



**RurAL CAP's**  
**Mutual Self-Help Housing Program**  
**Frequently Asked Questions**

**WHAT IS SELF-HELP HOUSING?**

Since 1971, the Mutual Self-Help Housing Program has assisted thousands of low-income rural families and individuals achieve home ownership. Under this program, qualifying families and individuals jointly contribute home-building labor under the guidance of a skilled construction supervisor furnished by RurAL CAP. Their labor becomes the down payment, known as "sweat equity." The home construction and long-term financing is provided by a USDA Rural Development 502 loan. Hard work is the key, along with a willingness to work cooperatively with other participants. Self-Helpers share a common goal of homeownership and commit themselves to share in the work that will make that goal a reality. This commitment equals to 30 hours per week. No one moves in until all homes are complete. Self-Helpers build homes, friendships, neighborhoods and communities.

**WHAT IS RurAL CAP?**

RurAL CAP is a private, statewide, nonprofit 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-screening Application and Credit Information Release Form* found by following the links at the RurAL CAP website:

[www.ruralcap.com/rhp/self\\_help/](http://www.ruralcap.com/rhp/self_help/)

Mail the completed forms to this address:

Self Help Housing Department  
RurAL CAP  
PO BOX 728  
Soldotna, AK, 99669

Or fax: 1-907-260-3452

Then start attending the weekly workshops—*Financial Fitness First, Building Dreams: Homeownership*—to learn how to manage the responsibilities of being a homeowner.

### **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 it. One-on-one counseling and guidance in repairing damaged credit is an important part of RurAL CAP's Self-Help Housing program. If you don't have a traditional credit history, you will receive assistance in putting one together utilizing non-traditional sources.

Good credit is important. Here are some indicators of creditworthiness that home loan lenders look for:

- ✓ Debts including existing utilities should be current and have a history of timely payment.
- ✓ There should be no more than two payments over 30 days late within the last 12 months.
- ✓ There can be no bankruptcy in the last 3 years.
- ✓ Child support payments must be current.
- ✓ There can be no federal debt delinquency—student loans, etc.

**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 FOR A USDA 502 HOME LOAN?**

Of course, a home loan lender, including USDA Rural Development, is looking for a stable 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). 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%.

***USDA Income Guidelines for the Kenai Peninsula Borough  
as of April 21, 2009***

<b>Family Size</b>	<b>Very Low Income</b>	<b>Low Income</b>
1	\$ 28,200	\$ 45,150
2	32,250	51,600
3	36,300	58,050
4	40,300	64,500
5	43,550	69,650
6	46,750	74,800
7	50,000	79,950
8	53,200	85,150

**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 based on your income. That means that the interest rate can range from 1% to the current market rate. The interest rate and your monthly loan payment can change annually if your income goes up or down. Your house payment also depends on the amount you finance and the amount of sweat equity you earn as a member of the Self-Help builder team.

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

You'll need some hand tools and safety items--hand saw, hammer, safety glasses, ear plugs, chalk line, nail apron, work gloves and shoes/boots, etc. These are items you can put those on your Christmas wish list if you don't already have them. When you near closing on your loan, you will need your first year's homeowner's insurance saved—figure \$600+/-.

**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. During the winter before you break ground in the spring, you will attend weekly pre-construction 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?**

RurAL CAP secures the building sites and develops them with utilities if necessary. We try to find lots close to one another, services, schools, and of the same topography. Preferably, the lots will be on a maintained road and have utilities to them or nearby. The Self-Helpers will choose their building sites from the lots that RurAL CAP has available.

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

RurAL CAP will have a limited selection of 3 & 4 bedroom house designs for the Self-Helpers to choose from. The designs will be for house sizes ranging from 1,000 – 1,500 square feet. These design plans will be approved by USDA Rural Development. How much your household can afford often determines the size and design of the house.

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

Figure it will take 10 – 12 months for all the homes to be completed. Remember that no one moves in until all homes are finished. Plan to commit 30 hours a week per Self-Help household to construction. You will be able to use volunteers for part of those hours.

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

You may sell your house at any time after occupancy. You will be required to pay back a part of the interest subsidy. This is known as "recapture." The longer you stay in your new home the less subsidy you will be required to pay back.

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

The Mutual Self-Help Housing Program is for everyone who qualifies regardless of ethnicity, race, religion or marital status.



**RurAL CAP Self-Help Housing**