

## Mountain Housing Opportunities, Inc.

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### Mutual Self-Help Housing Program Frequently Asked Questions



Here are brief answers to some questions you may have about the mutual self-help housing program.

#### **What is mutual self-help housing?**

Mutual self-help housing provides an opportunity for many working, low-income families to achieve the American dream of homeownership. The program makes homes affordable by allowing families to contribute "sweat equity" to lower the cost of their homes. A self-help group is organized to provide labor for the group members' new homes. The group consists of 5 to 12 families who work together under the guidance of a construction supervisor, hired by a nonprofit sponsor organization such as MHO. The houses are built simultaneously and no family moves into their new house until every house in the self-help group is complete.

#### **Who is Mountain Housing Opportunities?**

Mountain Housing Opportunities (MHO) is a private, non-profit community development corporation, based in Asheville NC and founded in 1988. Our mission is to build and improve homes, neighborhoods, and communities for people of limited resources in Asheville and Buncombe County.

#### **How do I know if I am eligible for the program?**

The main eligibility requirements have to do with your income, your credit history, and your current housing situation.

#### **What are the income requirements?**

Applicants must earn less than 80% of median income for Buncombe County. That's a number that is determined by the federal government and changes from year to year. (See the chart at the end of this sheet for the current limits.) In addition, applicants must show that they have stable and dependable income. The USDA prefers that an applicant have been on his or her present job for at least 1 year, with 2 years of continuous employment history. Self-employed applicants must have 2 years net business income. Finally, to qualify for a USDA home mortgage, applicants must demonstrate the ability to repay the loan. (More about that when we talk about the terms of the loan.)

**What are the credit requirements?**

Applicants must have good credit history. Applicants must demonstrate a reasonable willingness and ability to meet their financial responsibilities in a timely manner. Outstanding collections, judgments or profit and loss write-offs must have been paid in full or the applicant must demonstrate a regular payment pattern on the accounts for at least 6 months prior to date of filing application. If they are disputing the credit they must provide documentation of the dispute. Bankruptcies must have been discharged 1 year prior to application on chapter 13 and 2 years on chapter 7.

**What if I have not established any credit?**

Sometimes people make payments that do not show up on a credit report. You may pay rent, utility bills, auto insurance, and or you may have been putting a little money in savings each month, which is another form of payment. But with none of the above, no checking account, and no other type of credit it can be very difficult for us to help you get your home loan, even if you have good income! If this is the case, and you want to own your own home, you should at minimum begin renting a place. Open a checking and savings account, and maybe even borrow a small amount of money and pay it back on time.

**What if my credit is not so good?**

Generally there is no quick and easy fix to getting ahead of debt obligations when you are behind. Budgeting is one very good way that has been proven to work. It might help to talk to an agency such as Consumer Credit Counseling Service. In Asheville, their phone number is 255-5166. In the meantime, you may still apply to the self-help program. You will be put on our waiting list until your income and credit meet the program and loan qualification requirements.

**What are the requirements concerning my current housing situation?**

Applicants must not currently own housing adequate to meet their needs.

**Are there any other requirements to qualify for the program?**

Yes. Applicants must be U.S. citizens, legal resident aliens, or U.S. nationals. Applicants must also have the ability and willingness to perform the required labor. They must be able to provide their own basic hand tools (for instance: measuring tape, hammer, speed square, nail apron). And they must be able to provide their own transportation to and from the work sites.

**What are the terms of the USDA home mortgage loan?**

Loans are for up to 33 years (38 years for those with incomes below 60% of the area median and who cannot afford 33-year terms). The promissory note interest rate is set by the USDA. Interest rates vary based on the applicant's income.

They tend to be at or below market rate, and they can be as low as 1%. Very low income applicants must have enough income so that the payments they make for principal, interest, taxes, and insurance don't add up to more than 29% of their income, and their total debt can't add up to more than 41% of their income. For all other applicants, principal, interest, taxes, and insurance cannot add up to more than 33% of their income, and the maximum ratio of total debt to income remains at 41%.

**What if I have a co-signor?**

Applicants can provide a co-signor for repayment ability but not for credit. The co-signor must demonstrate repayment ability and have good credit.

**How much will my house payment be?**

That's a tough question, because your interest rate will be based on your income. In fact, as your income changes so may your interest rate, but never less than 1% and never more than the maximum rate at the time of your loan closing. We cannot even venture to guess at a number because there are so many variables. But we can say that through self-help housing programs since 1963 the USDA has loaned more than \$1.7 billion to working families who have built more than 35,000 new homes.

**How much cash out-of-pocket will I need?**

Anticipate having a couple of hundred dollars saved for a credit report, some basic hand tools, weather protective clothing, boots, etc. Prior to moving into your new home you may need an additional \$400+/- for your first year's homeowner's insurance.

**What about a down payment?**

No down payment is required for a USDA self-help home mortgage. The value of your labor is your down payment on your new home.

**May I sell my self-help home?**

Yes. You may sell your home at any time after occupancy. But please remember that up to a point the longer you stay in your new home the less subsidy you will be required to pay back.

**May I pick the location of my house?**

MHO locates properties where self-help groups may build their homes. We try to find properties large enough so that we can build at least 5 houses in close proximity. Because this is a USDA Rural Development program, we are restricted from choosing properties in Buncombe County not considered rural. Basically what this means is we can't choose properties anywhere in Asheville, Woodfin, Biltmore Forest, parts of Arden, or in areas very close to the city limits of Asheville. We

look for properties that are beautiful, affordable, not too difficult to develop, and not too far away from schools and from places where most people might work.

**May I pick my house plans?**

There are a number of house plans available. They range in size from just under 1000 square feet to approximately 1400 square feet. The majority of plans include 3 bedrooms and 2 bathrooms. We've tried to find plans of modest houses that are relatively easy to build, that make efficient use of space, that fit together as a coherent neighborhood, and that have some "curb appeal." We try to accommodate the plan you select, but we must consider what you can afford, the lot size, and the size of your family.

**How long will it take to build my house and how much time will I be required to commit each week?**

Generally you should anticipate 10 to 12 months construction time. Each week each household in the building group will be responsible for 25-30 hours of productive labor. The goal is to provide approximately 65% of the labor required to build homes for all the households in the group. Remember, no family moves in until all the houses are complete.

**How is the work scheduled?**

Once all the members of a group have been qualified, MHO will conduct approximately 12 hours of pre-construction training and orientation. Part of this process will include selecting leaders among the group and determining work schedules that accommodate each household's other obligations.

**Is the program for families and married couples only?**

The self-help housing program is for everyone who qualifies regardless of ethnicity, race, religion, or marital status.

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2008 household income limits to qualify for the self-help housing program (80% of median income for Buncombe County):

If the size of your household is:	1	2	3	4	5	6	7	8
You must earn less than:	\$29,400	\$33,600	\$37,800	\$42,000	\$45,350	\$48,700	\$52,100	\$55,450