance the project and compare this to the interest you could earn by investing these funds.

Also remember that interest payments on a home improvement loan may be tax-deductible, while you can't write off the expenses of a remodeling project paid for in cash. Crunch the numbers and meet with a financial advisor to determine whether paying in cash will really pay off in the long run.

Conventional Purchase-Rehab Mortgage

Some lenders offer mortgages that allow the consumer to purchase the home and finance planned improvements based on the "post improvement" or "as completed" home value. This is a cost-effective and convenient way to combine home purchase or refinance with the cost of renovating or repairing your home in one loan with one closing.

Instead of financing the renovation with a second mortgage or home equity loan, you get the lower interest rates of a first mortgage and only have to pay for one mortgage closing. And with these types of products, you can borrow an amount based on the value of the home after the renovations are finished, so you know you will have the funds available to do the job right. This provides an excellent tool for a homebuyer to invest in the home up front, even when there is a higher loan to value, while maintaining only one mortgage.

Home Improvement Loan

Two special loans administered through the Federal Housing Administration (FHA) are the Title I and Section 203(k) programs. A Title I loan allows you to borrow up to \$25,000 for improvements to a single-family home. These are fixed-rate loans that FHA insures against the risk of default. Loans must be made by an approved Title I lender. The 203(k) program is not as well known, but if you want to purchase a fixer-upper, it is a terrific opportunity. It allows homeowners

to receive a single, long-term, fixed or adjustable rate loan that covers both the acquisition and interior rehabilitation of the property for owner-occupied units. To obtain a loan under the 203(k) program, you must use an FHA-approved lending institution.

Home Equity Line of Credit

A home equity line of credit is a form of revolving credit in which your home serves as collateral. This allows you to tap into these funds whenever you need it. The credit line is usually set at 75 to 80 percent of the appraised value of your home minus the balance of the first mortgage. Your credit history and ability to pay may also be considered in determining the amount of credit available.

Home equity lines of credit usually carry a variable interest rate that is figured by adding a margin to the current Prime Rate or some other index. Other costs associated with setting up a line of credit may also apply and will vary from lender to lender.

Second Mortgage

If you are not comfortable with the open-ended nature of a line of credit (which requires discipline to ensure that you don't go way over budget), a home equity loan, or second mortgage, may be right for you. This is a fixed-rate, fixed-term loan based on the equity in your house that is paid back in equal monthly installments over a specific period of time.

Cash-Out Refinancing

If interest rates today are significantly less than when you first purchased your house, refinancing your mortgage may be a wise move. This refinancing alternative allows you to use the accumulated equity in your home to take out a new loan to pay off your existing mortgage and then use the remaining funds for your remodeling project. Make sure you factor in the length of time you plan to live in the house and the number of years left on your current mortgage before you decide to refinance.

Keeping Your Budget in Line

Once you've decided how much you can afford to spend fulfilling your remodeling dreams, the real challenge is making sure you stick to this budget. So, how can you prevent your expenses from spiraling out of control?

- Plan on spending only 80 percent of what you can afford. Put the additional 20 percent in reserve to cover changes, unforeseen problems, and miscellaneous charges.
- Remember that anything not included in the original contract will cost extra. It's very easy to start tacking on hundreds and even thousands of dollars in change orders that will break both your budget and your timeline.

Stay focused on the task at hand. Stick to the project you have planned rather than deciding that now is the time to overhaul the rest of the house.

WHERE TO TURN

Your first stop should be the mortgage company that holds your current mortgage or the lender you are planning to use to finance the purchase of your new home. See what kind of loans they offer. Then visit some other banks to see what they will offer. You can also visit City Hall to see if they have any financing tools you can use or if any tax abatement or other programs are available that might assist in financing your remodeling.

Descriptions of finance options based on information from various sources including the National Association of Home Builders, Fannie Mae, and Freddie Mac.

A Universal Design new or remodeled home opens up pathways and makes areas more functional and accommodating for everyone. The concept of Universal Design (UD) is to plan products and environments to be usable to the greatest extent possible by people of all ages and abilities, promoting safety, comfort and convenience.

Will Your Home Evict You?

Elderly citizens and people with disabilities seek to maintain independent lifestyles. They find that available housing offers limited options to meet their basic needs. Many senior citizens, after a stroke or physical injury, find themselves unable to function in their current homes and are faced with moving into a more restrictive environment, such as a nursing facility.

About one out of six people have their lives interrupted by chronic illness or life-limiting physical and/or mental disabilities and must then confront life with disabling conditions. When such crises occur, people must face the reality that functioning in their own homes is not possible without specific, often major, adaptations. Friends, family members and others with disabilities will feel more welcome to visit a home if it is accessible.

Every Person Benefits

Above all, everyone benefits from ease of movement and safety with such features as a bath seat, adjustable shower head, varying height kitchen cabinets, and space to move furniture and other large objects. Universal Design's main purpose is to promote homes that provide safety, convenience and comfort.

Safety

We are six times more likely to have an accident at home than at work. Universal Design minimizes hazards and the adverse consequences of accidental or unintended actions. UD provides warnings of hazards, errors and fail-safe features. It also provides for privacy, security and safety equally available to all users. Controls communicate necessary information effectively to the user, such as tactile, visual and audio cues and instructions on a thermostat. The design is easy to understand regardless of the user's experience, knowledge, language skills or concentration level.

Convenience

UD provides appropriate size and space for approach, reach, manipulation and use regardless of the user's body size, posture, or mobility. Each person, whether seated or standing, has a clear line of sight to the thermostat, light switches, kitchen appliance controls and plumbing fixtures. UD accommodates use of assistive devices or personal assistance and provides flexibility for a range of individual preferences and abilities. Controls facilitate the user's accuracy and precision.

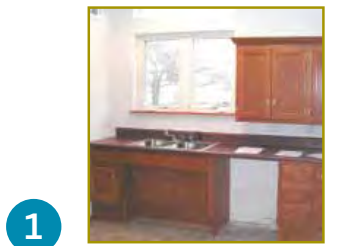
Comfort

UD minimizes sustained physical effort and repetitive actions. Reach to all components in the home is comfortable for any seated or standing user. Examples include controls on the front of and clear floor space around appliances, mailboxes, garbage dumpsters; and lever or loop handles used on doors and faucets. Hand and grip size vary to accommodate differences. Touch lamps operate without a switch.

DESIGN EXAMPLES

- No-step, covered entry with maximum 1:20 slope reduces tripping hazard
- Entry door width min. 36"
- Interior doors 36" wide
- Hallways 48" wide for ease of movement
- Switches and thermostat less than 48" above the floor for everyone to use
- Outlets more than 24" above the floor to reduce bending
- Slip-resistant flooring in kitchen and bath so spills don't become hazardous
- 1 Removable cabinet fronts at sink with insulated pipes for sitting access, if desired
- 2 Multiple-level countertops and workplaces
- Vent hood switched at wall
- Front-loading washer and dryer raised one foot minimizes straining and injuries
- Bathroom 5'x5' wide for wheelchair turnaround space
- 3 Wall-mounted lavatory with insulated pipes
- 4 Integral or portable tub seat allows relaxed, safe bathing
- 5 Toilet seat 19" above the floor
- Blocking for handrails at tub and toilet
- 6 Walk-in closets with adjustable-height rods

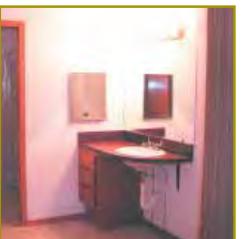
Such design features usually add only 2-3 percent to the construction cost.



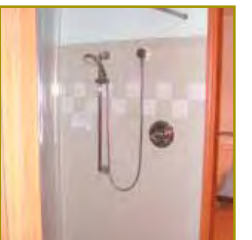
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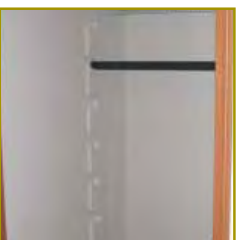
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For more information contact the Universal Design Housing Network, at 816-235-8845 or visit the Web site at www.udhn.org.

ENERGY EFFICIENCY

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When you remodel your home you have an opportunity to incorporate energy-saving features. Energy-efficient features can save you money. That's because you pay less for energy over time. Keep in mind the following energy-efficiency suggestions from the National Association of Home Builders when remodeling:

- For home insulation, both in your attic and walls, look for the R-value. The higher the R-value, the better the insulating power. Wall R-values typically range from R-11 to R-23, and the builder can increase the R-value even more by simply adding a layer of foam sheathing and using higher density insulation between the wall studs. R-values for the floors generally range from R-11 to R-25, and in the ceiling from R-19 to R-50. Nominal R-values will not be achieved without proper installation, so choose your insulation contractor carefully.
- Use energy-efficient heating and cooling equipment. Nearly 50 percent of a typical home's utility bill goes toward heating and cooling. By installing the appropriate amount of insulation, properly sealing your home, and installing correctly sized heating, ventilating, and air-conditioning (HVAC) equipment, you will create a comfortable and energy-efficient home. Look for furnaces with an Annual Fuel Utilization Efficiency (AFUE) rating of between 80 percent for conventional furnaces to 94 percent for high-efficiency or condensing furnaces, and a central air conditioning unit with a Seasonal Energy Efficiency Ratio (SEER) rating of at least 12.

Heat pumps offer another option for HVAC equipment, and perform both heating and cooling functions. Select a heat pump with a Heating Season Performance Factor (HSPF) greater than 7 and SEER rating of at least 12. Units with SEER ratings up to 18 are available. Regardless of the type of HVAC used, programmable thermostats (and adaptive recovery thermostats for heat pumps) help homeowners automatically set their equipment to turn on or off to create a comfortable and energy-efficient living environment.
- For major appliances, look for the bright yellow Energy Guides. These will help you shop for the most energy-efficient models and provide information on energy use and cost.
- For window products, look for the U-value. The lower the U-value, the more energy efficient the product is. Buying and installing double-pane windows that have high-performance glass (e.g., low-e coated or solar control spectrally selective) and are filled with gas may help you downsize the home's heating and cooling equipment since the energy-efficient windows help reduce heat loss in the winter and heat gain in summer.
- Use your hot water wisely. Water heating typically accounts for 10 to 25 percent of the energy used in the home. There are numerous ways homeowners can reduce the amount of energy they use to heat water: turn down the water heater's thermostat setting to between 115° and 120° F; buy an energy-efficient water heater; install non-aerating, low-flow faucets and showerheads; use the "warm" water setting on your clothes washer instead of the "hot" water setting; and set your dishwasher to "energy saver" or "water saver."
- Optimize the efficiency of your duct system by locating ducts within the conditioned space of your house, minimizing the length of duct runs, and making sure ducts are well sealed so they don't leak air. If ducts are routed in unconditioned areas, like attics or basements, make sure they are insulated to reduce heat loss.



The First Suburbs Coalition has developed a number of resources and has placed these on its Web site. Go to the Idea Book page and click on “Resources.”

The Web site is :

www.marc.org/firstsuburbs

Here is a general guide to help you find information and resources and do the careful planning necessary for a successful project.

- 1 Ask friends and co-workers who have been through a remodeling project.
- 2 Visit your library and the First Suburbs Coalition Web site and collect background information.
- 3 Talk to your city’s community development department to see what resources might be available (financial or information) and what code requirements must be met.
- 4 Once you have an idea of what you want, get estimates to determine the cost.
- 5 If you are using a contractor, check references and check with the Better Business Bureau.
- 6 Talk with your bank or mortgage company about the best ways to finance your remodeling project.

A SPECIAL

Thank You

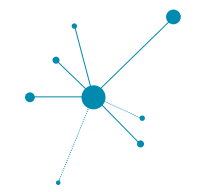
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Best of Luck

ON YOUR REMODELING PROJECT

Please let us know about your remodeling project and if this book was helpful. Send your feedback to firstsuburbs@marc.org

