

Financing a healthy house

by J. Camphill

Living in a healthy house is a fundamental need for people with chemical or electrical sensitivities. Not much else really matters, if we are sick all the time from a toxic house, or have to live outside under primitive conditions. But the illness often takes away our job and savings, making buying or building a house difficult to swing financially.

Move to a low-cost area

Most of the EIs in Arizona and New Mexico came here after they got sick. The clean air and the choices of climate are some of the main reasons. Another incentive is the low cost of land and housing in rural areas. We have many people from New York and California, who marvel at what they can afford here. In rural areas of Arizona, that are not near a large town or upscale area (i.e. Phoenix, Tucson, Sedona, Prescott, Flagstaff, Havasu, Verde Valley, etc.), you may still be able to find or build a modest house for \$100,000 to \$300,000 on a lot bigger than a postage stamp (i.e. larger than an acre / 0.3 hectare). Even lots of 10, 20 or 40 acres are feasible in some areas. These are 2008 ballpark figures.

Bank loan

If you qualify for a bank loan, there is probably not a real problem with that, but it is best not to talk much about the special features of the house. The bank loan officer doesn't need an education about MCS or EHS.

A bank is interested in financing a house that can easily be sold on the regular market, if they ever have to foreclose on your loan. If you plan on installing porcelain or bare aluminum walls or other unusual things, they will probably not be too happy. They may not think that expensive non-toxic materials will add to the resale value either. You may have to consider the appraisal value, though many appraisers don't inspect the insides.

A bank will typically have a number of requirements, such as the use of a general contractor and licensed sub-contractors. If you intend to be an owner-builder, that could be a problem.

Some banks also require that the building site is soaked with pesticides to deter termites before the foundation is put in, though non-toxic alternatives are often acceptable.

Some of the people who built houses first brought in a bank late in the

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construction project, with a line of credit loan. Then the bank's requirements were less demanding.

Banks are rarely interested in solar houses that are not connected to the electrical grid, as they are too hard to sell. They do seem fine with houses that have water trucked in to a cistern, however, which is common in some areas of the Southwest.

One entity that may be helpful is the Permaculture Credit Union in New Mexico (1-866-954-3479, www.pcuonline.org), which specializes in lending money to green projects, such as off-grid houses. Their rates seem a bit higher than the banks.

Borrow against existing house, while building a new one

Some have financed by taking out a loan against their existing home, while building a healthier one. Then when they move to the new house, the old one is sold and the loan paid off. Of course, it only works if there is equity in the existing house.

Mom and Dad

Help from the family is a common way to finance. The family agreements can vary from outright gifts to loans on very easy terms, such as low payments and no interest. Possibly a combination.

Federal and State programs

Some EIs have obtained loans through federal and state programs. The rules for the programs vary, but are likely to have a number of restrictions. There are generally limits on the borrower's income level and most programs only apply to certain areas, such as less-developed rural areas. The programs may also have specific requirements for the house, such as maximum lot size, location, number of bedrooms and various features that are required or not allowed. It has been possible to get exemptions from the rules when a specific need was documented.

The U.S. Department of Agriculture – Rural Development has a number of programs to help people build or buy a home in certain rural areas of a number of Western states. Some programs are only available to people with a low income, while others are less restrictive with the income level.

You can find your local USDA office in the phone book under Federal Agencies or at www.rurdev.usda.gov.

The Housing and Urban Development (HUD) may also have programs. Their

local office is listed in the phone book under Federal Agencies.

The state programs vary greatly, both in their requirements and coverage. They may offer help on the down payment, discounted property tax rates, subsidized loans, etc. Ask at your State Department of Economic Security.

You will need to do a lot of research to find out which programs may be available to your specific situation. Please see my separate article about this topic for more information.

Assumable mortgage

When buying an existing home, it may be possible to assume the mortgage from the previous owner. This saves the closing costs. In recent years, banks have made their mortgages non-assumable, so they can earn more fees. Private mortgages are often assumable and re-negotiable.

Buy and split

You may be able to split off a piece of the land and sell it. This can work for both undeveloped land, and land with an existing house on it. In some cases, the split-off parcel sold for as much as the whole piece of land was bought for.

Splitting off a piece of land has the advantage that you can put restrictions on it, such as no use of firewood or pesticides. Restrictions do make land more difficult to sell, though.

Make sure you know the local zoning regulations for minimum lot sizes. In some areas, the minimum size is 20 acres.

Owner carries the loan

The owner of the property, house or lot, may carry the loan instead of a bank. This is usually cheaper up front than using a bank, as there are no qualifying, no commissions and no “points”. But it costs more in the long run, as the interest rate is higher than the bank rate, perhaps 2 to 3 percentage points higher, but negotiable.

A title company usually handles collecting the money, so there is no contact between seller and buyer after the deal has closed.

There is no requirement for an appraisal, but it could be a good idea to have one anyway, unless you are real sure of the market value. Many properties advertised on the “MCS market” are listed at higher prices than “normal” buyers would be

willing to pay. Sometimes much more. A professional appraisal costs about \$350-\$500.

Build modest

Most EIs end up building modestly sized houses. Most I have seen are less than 1000 sq ft (100 sq meters), some only 500 sq ft (50 sq meters). A porch or patio is a cheap way to add space, which can be done later when the finances allow. A porch is usable space a large part of the year, depending on the climate. A simple garden shed is an inexpensive way to add storage space.

Several people have omitted the expensive tile floor and simply use the concrete slab as their floor. In that case, it's best to close the pores in the concrete with sodium silicate, also called "water glass".

Electric baseboard heaters and a wall-mounted air conditioner are the cheapest ways to heat and cool a house, though they cost more to run than some options, and may not work for people with EHS.

Instead of a bath tub, you can install a shower stall, which both saves space and money.

Some have avoided the cost of kitchen cabinets, by using cheaper shelves instead. The kitchen counter can be replaced by a commercial steel table with a built-in sink.

In areas with deep wells, it is cheaper to install a tank and have water hauled in from the municipal well.

Some people have moved to very rural areas, perhaps even beyond the electrical grid, and live rather primitively. But that is not for everyone.

Sometimes it helps to adjust your expectations. You may no longer be able to afford the lifestyle you enjoyed before you got sick with MCS or EHS. But it is easier to accept a scaled-down lifestyle when living in areas with others living the same way.

Joining a land trust

Land trusts own the land, while the people own the houses on the land. This can lower the overall cost, or allow you to live in a much nicer area than you could otherwise afford. Many land trusts are of interest to EIs, as they often have large pieces of land which are left in a natural state, providing a buffer against toxic drift from neighbors.

Joining a land trust is almost like a marriage. It has to be done very carefully, to ensure the people are compatible. Some trusts require applicants to attend meetings and social activities for a substantial period of time, before the current residents vote on whether to accept the applicant. Each trust is different, however, so don't make assumptions.

Start by looking into the concept of intentional communities. Perhaps start at www.ic.org, which offers a directory of existing communities. Not all intentional communities are land trusts.

I only know of one intentional community that is dedicated to people with MCS. It is Quail Haven north of Tucson, though it never took off. The MCS neighborhood outside Snowflake, Arizona is an unofficial intentional community.

Some EIs have successfully joined land trusts for green-minded people. Just understand that "green" and "safe" are not the same. Many green people use wood heat, and abhor electric heat, for instance.

Be the owner-builder or your own buyer

If you organize your own construction project, you can save hiring a general contractor, who otherwise oversees the project. As an owner-builder, you may be able to save substantially by hiring laborers for some work, instead of contractors. This may only be legal and practical in some rural areas, depending on local rules and availability of good labor.

You may also save money by buying your own materials directly, instead of through a contractor. Many contractors will not agree to this, as they make money off being the middle person, and it also ensures that they have the materials they expect.

If you want to be an owner-builder, you will need a mentor if you do not have prior experience. Most banks and loan programs will not finance an owner-builder without prior experience.

Move early

Some people have saved a lot of money on rent by moving early. It is usually not feasible for someone with MCS to live in a half-finished house, as that would greatly complicate construction. In fact, most people with MCS first move in many months after the house is finished, as it needs time to offgas.

However, it is sometimes practical to sleep on the porch, in a tent, car or garden

shed, while just using the house as a service building.

A little at a time

A few people simply bought empty land and moved there with a trailer, or built a garden shed and lived in that, while using an outhouse (which is still legal in a few very rural areas).

Then they may slowly build a house, for instance by first building a small, one-room structure with a bathroom, and then slowly adding to it over the years, as money becomes available. No longer paying rent helps.

This method will probably only work in very rural areas, and only if no neighbor complains. This is not an uncommon method; I know of four houses started this way.

Credit cards

Some used “teaser” credit cards, which offered a very low interest rate, often with a start-up fee. Then after the teaser-period (usually a year), the balance could be rolled over to a new card, or paid off with a mortgage if the house has been finished.

To get a substantial amount, you may need several of these credit cards. Some vendors may also offer no-interest loans for building materials and appliances. One person who did it had \$50,000 on several cards, while another had \$9,000.

This method is dangerous! You must be well organized to use it, and it should only be used late in the project. Trying to finance the project from the start this way is asking for trouble. Projects get delayed and often cost more than expected.

There are several pitfalls in the credit card rules. It is imperative to read all the small print and make sure to pay the minimum each month. Any missteps and usurious rates or fees will pop up, possibly even on all the cards you may have, as the companies alert each other. Some limit the time you have to pay the monthly bill, by being very slow to mail out the statements, thereby collecting late fees. The finance industry employs some very inventive people, so expect new “pitfalls” to suddenly appear.

You can improve the odds of avoiding trouble by two simple rules:

- call the company and set up an automatic payment of the monthly minimum, directly from your checking account

- take money out on the card once, and then don't touch it again until it's paid off.

Not all credit card companies offer automatic payments.

The issue about using a card more than once is that many of them have traps there. Later transactions may carry a higher interest rate, and all payments are applied to the low-interest part first. When the teaser rate period is almost up, they may offer new teaser rates on new loans. But it's another trap, as the low rate on the old loan will expire. You'd have to pay off the entire balance first, before using the new offer safely. Read the fine print very carefully. If you have any doubts, don't do it. But if you are careful and organized, you can beat the game.

When the house is nearly done, you can open a line of credit for further financing and to pay off the teaser cards. Otherwise, pay it off with a mortgage, once the house has passed final inspection.

Tax deduction

The US tax code allows for deducting medical expenses, including the EXTRA cost of a specially built house, i.e., what the house cost more than a conventionally built house. There is even a court ruling in favor of someone with MCS who did, which is referred to as *Ripkin vs. U.S.* (DC MN 10/18/2000).

However, it may not be worth your trouble. You can only deduct for features that do not add to the value of the house on the regular market. A tile floor can probably not be deducted, while exotic materials probably can. If you put on a steel roof costing \$3,000, and a regular shingle roof would have cost \$2,000, you might deduct the \$1,000. But a steel roof lasts longer and may be common in your area, so it may not be this simple.

The cost also has to be substantial. More than 7.5% of your annual income. But it can be combined with other medical expenses in the same year.

See a tax guide about medical deductions for details, or consult a tax advisor.

There must be specific notes from a physician stating that the features and materials are medically necessary, and itemized bills must be kept.

A large investment

A house is probably the largest investment most of us will ever make. Financing a house is difficult for most of us, but some have been able to put it together with creativity, tenacity and luck. Many people I know have used a combination of

financing, often with some help from the family, some conventional loans, and perhaps delaying finishing some parts of the house. Once you have moved to your new place, and perhaps no longer pay rent, the cash flow is better. But expect some lean years, and be prepared for unexpected expenses. Things go wrong, prices go up or there are things not planned for. It is common to spend 20 percent more on a new house than expected. Even professional contractors often underestimate the cost of a project. With an existing house, there should be less surprises, but it happens there, too.