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# THE COOPERATIVE HOUSING FOUNDATION

A NONPROFIT ORGANIZATION DEDICATED TO BETTER HOUSING AND BETTER COMMUNITIES

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Operational Program Grant

Jamaica

Progress Report

for

September through November 1981

This report was prepared by Raymond Ocasio the CHF Resident Advisor under Operational Program Grant AID/otr-G-1583.

TABLE OF CONTENTS

	<u>Page</u>
I. Purpose. . . . .	1
II. Program Funding. . . . .	1
III. Institutional Responsibility. . . . .	1
A. Program Status. . . . .	2
B. Project Status. . . . .	4
C. Support Activities. . . . .	14

## I. Purpose

The purpose of the OPG is to assist the Government of Jamaica through the Jamaica Mortgage Bank, the Ministry of Housing and Jamaica Cooperative Credit Union League in the planning, development and implementation of urban and rural shelter improvement programs.

## II. Program Funding

The Jamaica Mortgage Bank contracted a \$15.0 million dollar AID Housing Guaranty (HG) loan to improve the living conditions of low income urban and rural families. These loan funds were to finance three sub-programs: I, inner city urban tenement upgrading; II, squatter settlement improvement and; III, home improvement in rural areas. At this time only two sub-programs, II squatter settlement improvement and III home improvement, are operative. The rural home improvement sub-program has been recasted as both rural and urban.

## III. Institutional Responsibility

### A. Jamaica Mortgage Bank (JMB)

The JMB is the borrower of contracted AID HG \$15.0 million dollar loan. It is responsible for the monitoring and overall coordination of the sub-programs.

### B. Ministry of Construction (Housing) (MOC-Hg)

The MOC-Hg is now responsible for the squatter settlement improvement sub-program.

### C. Jamaica Cooperative Credit Union League, Ltd. (JCCUL)

The JCCUL is responsible for development of the home improvement sub-program.

A. Program Status

Squatter Settlement Improvement Sub-Program

Three projects have achieved completion of the construction phase of the program. These projects are Norwood Pen, Tryall Heights and Tredegar Park. Ackee Walk was completed late last year. Delays continue on Waltham Park Road. Both Cassava Pieces and Standpipe Lane have been subject to long periods of inactivity. Curatoe and Succaba Pen have experienced some delays but are presently demonstrating progress.

An institutional and traditional factor in the delay is the lack of incentives built into the contract for the construction work. If anything a contractor finds advantages in extending the work schedule beyond the contract period with compensation provided under the contract terms. Unfortunately, no immediate relief is expected in this matter.

A recent announcement of the appointment of a director for Sites and Services Unit (S&S), would indicate some relief to the problems of the unit. On the other hand the creation of a new unit, Project Design and Monitoring (Prodem) to provide the Ministry with all the architectural and engineering services will reduce the scope of work of the S&S to only a construction monitoring and supervision.

No definitive cost recovery mechanism is in place. However the Cooperative Housing Foundation Resident Advisor (CHFRA) has provided the Ministry with an analysis of various options. These are under review by the Ministry. The Community Development Division (formerly with S&S and now directly under the Ministerial umbrella) has just completed a survey of the Norwood Pen population. This data has supported the costs recovery work being undertaken by the CHFRA.

Initial consideration for future squatter upgrading projects is underway; financing is expected to be from the second AID HG loan.

JMB has recently received a reimbursement request for work in place for an amount of approximately J\$1.5 million, for a total disbursement totaling an estimated J\$9.8 million by JMB.

S&S has recently completed its updating of project costs. The Permanent Secretary has directed a review with the JMB and the CHFRA prior to a formal submission to the JMB.

#### Home Improvement Sub-Program

With the introduction of a new median income and the granting of a fee to the JCCUL, promotional efforts were undertaken anew. Minor adjustments to the program requirements and documentation will contribute to more current and effective loans being considered.

With the encouragement of the CHFRA and the JCCUL's Program Coordinator (Ms. Margaret Rodgers, Mortgage Director), a second option or window was created. This option was endorsed by the JMB. The second window permits JMB to make loans much in the same manner that they did before, except these are loans in advance of the actual sub-loans made by the participating credit unions. The credit unions are required to consider home improvement loans for amounts and periods longer than they normally would consider. These loans are to be made from a revolving loan fund consisting of the JMB-JCCUL provided loan. This will permit more reasonable costs to the credit union member, who also will

achieve more meaningful and substantial home improvements. For the credit unions it represents a lower administrative burden and costs. JMB has already made its first loan under this new option.

Loan commitments by JMB are approximately J\$3.3 million, leaving some J\$800,000 to issue as loans. Attention is being given to ensure that expectations are not inflated, given the limited amount of resources on hand and the lapse time before any new funds might be available.

Attachment 1 is a memo from the JCCUL to its affiliated members regarding the revisions made to the JMB-JCCUL loan program.

B. Project Status

The Second Amendment to the OPG has been executed. A Work Plan is to be developed. Given the advanced stage of the programs and the assistance rendered, it will have to be reflective of this situation. Based on the outline of the OPG services to be provided as described in the Second Amendment, a report of the activities undertaken during the reporting period follows:

1. Assist the MOC:HG

(a) Develop and implement an urban housing policy for lower income households.

A major undertaking of the current administration is to "tidy-up" the on-going work as well as to reorganize the housing apparatus into a more effective policy tool. Much of this work has had some bearing on the S&S. The Community Development Unit has been removed from S&S and placed at the disposal of the Ministry. The Ministry is in the process

of creating a special company for the purpose of servicing the entire Ministry with its architectural and engineering work. Under this new arrangement, S&S would oversee the construction of squatter upgrading and traditional serviced lots programs only. The World Bank's core wall serviced lot program has been redefined with a core unit. These are to be developed by the Sugar Industry Housing, now placed under the supervision of the Ministry of Housing. All these actions have caused some confusion with S&S and are still compounded by the absence of key management personnel as well as voluntary departures.

It has been the contention of the CHFRA that the reorganization presently being pursued is counter-productive and will lead to duplication, inefficiencies and poor coordination among interdependent units. In a series of discussions with the Minister, the Permanent Secretary and others, the CHFRA has made these points. A letter to the Permanent Secretary, attachment 2, covers these points in greater detail. The letter argues the case for creating an operational arm for the Ministry's programmatic efforts with a senior level administrator to oversee the entire range of program delivery of lower income shelter. Other principal elements are: (1) the creation of a Program Development Office, with program managers to coordinate the delivery of the Ministry's programs; (2) the integration of the architectural and engineering services including construction management under a single umbrella and (3) the creation of an independent policy, programming and monitoring unit. The intention of the CHFRA's proposed reorganization plan is to structure the delivery of services under a more responsive

organization with greater flexibility and productive use of the limited resources based on functional elements versus the programmatic outlook.

(b) Develop guidelines for project and financial management aspects of the program to maximize the utilization of available funds and increase the participation of lower income families.

Efforts continue to have S&S to produce a total project costs representing both the JMB and GOJ contributions. Recently, the Permanent Secretary directed the unit to sit with JMB to review the project costs in total. A prime design will be to ensure that project completion will produce a completed and functional lot in each and every instance. Other objectives will be to fully expose the project development costs to the government; to maximize the number of lots (projects) which will receive JMB funding in order to reduce the per lot financial costs required under the financial package; and to develop an agreement that costs over the financial feasibility rate of the targeted population are covered out of the GOJ chest and that where any subsidy is required it be an up-front one time costs.

Based on preliminary work done by the CHFRA, a projected desired cost for future developments has been identified at the US\$4,000 in order to produce maximum feasibility for the targeted population and the minimum level of government subsidies. The current round of squatter upgrading costs are coming out at better than J\$5,000 on average.

(c) Review and analyze the guidelines for the flow of funds from JMB to MOC-HG.

In a recent S&S Financial Status Report, it appears that there were costs of over J\$700,000 which had not been submitted to JMB for reim-

bursement. When examined closely, there was reason to believe that some of these costs relate to work and variations which has not been adopted or formalized by JMB or other items that JMB has not accepted as eligible costs. Nevertheless, it was estimated that approximately J\$500,000 would be eligible for JMB reimbursement with minimum documentation by S&S. It is expected that the exercise called for in the above section will lead to this adjustment to the accounting and thereby reduce the burden against the current GOJ budget.

Another point under this item has been the payment of the interest against funds advanced to the MOC-HG. The Ministry has not made any payment for interest. JMB has been required to meet this obligation by the use of the proceeds of the original loan on behalf of the Ministry. This action has had the effect of reducing the funds available for project commitment. Supporting JMB's initial request for resolution of this issue, the CHFRA has pressed this point and the Ministry has requested a revision in its budget to cover this expenditure. This will free up and otherwise make available approximately J\$1,000,000 from the original allocation.

(d) Develop a strategy and guidelines for the establishment of tenure for low income households in government improved areas.

(e) Develop a strategy and guidelines for the recuperation of costs associated with the improvement of urban areas.

These two items are so very much interwoven that they are taken together. Based on CHFRA's analysis a number of options were explored and three

points need be mentioned here. These points have been made as strong recommendations by the CHFRA to the Ministry as well as the other parties involved.

Recommendation #1 - The water and sewer related costs should be assumed by the National Water Commission and shared among all the users in the form of a user charge. Discussions to achieve this end should be initiated at the earliest.

Recommendation #2 - The MOC:HG should approach the JMB to have extended to it the existing moratorium on principal over the first ten years of the loan. In turn this concession of a moratorium would be passed on to the individual households to ease the financial costs during the early years.

Recommendation #3 - The MOC:HG should assess the need and their interest in minimum level serviced lots (occupied or vacant) and determine if the further investment of J\$11,700,000 is warranted to achieve increased performance and to directly offset the costs of the JMB AID HG loan. These items are discussed more fully in the attachment 3.

The above recommendations reflect the efforts of the CHFRA to achieve minimum costs to the Ministry while effectively servicing the population that inhabits the improvement areas. The major difficulty encountered in developing a realistic strategy has been the lack of statistic and reliable data. The assumptions made by the CHFRA have been supported by the recent survey concluded by the Division of Community Development of the Norwood Pen community. From the information obtained, all but fifteen families would be able to afford the charges as structured under the recommendations made by the CHFRA to the Ministry. The Ministry was

receptive to all of the recommendations and is fixing-in on the first two. In the assessment of the CHFRA this is unfortunate because it puts the entire issue of minimum serviced lots outside the realm of a housing policy and into the manipulation of the utilities with their own financial constraints and objectives.

The CHFRA has met with a number of actors in the issue of tenure and the allocation of land. However, until the cost factors are more crystallized, the marketing and actual sales of property will be impossible. It should be noted that Community Development interviewers were met by a receptive audience who are eagerly awaiting word as to the process to legalize their status on the improved lands.

It should be pointed out that the Ministry recently approved another squatter upgrading project. This when taken with the Effortvill project represents two GOJ financed improvements. Unfortunately, they bear no relationship with the JMB-U.S. AID program and, therefore, contribute to a un-integrated policy and poor financial in-put. This lack of a comprehensive financial policy will produce significant obligation on future budgets and reduce programatic efforts in the future.

(f) Review and analyze the guidelines for preparing the urban plans for specific areas, taking into account the physical, economic and social aspects of the urban area in which located.

The Ministry has developed an edited list of some thirty sites which will be considered for improvement with the idea that the second housing guaranty loan will finance them. While the work at this point is preliminary, there is evidence to suggest that greater study should be given to the current round of improvements and the implication of site

selection, targeted populations, scope of work and the required resource and their potential origins. Preliminary consideration by the CHFRA suggests the following:

- (1) Site selection should be coordinated with the National Water Commission and the Ministry of Local Government...to minimize costs overall and specifically to the MOC:Hg. Where possible existing mains should be in place or contemplated from sources other than the Ministry of Construction or housing guaranty loan funds.
- (2) Costs sharing schemes should be considered with the National Housing Trust, the National Housing Corporation and private developers.
- (3) Consideration should be given to advancing traditional serviced lots in greater proportion than squatter upgrading so as not to develop incentive for future squatter invasions.
- (4) Income has not increased in line with inflation and therefore the targeted population has not improved or even maintained its former ability to pay for the improvement to the infrastructure. Consequently, costs must be kept within these restrictive limits of financial feasibility.
- (5) Partly to meet the question of feasibility as well as to simply service that many more people, the costs and therefore the scope of the work contemplated must be reduced. This will require early dialogue with both local jurisdictions and the affected communities.
- (6) Progressive or staged development with a strong emphasis on tenure, health and safety, should govern the next round of improvements. Wherever possible future costs should stem from non-housing sources thereby permitting the MOC:HG to focus more funds on the traditional elements of shelter.

(7) The issue of the costs of foreign funds must be studied more closely. Presently the costs of these foreign funds do not compare favorably with local funds. Therefore it is incumbent on government to ensure that a rational and predetermined mixture of domestic and foreign funds is achieved and one which would increase the level of performance today in relation to future costs in those areas of national interest. Any other formula will spell serious curtailment of future programmatic efforts and endanger the good will of this new administration.

(g) Develop plans and guidelines to cover the post-capital improvement phase of the sub-program, including building controls and community participation.

This sub-element of the work program has received little attention to date, however, that is not to say that its importance has decreased. In the development of the guidelines for future programming in the squatter upgrading effort, some consideration must be and will be placed on this subject by the CHFRA.

## 2. Assist the JCCUL

(a) Promote participation in the home improvement program (HIP) and in general in the housing sector.

To date the HIP has functioned as a mechanism to channel funds to the credit unions after sub-loans are completed or executed to the cooperative members. Based on work developed by the CHFRA and the JCCUL's Program Coordinator, a new funding outlet has been introduced. The new window is in the nature of a revolving loan fund to be created at the credit union level and to be maintained over the life of the loan for the outstanding loan balance. The funds are provided for loans not

previously made by the credit union but for loan requests considered by the credit union and viewed as acceptable subject to funding under the program and these loans are those which otherwise contain repayment period of two to ten years. Repayment is subject to the ability to repay and the terms are adjusted to achieve affordability with regards to the repayment period. In essence, this new formula puts money into the hands of the credit unions before the loans and so each subloan is a new loan and over and above the loans which a credit union would otherwise make. Because the terms are more generous, the amount borrowed is greater and the resulting work is more substantial and at a lower cost to the borrower and the credit unions. The JMB's letter to the JCCUL regarding this new option is included in attachment 4.

The JCCUL and JMB have approved the first loan under this second window. The loan represents payment of approximately J\$165,000 to the Postal Workers Credit Union. In addition, visits have been made to other credit union for the promotional effort. Some of those organizations visited are: Ariguanobo Worker Credit Union and Public Works, Solidarity, Manchester, St. Elizabeth, and Lands Clerks Credit Unions. A meeting was also held with the field service representatives of the JCCUL with the purpose of using their contacts with the credit unions as further contacts with new credit unions for this program.

Claims for participation in the HIP amount to approximately J\$3.3 million, leaving an estimated J\$800,000.

(b) Develop strategies and guidelines to maximize the long term benefits of the loan funds for the lower income target groups and the credit union movement.

Much of the work discussed in the promotional element above addresses this question. For the first time funds generated from JMB will be placed in a special revolving fund strictly for home improvements. As such they will generate loans that will be more meaningful for the borrower and also be more reasonable because of the longer payback periods.

Another improvement introduced is the elimination of loan with less than half of the original loan amount still outstanding. JMB will no longer consider loans made from the date of the guaranty loan agreement but only current loans with over half of the loan principal still outstanding. This will make JMB and the subsequent loans more realistic to the size of the portfolio normally handled by the credit union over the short term timeframe. It will have the additional benefit of reducing the possibility of a credit union taking on too much liquidity with insufficient demand.

(c) Develop guidelines to assist the local credit union to provide closer supervision of the loans and limited technical assistance in construction matters.

In the development of the secondary window for the HIP a number of criteria were introduced and presented to the JCCUL for consideration by the participating credit union, both in the review of the loan request as well as with regards to the question of participation. A similar element was provided in a circular developed by the CHFRA and the JCCUL's Program Coordinator and the JMB staff, see attachment 1.

No specific input has been made to the technical assistance area of construction. One suggestion made to the credit union managers has

been to have the borrowers obtain at least two price quotations for the work contemplated. This will aid the consumer as well as build up the expertise of the loan officers over time.

(d) Provide guidelines to the credit unions on how to maximize resources under their home improvement and home mortgage programs.

This area remains of critical importance to the credit unions. Recent efforts to expand its performance within the housing sector have led the JCCUL to pursue discussions with the National Housing Trust. A number of possibilities are being discussed. The JCCUL has also contemplated discussions with JMB concerning liquidating its mortgage portfolio in order to recycle these funds into new mortgages. This almost random search for options reflects the tremendous desire to meet the challenge of housing for its members. It underlines the urgency for a full and comprehensive assessment of the role and future for credit unions in the housing sector. During this upcoming quarter the CHFRA hopes to draw upon the resources of the CHF network to provide this needed diagnostic examination.

### C. Support Activities

The support activities described below were not provided under the CHF OPG. However they relate to areas of assistance that CHF is providing in accordance with the Second Amendment to the OPG Agreement.

As a follow-up to the second guaranty loan program, U.S. AID increased its assistance to the Government of Jamaica to help it define its housing policies and objectives. Three support elements were introduced, one firm and individual have been concerned with the policy issues and

another firm has been addressing the housing sector assessment. The CHFRA has had a number of conversations with these participants relating to the Squatter Upgrading Program as well as other housing and developmental issues as they relate to Jamaica. At this writing, the work of the AID-provided experts has not been completed nor has the CHFRA been a party to the full range of discussions to render any meaningful observations or tentative conclusions.

RELEASE NO: ADM.U-81  
TO: ALL CREDIT UNIONS  
FROM: MANAGER - MORTGAGE SERVICES  
DATE: 15th SEPTEMBER, 1981  
SUBJECT: HOME IMPROVEMENT LOAN  
JAMAICA MORTGAGE BANK/U.S. AID.

Certain amendments have been made to the Home Improvement loan qualifications.

1. Loans are available to Urban and Rural Credit Unions.
2. The income limit has been increased to \$6,000.00 from \$3,000.00.
3. The Mortgage Bank will consider loans which have at least 50% of the balance unpaid under this scheme.
4. The Credit Union may borrow 85% of the total loan to members.
5. To apply for a loan the Credit Union needs to submit the following information:
  - a) members name and account number
  - b) address of residence on which improvement was made
  - c) amount loaned out
  - d) nature of improvement
  - e) date paid out and terms of re-payment.
6. The loan is available to credit unions at 11% for a maximum of 10 years. Credit Unions may make loans for the maximum period or could re-loan the money as a revolving fund for home improvement purposes.

In determining their need to apply for a loan, the credit union should examine the following

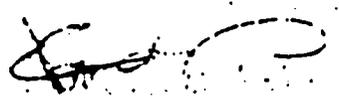
  1. Consider long term demand for home improvement funds and other loans.
  2. The administrative costs and the optimum ways of re-lending these funds
  3. Consideration should also be given to ensure an even cash flow to prevent excess cash at hand for any prolonged period of time.

**BEST AVAILABLE DOCUMENT**

The credit union should consult with the League before applying for the loan. Please contact the League so that we may arrange a meeting with yourselves and the officials of the Jamaica Mortgage Bank to discuss the programme.

Your early response would be appreciated.

Yours co-operatively,



M. Rodgers,  
MANAGER - MORTGAGE SERVICES

MR/ew.



# THE COOPERATIVE HOUSING FOUNDATION

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2501 M STREET, N.W., SUITE 450, WASHINGTON, D.C 20037 • (202) 887-0700  
c/o Jamaica Mortgage Bank, P.O. Box 950, Kingston 5, Jamaica

November 26, 1981

Easton Douglas  
Permanent Secretary  
Ministry of Construction: Housing  
2 Hagley Park Road  
Kingston 10,

Dear Mr. Douglas:

In a number of previous conversations a good deal has been discussed about the desired reorganization of the Ministry's housing apparatus.

I have outlined some of my thoughts and have suggested a course of action which I believe to be suitable and desirable. It is meant as a working outline of what would require closer examination, particularly from a budget and personnel resources point of view:

Should you have any questions or wish to explore this to some more advance level, please feel free to call on me.

Sincerely,

Raymond Ocasio  
Housing Advisor

Attachments

## A PROPOSAL FOR THE REORGANIZATION OF THE MINISTRY OF CONSTRUCTION: HOUSING

The principal rationale for the reorganization of the Ministry of Construction: Housing are:

- a. to create a more effective and responsive organization, particularly with a strong component of senior level management at the implementing level.
- b. to create greater flexibilities for program development and implementation, irrespective of the funding source.
- c. to promote more effective use of staff and the limited resources.
- d. to consolidate related activities along functional lines, specifically orientating the organization to a functional outlook as opposed to a programmatic one.

The Ministry of Construction: Housing is presently structured so that a number of line agencies are required to report to the Permanent Secretary. The involvement of the P.S. is so central, some programmatic issues of cooperation among sister units must await a review or approval by the P.S.. Consider the situation of Sites and Services: Squatter Upgrading: the marketing strategy for the improved lands requires the collective actions of the Community Development Division, Estate Management Division, the Legal Division and Sites and Services, yet there is no lead unit until the role is identified by the P.S.. With issues which do not necessarily cross-over divisional lines, the P.S. is brought into the decision making process. These additional duties consume an ever increasing portion of the P.S.'s time and to a degree that of the Minister.

### Program Development Office and the Operational Manager

The suggested organizational structure would create a new role of the Operational Manager, a senior level officer who would assume the daily responsibilities of coordinating and managing the daily affairs of the operational side of the reorganized Ministry. This new position would remove the P.S. from the routine items and allow the P.S. to focus on policy and inter-agency matters.

The Operational Manager would assume the direct responsibility for the current programmatic efforts of the Ministry: low income housing developments; serviced lots, rental housing, estate management, community development and etc..

A key element left out of the Ministry's past efforts is the functions and services rendered by a program manager. The program manager would have complete responsibility for a project from the concept stage to the delivery. The maintenance of communication with the affected community and the internal dialogue would be prime duties. The program manager would be a generalist...with broad skills in community development, planning, housing, construction, economics, sociology, political science, etc.. This new group of program managers will be supported by specialist in community organization and development and planning professionals in the areas of urban design, social, and economic spheres. The program manager would come into play at the earliest point of a programmatic effort.. project identification and continue through even after the delivery phase of the program. The program managers would function as central elements of the Operational Manager's team.

Another element of the Program Development Office is the Planning Section. The planning arm is able to see programs in a broad and interdisciplinary fashion. These technicians provide the background information and alternative for program content and feasibility. The options for development would be based on programmatic objectives, resources, both short and long term and the needs and wishes of the targeted communities.

To assist the program managers another section is contemplated, this is the Community Organization and Development Section. The COD section would be involved in the development of concerned citizens and organizations who would be prepared to work with the Ministry in addressing the housing and community development needs of their respective communities. Government will not be able to provide total solutions to the needs of the targeted communities, an increasing share will be left for self help efforts and supportive efforts of other institutional elements of the society. To meet this changing situation, the Ministry has the duty to create strong community organizational units, through which citizens will continue to pursue solutions to development and a suitable environment. This new role for community development is even more challenging than the limited physical development to be achieved under the programmatic efforts.

#### Construction: Technical Support and Services Division

Central to the reorganizational efforts is the re-casting of the multiple technical elements of the present scheme into a single Construction: Technical Support and Services Division. This new CTS&S division would pool the limited number of engineers, architects and construction managers of the various implementing agencies ( Housing and Maintenance, Sites and Services, Project Design and Monitoring and to the extent possible those of the Sugar Industry Housing and the National Housing Corporation) and place them under one umbrella. The basic premise is the fundamental nature of the work undertaken by the Ministry and the different agents. The skills required to produce shelter... be it a complete house, a basic unit, or a core unit, a squatter lot or serviced lot, are similar... requiring basic in-puts and producing progressive expression of the same or similar products.

Currently the Ministry has proposed the creation of a special unit, referred to as PRODEM ( Project Design and Monitoring ) to provide the level of technical support needed to develop the programatic efforts contemplated by the administration. Prodem is proposed to meet the deficiencies to be found in the present organizational arrangements; unattractive pay and limited number of experienced-qualified personnel. Unfortunately, Prodem will not fully meet the needs of the Ministry, if anything it may continue to cause frustration in the delivery of goods and services by the Ministry. Prodem must be viewed as yet another competitive element to absorb the scarce resources both financial and human. In addition, Prodem will provide less than the required comprehensive services to the operational agencies...such as continuous on-going support to meet changing construction and design requirements uncovered during the implementation phases . This less than full service will encourage the operative agents to retain the necessary skills to compensate for the inadequacies of the programatic and organizational design. The financial costs of duplicative skill-banks and the inefficiencies of separating the tasks of design and redesign and the inappropriate division of construction supervision from design will not contribute to positive achievements, at least not economical and efficient ones.

Under the suggested structure presented here, a common pool of talent from all of the operative agents would be created. This will come under the direct supervision of a director of construction. Three inter-related units would be established: the Engineering and Architectural Section (technical design services); Costs Estimating and Specification Section (provides supportive services relating to costs estimating and monitoring, specification writing and scientific research) and the Construction Management Section ( field supervision). This professional team would assume total responsibility for the design and the delivery of a construction product. Projects would be able to proceed from the design concept to construction documents to implementation under a single management with a team approach under the guidance of the designing technician. Priorities and resources will be better sorted out at the divisional level, not at the department level or at the desk of the P.S.. This single construction instrument will also be more responsive to meeting the changing programatic emphasis of the administration, regardless of their nature, be they policy, financial or demand oriented.

#### Administration, Legal and Budget and Finance

Under the existing organizational structure each unit or company, such as Sites and Services has been created with its own self contained administrative and financial sections. Legal issues are referred to the Legal Office on an as need basis within a centralized network. It is the legal model that is suggested for the these supportive functions.

In many respects the administrative work can be divided into two distinct areas: supportive and personnel. Just as the P.S. should not have to deal with the functions of supplier and motor pools, it is not desirable to have an Operational Manager be concerned with these less than prime objective items. To the extent that these functions are dispersed over the Ministry, they create inefficiencies and interfere in the achievement of the primary

goals of the implementing agencies, The same could be said for the personnel side of the equation. A line or unit supervisor may be concerned with the hiring of staff but subsequent personnel actions, such as payroll, attendance etc., are not welcomed and tend to distract from the programmatic efforts. In the suggested model these functions are collected in a single unit for the entire Ministry. As such there is nothing to prevent decentralization where this is warranted. Nevertheless, in many respects the administrative aspects of the work can be delegated to administrative assistants or senior secretarial employees, as part of their normal duties. A small corps of professional personal managers can then concentrate on broader issues of industrial relations, career development and job enrichment programs .

The Legal Unit has not come under any serious study and so this sector is left for those who have greater insight and knowledge. There is the assumption that the Ministry will continue to be served by a central and professional legal staff.

Under the present organizational there is a mix pattern of responsibilities and duties in the area of finance and budgeting. In most cases, a financial unit is placed within the operating agency. This sub-unit is subject to directions and supervision from the Ministry's Financial Officer. Yet so diverse is the pattern that checks can be generated from more than the central financial unit. Sites and Services, based on the availability of outside funding has direct access to the funds under the Consolidated Funds and yet there is little to encourage it to recapture these outside fund by reimbursement. Current accounting procedures do not lend themselves to any real advantage for the placement of this financial mechanism within the Sites and Services units, especially since no improved accountability is achieved. Sites and Services has a financial staff of nine to eleven people servicing some thirty six accounts. The activities of these accounts even with sub-accounting requirements would not generate more than six billings per project per year. How often is this luxury to be found in the total organizational network? Under a central financial organization more effective use of the personnel could be achieved. Once again the centralized mechanism does not prohibit the decentralization of the work. Specialized personnel or specific assignments can be structured.

In the centralized framework, the implementing units need not be without access to the financial status of the projects. Two actions should be instituted : 1) reporting should be designed to serve the accounting as well as the programmatic needs and 2) the operating units should maintain a single fiscal agent to assist the Operational Manager in developing and internalizing the budget process.

### Estate Management

Property management, tenant-management relations are important functions within the Ministry. In many respects it represents the continued relationship of the Ministry with its clients. Unfortunately, the current system provided little interrelationship in the delivery of the housing product and the working of the Estate Management Division. Nevertheless, it is the errors of the planner's assumptions or the savings squeezed out by the engineers that contribute to the obstacles that must be overcome by Estate Management in the marketing or upkeep of all of the Ministry's work.

By creating a division of Estate Management on par with the construction and development arms of the Ministry, also sharing the closer and common leadership under the Operational Manager, it is intended to produce a more realistic product with greater effectiveness in the loan term relationship between the Ministry and the clients.

In addition to the traditional roles of manager and caretaker of the Ministry's property, the division would assume the responsibility for the collection of all charges for rental and MOC:HG mortgaged properties (this question of direct or indirect collection is not addressed here, and is suggested for further study).

A new function to be taken on by the division is that of relocation. These services would be provided in cases of urban renewal, community improvements programs as well as during periods of national housing emergencies. It is intended that the DEM would have an effective control over all of the marketing efforts of the Ministry and use these as a prime resource for the undertaking of relocation efforts.

### Cooperative Housing and Preservation

The Ministry has maintained a Cooperative Housing unit over the years, however it has not come into full review in this proposal. Nevertheless, cooperative housing as well as housing and community preservation are low budget programs which have tremendous impact and potential within the Jamaican environment. Both of these programs deal with the real and psychological needs of people and their communities, specifically in attempting to define and improve the surrounding which can be controlled and managed by the people themselves. Given the potential of these programs and the existing status of the cooperative unit, it is suggested that it be considered as part of the emerging housing policy and organization of the administration.

### Policy, Programming and Monitoring

The thinking out post of the Ministry. It is suggested that the Ministry create and maintain a small but talented cadre of young turk and seasoned housing veterans to provide it with the brain thrust to pursue new and alternative solutions to the housing issues. The PPM would assume the role of researcher and investigator for the Ministry. It would question and examine the Ministry's policies and practices as well as the delivery systems themselves. PPM would attempt to provide greater relevance and efficiencies to dealing with both old and new problems of housing and community. Free from the duties and responsibilities of the line agency, the PPM can produce a fresh outlook and contribute to the development of Jamaican solutions to the housing questions.

### Minister's Cabinet

It is intended to provide the Minister with the broadest possible outlook on the issues and responsibilities of the Ministry, therefore it is important that he have frequent and regular exposure to the leadership and management of the Ministry. To this end, it is suggested that a cabinet be established, to consist of the Permanent Secretary, the Chief Administrative Officer, the Financial Officer, the Director of Policy and Programming, the Operational Manager, the Director of Construction: Technical Support and Services, the Assistant Operational Manager for Planning and Development, the Director of Estate Management and the Director of Cooperative and Preservation. The P.S. would act as the presiding chairman in all matter relating to such items as the agenda, presentation of issues, proposals etc..

### Permanent Secretary's Working Committee

Much in the same way that the Minister must keep a handle on the broad issues of the organization, so must the P.S.. To ensure this end a working committee is called for. This will provide the P.S. with direct and constant assess to the line chiefs. The committee would consist of the Divisional Directors and the unit chief as well as the Operational Manager.

COOPERATIVE HOUSING AND PRESERVATION

DIRECTOR

COOPERATIVE HOUSING

- COOPERATIVE SPECIALIST
- PROPERTY MANAGER
- ACCOUNTANTS

PRESERVATION : HOME IMPROVEMENT & NEIGHBORHOOD REVITALIZATION

- HOME IMPROVEMENT SPECIALIST
- REHABILITATION SPECIALIST

ESTATE MANAGEMENT

DIRECTOR

LAND MANAGEMENT  
PROPERTY MANAGERS  
CASHIERS  
HANDY MEN

PROPERTY MANAGEMENT  
AND MAINTINENCE  
PROPERTY MANAGERS  
MAINTINENCE MEN  
HANDY MEN  
CASHIERS

RELOCATION  
RELOCATION MANAGER

RENTAL & SALES  
REALTOR  
SALES AGENTS

PLANNING AND DEVELOPMENT

DIRECTOR

PLANNING

URBAN PLANNERS  
SOCIAL PLANNERS  
ECONOMIC PLANNERS  
URBAN DESIGNERS

PROJECT MANAGEMENT

PROJECT MANAGERS

COMMUNITY DEVELOPMENT

COMMUNITY DEVELOPMENT  
SPECIALIST

CONSTRUCTION / TECHNICAL  
SUPPORT AND SERVICES

DIRECTOR

CONSTRUCTION MANAGEMENT

- . HOUSING
- . SITES AND SERVICES
- . URBAN RENEWAL
- . CAPITAL IMPROVEMENTS

SITE MANAGER

- . SURVEYERS
- . INSPECTORS
- . CLERK OF WORKS
- . INSTRUMENT OPERATOR

COST ESTIMATION AND  
SPECIFICATION

- . COST ESTIMATING
- . WORK SPECIFICATION
- . QUALITY CONTROL AND  
TESTING

COST ESTIMATORS

ENGINEERING SCIENTIST

SPECIFICATION WRITER

ENGINEERING AND  
ARCHITECTURAL SERVICES

- . ENGINEERS
- . ARCHITECTS
- . DRAFTING





# THE COOPERATIVE HOUSING FOUNDATION

A NON-PROFIT ORGANIZATION DEDICATED TO BETTER HOUSING AND BETTER COMMUNITIES  
 2501 M STREET, N.W., SUITE 450, WASHINGTON, D.C 20037 (202) 887-0700

November 11, 1981

Mr. Easton Douglas,  
 Permanent Secretary,  
 Ministry of Construction (Housing),  
 2 Hagley Park Road,  
 Kingston 10.

Dear Mr. Douglas:

As a follow up to our conversation concerning the Costs Recovery Programme for the Squatter Upgrading Programme, I have attempted to outline my recommendations and some of the analysis that contributed to them. I hope that this information will prove to be constructive in developing a final programme.

In my analysis, the following guidelines were used:-

- a) GOJ budget input should be minimized or where necessary, it would be used to optimize performance.
- b) the costs factors to the individual household should be reasonable so that it will be economically feasible for the lowest possible income groups.
- c) the lowest possible costs should be achieved to foster further investment in home improvements.
- d) any subsidy should be applied in the early years when the target population will have the greatest need.

Throughout our analysis, we have assumed that the target income is JS3,600 per annum. Reasonable costs for land and the capital improvements have been pegged ten percent of the monthly income, that is JS30.00. Assuming an average loan of JS6,000 per lot with the term of twenty five (25) years at eleven (11%), a monthly cost of JS55.51 results. This represents our base cost. (See Attachment A: 1, 2 and 3).

Recommendation No. 1: Water and Sewer related costs should be assumed by the National Water Commission. Discussions to achieve this objective should take place immediately.

Out of a total annual base obligation of JS2,647,336, approximately JS535,170 can be allocated to water related costs which represents water charges

November 11, 1981

of J\$0.80 per household when assumed by all users. Sewers would reflect some J\$471,102 with a corresponding increase of sewer rates of J\$2.23 per month. This transfer of the loan obligation away from the direct beneficiaries, would leave a balance of J\$1,360,964 to be made up from direct payments. This translates to a direct rate of J\$32.40 to be paid over the life of the loan on a per lot basis. (See Attachment B)

Recommendation No. 2: The MOC/HG should approach the Jamaica Mortgage Bank to have extended to it the moratorium on principal. This moratorium would then be extended to the individual beneficiary.

The Jamaica Mortgage Bank enjoys a moratorium of the principal amount of the loan generated by the Housing Guarantee. The moratorium is for a period of ten years. This concession was not obtained by the Ministry during the negotiation of the JMB loan. The extension of this moratorium to the individual beneficiary for the full ten year period, would represent a reduction in the monthly costs of the full loan amount of some J\$7.00 per month. If water and sewers were factored out, approximately half this amount would be applicable. A corresponding lump sum payment would be required at the close of the tenth year equal to this deferred principal, or J\$828 on the one hand or J\$414 on the other. It is assumed that this larger sum coming at a future time, will be more afforded than now. When the water and sewer costs are factored out, leaving a charge of \$29.41 and the moratorium on principal is applied, a new monthly figure of J\$25.96 results. These figures are rounded down and therefore do not reflect the full costs, there being a differential factor of some JS 3.81 per lot (month).

Recommendation No. 3: The Ministry should assess the need and their interest in minimum level service lots (occupied or vacant) and determine if the investment of J\$11,700,000 is warranted to achieve increase performance and to directly offset the costs of the JMB-US AID loan.

The concept of transferring improvement costs as user charges, should be an attractive and advantageous to both the Ministry and the beneficiaries. However, given the variation in financing and the different nature of the work encompassed by the Ministry and that of the National Water Commission, we should consider other alternatives which will assist in reducing the costs to government and the lot owner.

As stated earlier, our average monthly charge per lot is J\$58.51. This can be directly reduced by approximately J\$7.00 so that we have a working figure of J\$52.00 after rounding it off. At this level, delinquency would be high and the obligation would have to be increasingly assumed by government. A second option would be for government to underwrite the difference between the costs and the reasonable figure of J\$30.00. Both of these options represent direct subsidies which would cause an undue burden and effectively reduce the future performance of the administration. Yet, within these costs, there is an opportunity to increase government performance and effectively reduce the unit cost to the beneficiaries. With the investment

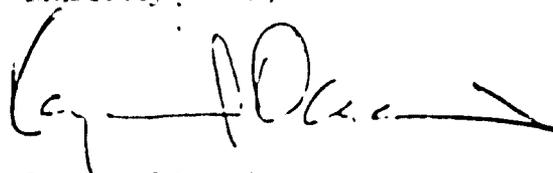
of these potential subsidy payment at this time, we would be creating other beneficiaries whose payment on the debt-free GOJ funds could be used to amortize the JMB-US AID funds. Specifically, J\$10,000,000 invested today would produce 2,500 new serviced lots (either on vacant or occupied lands: of a scale of development appropriate to four thousand dollars per lot). A flat rate of J\$30.00 per month, would be charged for twenty five years or on the remaining life of the JMB-US AID loan. The collections would represent sufficient funds to offset the J\$52.00 to J\$30 - 32.00 per month on our first round of squatter upgrading sites. It should be understood that there are two built-in subsidies in this alternative approach:- (1) land is written off at zero value and (2) the collectible represent an opportunity of future revenues that are being committed today to the JMB-US AID loan. Nevertheless, without this investment scheme, the obligations of the loan would still remain and would have a strong basis for claiming an increasing share of the government's resources. The investment option has the advantage that it increases government's performance, additional household become beneficiaries and the targeted population is more adequately served with affordably improved lands.

This investment option has the built-in advantage that it can be applied in a variety of ways and formats so as to produce the most desired outcome. Its diversity is premised on the value which is placed on the current and future worth of the government's resource. (See Attachment D)

Once these important issues have been resolved, the critical aspect of marketing the improved lands can begin. That this will be a difficult task is already appreciated by you. As we discussed, a totally integrated approach to the marketing will require qualified, skilled and dedicated personnel. This task should be undertaken at the earliest date to ensure that we do not lose a substantial portion of the beneficiaries or force ourselves into a series of confrontations on this issue of costs recovery.

As always, I am prepared to assist you in whatever way.

Sincerely yours,



Raymond Ocasio  
Housing Advisor

c.c. D. M. Levermore - JMB  
J. Hjelt - US/AID

ATTACHMENT A

Settlement Areas: Capital Improvement Programme

1) Loan Terms and Obligation

Total Project Cost Covered by JMB/US AID Loan US\$12,500,00

@ 11% interest for twenty five (25) years: US\$122,530 - mthly

x 1.78 (exchange) = J\$218,103 x (12) = J\$2,617,336

Total number of lots to be developed : 3,500

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2) Personal Income Per Household and Housing Allowance

Personal Annual Income	\$3,600 (a)	\$5,000 (b)	\$6,000 (c)
Monthly Income	300	420	500
Housing Allowance (25%)	75	105	125
Capital Improvement Allowance (10%)	30	42	50

(a) Income is based on the average wage for commor labourer - \$15.00 per day

(b) Based on Bank of Jamaica estimate of the average wage for central and local government wage earner as of April 1, 1982 (basic wage \$5,044 per annum)

(c) Based on the median income established under the Home Improvement Programme.

3) Projection of Annual Collections - Based on Median Income Projections

Capital Improvement Allowance x 12 x 3,500 (lots)	annual collections
Low Income Estimate	Shortfall
3,600/yr. \$1,260,000	\$1,617,336 (\$1,357,336)

ATTACHMENT A CONT'D

	<u>Loan Obligation</u>	<u>Shortfall</u>
<b>Middle Income Range Estimate</b>		
5,000/yr. = \$1,764,000	\$2,617,236	(\$853,236)
<b>Upper Income Range Estimate</b>		
6,000/yr. = \$2,100,000	\$2,617,236	(\$517,236)

ATTACHMENT B

Settlement Areas Capital Improvement Programme:

A) Excludes Water System Costs

Total annual obligations - J\$2,617,236

Minus J\$ 785,170 = 30% for water costs  
J\$1,832,066 as GOJ costs  
or \$43.62 per lot (15%)

Costs assumed by the NWC would be shared by all users under the system, which number 81,920 (1979 NPA: KSACA, MoBay, Portmore)

$$\frac{785,170}{81,920} = 9.58/\text{yr. or } .80 \text{ per month}$$

In '79, the average water bill was \$14.57 per month, therefore, the .80 increase would represent a .05% increase (NPA KSACA)

Excludes Water and Sewer System Costs

Total annual obligation J\$2,617,236

Minus 785,170 = .30% for water costs  
Minus 471,102 = .18% of total loan and 39% of affected projects  
J\$1,360,964 as GOJ costs  
or \$32.40 per lot (11%)

Cost assumed by the National Water Commission would be shared by all the users within the system, see Option B above for water breakdown; sewers costs would be shared among 17,619 users (NPA '79 KSACA).

$$\frac{471,102}{17,619} = \$26.74 \text{ per year or } 2.23 \text{ per month}$$

In '79, the average sewer charge was \$12.77 per month, so that the 2.20 increase would represent a 17% increase.

ATTACHMENT C

Settlement Areas

Capital Improvement Programme

Ministry of Construction (Housing) and JMB-US/AID Funds

1) Deferrment of Principal Option

Assumes an annual income of J\$3,600.

.. Current loan requirement (11% - 25 yrs. - \$6,000 costs)  
\$58.51 per mth. (20%) x 120 mths = \$7,021.20

.. Average principal sum \$6.90/mth. x 120 = \$828 paid over 10 yrs. 828.00

.. Adjusted total payment (Payment minus Principal = Interest)  
 $\frac{6,193.20}{120 \text{ mths}} = 51.61$  (17%) Rounded off to \$52.00 \$6,193.20

.. Lump Sum payment due at the end of the 10th year \$ 828.00

.. Monthly payments years 11 to 25 = \$58.51

Note: In some cases, the individual household will increase their situation significantly and the burden of carrying on the obligation at this rate will be a simple one. Consideration could be given for a higher rate. It is my recommendation that the rate not be increased beyond the level required to satisfy the loan obligation and that the household be allowed to dedicate their increased earning power to other pursuit, such as housing, home improvements, education, health etc.

2) Deferrment of Principal Option  
(NWC participation in Cost Recovery)

Loan requirement (11% - 25 yrs - J\$3,000) = \$29.41 per mth. (10%) x 120  
= \$3,529.00

Average Principal Sum \$3.45/mth. x 120 = \$ 414.00

Adjusted Total Payments (Payment minus Principal Interest) = \$3,115.00  
 $\frac{3,115}{120} = \$25.96$  for years 1 through 10

Lump sum payment due at the end of year 10 = 414.00 (9)

Monthly payments years 11 through 25 = 29.41

Capital Improvement Programme  
Settlement Areas  
Ministry of Construction (Housing) and JMB-US/AID Fund

JMB-US/AID Funded Projects  
GOJ Funded Projects

GOJ, MOC-HQ Capital Budget Programme

Year	No. of Lots	Monthly Rate 25 yrs.	Income	Payment due with 10 yr. Moratorium on Principal	Shortfall/Surplus	Capital Improvement Expenditures	New Lots Developed
1	3,500	32.00	1,344,000	2,310,186	- 966,186	4,000,000	1,000
2	3,500 1,000	32.00 30.00	1,344,000 360,000	2,310,186	- 606,186	4,000,000	1,000
3	3,500 2,000	32.00 30.00	1,344,000 720,000	2,310,186	- 246,186	2,000,000	500
4	3,500 2,500	32.00 30.00	1,344,000 900,000	2,310,186	+ 66,186	x	x
5,6,7, 8,9,10	3,500	32.00	1,344,000	2,310,186	+ 66,186	x	x
11	3,500 2,500	40.89 30.00	1,717,236 900,000	2,617,236	x	x	x
	3,500	877.29	3,070,500				
12 thru 25	3,500 2,500	40.89 30.00	1,717,236 900,000	2,617,236			

Assumptions: Average costs of US/AD - JMB Projects J\$6,000 - amortized over 25 yrs. at 11% = \$58.81  
 Moratorium on Principal over the first ten years offset monthly payment + \$ 7.00 (rounded)  
 New Monthly Payment required with postponement (moratorium) on principal \$52.00 (rounded)  
 GOJ funded squatter upgrading are not required to be amortized, but amortization is applied to offset JMB-US/AID funded programme;  
 Build out is suited to reduced JMB/US; AID project monthly costs by J\$20.00; Settlers in JMB-US; AID funded projects will be required to make a lump sum payment at the end of the 10th year. Residual income beyond the 25th year, not accounted in projections.

October 8, 1981

Mr. Stanley Moore  
Executive Director  
Jamaica Co-operative Credit Union League Ltd.  
2A Manhattan Road  
Kingston 5

Dear Sir,

Re : Home Improvement Programme

Further to on-going discussions with your Miss Rodgers and Mr. Colin Wilson and Mr. Ocasio of CHF and representatives of the Bank, it is proposed to supplement the existing lending procedures under the Home Improvement Programme. With the introduction of a secondary window, participating credit unions in addition to the already established procedure can now draw upon the available funds for projected loans for home improvement purposes. This new mechanism shall constitute a special revolving loan fund to be maintained and managed within the credit union framework.

All loans shall continue to require a minimum exposure by participating credit unions of at least fifteen percent of non-JMB provided funds. The loan funds are to be made available on a priority basis for lower income households for the improvement of health, sanitary and safety measures and secondarily for general home improvement work. All recipients shall satisfy the income requirement of not more than six thousand dollars (J\$6,000.00) per annum and shall constitute loans with a pay back period of between two to ten years, depending on the ability to pay. Loan requests shall follow all other relevant aspects of the lending procedures previously instituted under this programme, as well as those distinct requirements spelled out in the attachment.

The Bank believes that this additional outlet of JMB funds to the credit union movement will be an important element in creating new and first loans for the purpose of home improvements. To the extent that the Credit Union movement participates under this programme, it will represent another service to its increasing community of members. For the Credit Union, however, it will mean increasing purchasing power and more meaningful upgrading of the dwelling unit at lower costs.

JMB looks forward to a strong demand for the utilization of the remaining funds under the overall Home Improvement Programme. As in the past, the Bank is ready to assist the JCCUL in whatever way possible to make the programme more successful and worthwhile for the credit union community.

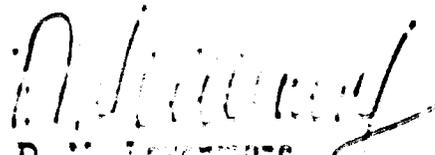
Mr. Stanley Moore  
Executive Director  
Ja. Co-operative Credit Union League Ltd.

October 8, 1981

Please indicate your agreement with the above.

With regards,

Yours very truly,



D. H. Levermore  
MANAGING DIRECTOR

CRITERIA FOR HOME IMPROVEMENT LOANS FROM THE CREDIT UNION  
TO ITS MEMBERS WITH JMB LOAN PROCEEDS

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A Revolving Loan Scheme (Option B)

- A. All loans shall be subject to the eligibility income of a maximum of \$6,000; wherever possible, priority will be given to applicants at the lower income levels.
- B. Priority shall be given to those applicants who will address items relating to health, safety and sanitary improvements.
- C. All loans shall be acceptable to the individual credit union and satisfy all existing loan requirements of the institution.
- D. Loan terms shall be based on the loan amount and the ability to repay, with repayment subject to a two to ten years time frame.
- E. The proceeds from the JMB-JCCUL loans shall be deposited into a special revolving fund within the control of each participating credit union and shall be eligible solely for the financing of home improvement loans. The revolving loan portfolio shall be maintained at a level no less than the capital provided under the loan(s) from JMB-JCCUL for this purpose. Each sub-loan generated from the revolving loan shall be subject to a cash input by the credit union of not less than fifteen (15) percent of each sub-loan.
- F. Refinancing of existing debts shall not be acceptable under this option. The only exception will be for recently approved home improvement loans from the participating credit union which, when exposed to refinancing, will complete the original loan purpose, or expand the scope of the home

improvement.

- G. All sub-loans under the revolving loan option shall be considered as fully executed at the time that the funds are placed in an escrow account or deposited into the personal account of the borrower, in either case, the availability of the funds shall be limited to the purposes of the loan.
- H. Disbursement to the borrower shall be made by the participating credit union based on a pre-approved payment schedule established by the credit union and the borrower.
1. With the deposit of the funds into the account of the borrower, the borrower shall be responsible for the repayment of the loan and repayment shall begin on the anniversary date beginning the following month.

Loan elements relating to the physical work incorporated in the Home Improvement

1. - the existing structure should be basically sound or is expected to be rendered sound after the improvements contemplated with the loan.
2. - any and all improvements undertaken with the loan funds shall constitute a complete and serviceable unit or element.
3. - where required, proper documentation, licences, permits and guarantees shall be the responsibility of the borrower.
4. - all loans shall be for new improvements to be initiated by the borrower.
5. - cost estimates or price quotations from either contractors or vendors shall be provided by the applicant and copies are to be maintained by the credit union.

6. - the loan funds shall not be used to cover the costs attributed to labour for any of the work undertaken or carried out by the borrower or his/her immediate family residing within the affected dwelling.