



## RurAL CAP's

### Mutual Self-Help Housing Program

### Frequently Asked Questions

#### WHAT IS THE MUTUAL SELF-HELP HOUSING?

Since 1971, the Mutual Self-Help Housing Program, in partnership with USDA Rural Development, has assisted thousands of low-income, rural families, and individuals to achieve home ownership. Under this program, qualifying families and individuals jointly contribute home-building labor under the guidance of a skilled construction supervisor. The family's labor requirement becomes their down payment. The labor provided by the family is known as "sweat equity." The costs associated with purchase of the lot, materials and sub-contractor labor needed to construct the home are financed through USDA Rural Development's 502 direct mortgage loan program. Each family or individual must be able to qualify for a mortgage loan through USDA Rural Development in order to participate in the program. Hard work, commitment, and willingness to work cooperatively with the other participants in the program is the key to its success. Self-Helpers share a common goal of homeownership and commit themselves to sharing in the work that will make that goal a reality. The commitment for each family is 35 hours per week. 17.5 of those hours can be completed by the family's volunteers. Families do not take occupancy to their home until all of the homes in the group are complete. Self-Helpers build homes, friendships, neighborhoods, and communities.

#### WHAT IS RurAL CAP?

RurAL CAP is a private, statewide, non-profit organization working to improve the quality of life for low-income Alaskans since 1965. RurAL CAP provides resources and services to enhance child and family development, improve housing, save energy, develop leadership, promote environmental conservation, prevent substance abuse, and foster independent living. Governed by a 24-member Board of Directors representing every region of the state, RurAL CAP is one of the largest and most diversified not-for-profit organizations in Alaska.

#### HOW DO I GET STARTED?

- Complete a Pre-Screen Application and Credit Information Release Form found at [www.ruralcap.com/rhp/selfhelp/](http://www.ruralcap.com/rhp/selfhelp/) or at the Soldotna RurAL CAP office.
- Provide a \$35 Application Fee with your Pre-Screen Application, check payable to RurAL CAP. This helps to offset the cost to pull a tri-merge credit report from a third party credit bureau.
- Mail or drop off the completed forms to our address *located at the Blazy Mall*:  
RurAL CAP Mutual Self-Help Housing  
44539 Sterling Hwy, Suite 206  
Soldotna, AK 99669

## WHAT IF MY CREDIT ISN'T VERY GOOD?

As a potential Self-Helper, you will receive useful information about your credit report and how to repair derogatory credit, if needed. One-on-one counseling and guidance in repairing damaged credit is an important role of RurAL CAP's Mutual Self-Help Housing Program staff. If you don't have a traditional credit history, you will receive assistance in putting one together utilizing non-traditional sources such as rental history and utilities. Acceptable credit is important and necessary to qualify for the mortgage loan needed to finance the construction of the home through the Mutual Self Help Housing Program. We understand that every credit history is different and the reasons for such are incredibly personal. Often, with sound budgeting and guidance, many of our clients with blemished credit are able to credit qualify for a mortgage loan approximately 6-12 months after beginning the process of credit repair with our staff. Here are some indicators of creditworthiness that home loan lenders look for:

- Monthly obligations are current with a history of timely payments.
- Minimum of 2 accounts are reporting with at least a 12 month history of payments. (Authorized user accounts do not count unless the applicant can provide proof they have been making the payments for a minimum of 12 months on that account.)
- No more than one payment over 30 days late reported on any account within the last 12 months.
- Rents are paid in a timely manner with no more than 1- 30 day late payment reporting in a 12 month period.
- Foreclosures over 36 months old are generally acceptable, but; further analysis is required for those less than 36 months old.
- Child support payments are current with no arrearages.
- No federal debt delinquencies (i.e. student loans, etc.)
- Any collection accounts should be reporting PAID in full for a minimum of 6 months or applicant to have evidence of written repayment plan with the collection agency and proof of 6 months history of payments on each collection account.
- **Chapter 13 Bankruptcies** should be discharged for a minimum of one full year AND minimum of 12 months good repayment history on all other debts.  
**Chapter 7 Bankruptcies** should be discharged for a minimum of 36 months AND minimum 12 months good repayment history on all other debts. If bankruptcy was discharged less than 36 months, client must have a valid reason, beyond their control, for extenuating circumstances leading up to the bankruptcy that can be verified.

**Remember:** You will have an opportunity to explain late payments. There may be exceptions for situations that arise that are out of your control.

## WHAT ABOUT INCOME AND OTHER REQUIREMENTS NEEDED TO QUALIFY FOR A USDA 502 HOME LOAN?

USDA Rural Development is looking for a stable and continuing source of income. To fit the income maximums, your household may not earn more than 80% of the county median income with certain adjustments (see the current chart specific to Kenai Peninsula Borough on page 3). If you meet these guidelines, the next step is to determine if your income is sufficient to handle a house payment and the rest of your monthly debt. As a rule of thumb, your housing payment should not exceed 29% of your gross monthly income, and your total debt (including your new house payment) should not exceed 41%.

## HOW MUCH WILL MY HOUSE PAYMENT BE?

That is a difficult question to answer. A feature of the USDA 502 loan is an interest rate that is subsidized based on your household's annual income. The interest rate can be reduced down as far as 1% with terms as long as 38 years, based upon income qualifications. Once you provide income information for your family, our RurAL CAP Homeownership Program Manager can provide you with an estimated monthly mortgage payment amount based upon your income and the house plan you may qualify for. Generally, our mutual self-help housing families pay 3-5% less for their mortgage payments than they pay in rent!

### Current USDA Income Guidelines for the Kenai Peninsula Borough:

FAMILY SIZE	MAXIMUM INCOME ALLOWABLE
1 - 4	\$86,500.00
5 - 8	\$114,150.00

## HOW MUCH OUT-OF-POCKET CASH WILL I NEED?

You'll need to provide some of your own tools and safety items such as a hand saw, hammer, safety glasses, ear plugs, chalk line, nail apron, work gloves and shoes/boots, etc. when you turn in your pre-screening application, RurAL CAP will collect \$35.00 to cover the cost of obtaining your credit report through a third-party credit bureau. When RurAL CAP determines that you would qualify for the 502 direct mortgage loan, staff will collect \$30.00 from each borrower in order to submit the full mortgage loan application to USDA Rural Development for underwriting. Lastly, after your mortgage loan is approved, but; before construction of the home is started, RurAL CAP will collect a \$150.00 Tool Deposit when you sign the Association/Construction Agreement. All other costs associated with construction of the home including insurance, construction interest, property taxes, materials, utilities connections and temporaries, lot purchase, and sub-contractor labor will be

financed in your mortgage loan. Once the house is complete, you will need to be prepared to purchase or provide your own refrigerator, washer, and dryer. You will also need to be prepared to pay any deposits required to establish your utilities through HEA, Enstar, and your phone/cable/satellite provider, directly to those companies.

### **WHAT IF I'VE NEVER BUILT A HOUSE BEFORE?**

Part of RurAL CAP's job is to teach you all that you need to know to properly construct a home. Before you break ground in the spring, you will attend preconstruction meetings to learn and practice carpentry and safety skills. During the construction period, RurAL CAP's construction supervisor will provide professional supervision and guidance at the worksite.

### **MAY I PICK THE LOCATION OF MY HOUSE?**

You may have a choice of the lot your home is located within the current inventory of property that RurAL CAP has available for the building season. You may not construct a home using the self-help housing program on a lot you currently own.

### **WHAT ABOUT THE DESIGN OF THE HOUSE?**

RurAL CAP has 3 & 4 bedroom house designs for the Self-Helpers to choose from. The plans range from 1,100 to 1,500 square feet. The mortgage loan amount you qualify for will determine the size and design of the houses you may select from.

**No changes or alterations may be made to the plans.**

### **HOW LONG WILL IT TAKE TO BUILD MY HOUSE AND HOW MUCH TIME WILL I BE REQUIRED TO COMMIT EACH WEEK?**

Estimated construction time is 12 months for all the homes to be completed. **Remember no one moves in until all homes are finished.** The commitment is 35 hours a week per Self-Help household. Volunteers may contribute 17.5 of those labor hours per week for each household.

### **WHAT IF I WANT TO SELL MY HOUSE IN A FEW YEARS?**

You may sell your house at any time after occupancy. There could be monetary benefits to occupying the property a minimum of 10 years after taking occupancy, however. Please speak to RurAL CAP staff to learn more about this.

### **IS THE PROGRAM FOR FAMILIES AND MARRIED COUPLES ONLY?**

No! The Mutual Self-Help Housing Program is for anyone who qualifies to build a home through the program, regardless of age, ethnicity, race, religion, or marital status and who can commit to the 35 hour a week labor contribution.

### **WHAT IF I WANT TO CHANGE SOMETHING ON THE HOUSE PLANS?**

**No changes can be made to the house plans.**

