

# RurAL CAP's Mutual Self-Help Housing Program

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## **What is RurAL CAP's Mutual Self-Help Housing Program?**

The Mutual Self-Help Housing Program is a path to affordable homeownership for low and very-low income families. Approved participants of the program are provided with the opportunity to earn "sweat equity" in lieu of a down payment on their new homes. Families and individuals join a group of eight to twelve owner-builders who work together to construct all of the homes under the guidance of RurAL CAP's Housing and Planning Division staff. Each family is required to commit 35 hours a week of labor toward the construction of the homes. 17.5 of the 35 hour labor commitment can be completed by volunteers, friends, and family who are recruited by each family building a home through the program.



The approved house plan selections range from three to four bedrooms with two baths and one to two-car attached garages. Approximate square footages are 1,100-1,500 sq feet. House plans available for selection are provided by RurAL CAP. Changes may not be made to the house plans.

Funding for operating expenses needed to facilitate the Mutual Self-Help Housing Program comes in part from a partnership with USDA Rural Development through their 523 Technical Assistance grant, as well as funding obtained through HUD's HDP Program, which is facilitated by Alaska Housing Finance Corporation. Additionally, each eligible family obtains a construction-permanent mortgage loan through USDA Rural Development's 502 direct mortgage loan program, which covers all costs associated with the construction of their home.

## **Who is eligible for the program?**

Participants must meet certain requirements to be qualified for the Mutual Self-Help Housing Program:

1. Have a dependable and continuing source of income sufficient to support the mortgage payment and their other obligations.
  - The mortgage payment amount will be determined by the house plan and lot selected, the qualifying interest rate, term, and your income.
2. Have a satisfactory history of timely payment of debts.
3. Meet certain income limitations based on the number of people in your household.
  - See USDA Guidelines on our FAQ document for annual household income limits
4. Qualify for a Rural Development 502 Direct mortgage loan with a funding amount high enough to cover the cost to construct the home.
5. Be able to consistently provide 35 hours of labor per week during the entire construction term. (17.5 of these hours can be contributed each week by the family's volunteers.)

## **What is the process like for applying for the Mutual Self-Help Housing Program?**

RurAL CAP staff will walk you through each of these steps. Qualifying for the Mutual Self-Help Housing Program is a multi-step application process.

1. The first step is completion of a pre-screening application. **This is not a full mortgage loan application.** You will submit the Pre-Screening Application, \$10 application fee, and Credit Authorization to RurAL CAP. RurAL CAP's Homeownership Program Manager will review the information contained in the completed pre-screening application, along with a tri-merge credit report to determine if you will qualify for a 502 direct mortgage loan through USDA Rural Development. RurAL CAP generally contacts the applicant within 48 hours of receipt of the pre-screening application with their findings.
  - a. If your income and credit appear to meet the USDA Rural Development 502 Direct program guidelines, your next step will be to complete a full Uniform Residential Mortgage Loan Application.
  - b. If you do not meet the qualifications for the mortgage loan at this time, please don't get discouraged. RurAL CAP staff will counsel and work with you one-on-one towards becoming income and credit qualified for the mortgage loan needed to build a home through the Mutual Self-Help Housing Program. This process can take as little as a few weeks or as long as 6-24 months depending upon your situation.
2. Once the pre-screening process is complete and RurAL CAP staff indicate that you appear to qualify for the 502 direct mortgage loan, the second step is to complete a Uniform Residential Application and submit all requested supporting documents to back up the information contained in the application (i.e. paystubs, tax returns, bank statements, etc.) RurAL CAP staff will assist you step-by-step in this process and provide you with the application packet and checklist of items you will need to turn in.
3. Once your mortgage loan application is received along with all supporting documentation, RurAL CAP will begin packaging and processing it. At this time, you will be required to provide \$25.00 payable to USDA Rural Development for the credit report USDA RD will pull for each applicant. It generally takes between 4-6 weeks to obtain all required documentation and third party verifications needed to package your loan application.
4. Once your file is fully packaged and all supporting documentation and third party verifications are received, RurAL CAP will submit your mortgage loan application to USDA Rural Development for underwriting. USDA Rural Development's determination (approval or denial) can take between 2-4 weeks depending upon their work-load. Please be prepared to provide additional information and/or documentation if requested.
  - a. If your mortgage application is approved and you can make a commitment to work 35 hours per week building the homes, you will be qualified to construct a home through the Mutual Self-Help Housing Program.
  - b. If your mortgage application is denied, RurAL CAP staff will work with you one-on-one to get you to the point where you qualify for the 502 direct mortgage needed to build through the Mutual Self-Help Housing Program and will assist you in the application process.

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Once your mortgage loan is approved and you have received your Certificate of Eligibility from USDA Rural Development, you will choose their building site. RurAL CAP will have available you may select from. The next step is to review the available plans and select a house design that meets your needs and budget. All eligible participants will then join the homeowner group by agreeing to the covenants of the Mutual Self-Help Housing Program and committing 35 hours a week per household to building their homes and their neighbors' homes.

## **But I don't know how to build a house...How can I build my own home?**

RurAL CAP provides hands-on instruction and training during pre-construction meetings prior to the start of construction as well as hands on training at the building site.

You will learn how to:

- Use power tools correctly and safely
- Utilize today's building techniques
- Maintain your home

## **What will homes in the new Self-Help Owner-Built Homes neighborhoods look like?**

The neighborhoods will consist of eight to twelve attractive, energy-efficient, and affordable homes. The homes will vary in square feet in size and will vary in design based upon the plan each family is approved to construct. The pictures on this sheet are examples of what a home built in the Owner-Built neighborhood might look like.

## **If I know of someone who is interested in RurAL CAP's Owner-Built Homes Program, or if I would like more information about the programs offered through the Rural Housing and Planning Division, who should I contact?**

You may contact:

**RurAL CAP Mutual Self-Help Housing Program**  
44539 Sterling Hwy, Suite 107 (located at the Blazy Mall)  
Soldotna, AK 99669  
907-260-3451 Office  
907-260-3452 Fax  
[www.RuralCAP.com](http://www.RuralCAP.com)

