

# Self-Help Homeownership



## Frequently Asked Questions

Below are some frequently asked questions about building a Self-Help Home.

### What is the self-help homeownership program?

The self-help program provides an opportunity for many working, low-to-moderate income families to achieve the American dream of homeownership. The program makes homes affordable by allowing families to contribute “sweat equity.” A self-help group is organized to provide labor for the group members’ new homes. The group consists of 5 to 8 families who work together under the guidance of a construction supervisor, provided by 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, communities--and lives--and to build hope and dignity in the people we serve.

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

The main eligibility requirements are a stable income, an income that does not exceed eligibility guidelines, a good credit history, and a current housing situation that is not adequate to meet your needs.

### 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 has 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.)

2017 Income Limits		
Household Size	Maximum Annual Income Buncombe, Madison, & Henderson Counties	Maximum Annual Income Haywood County
1	\$34,350	\$29,900
2	\$39,250	\$34,150
3	\$44,150	\$38,400
4	\$49,050	\$42,650
5	\$53,000	\$46,100
6	\$56,900	\$49,500
Inquire for larger family sizes.		

### 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.

### Can I participate in the program if I had a bankruptcy and/or foreclosure?

Debts must have been discharged more than 36 months prior to date of application for chapter 7 bankruptcies. Applicants must have demonstrated a willingness to meet obligations when due for at least 1 year prior to application for chapter 13 bankruptcies. Foreclosures must not have been completed within the last 3 years.

### 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.

Mountain Housing Opportunities, Inc.

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## 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 OnTrack Financial Education & Counseling. 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.

## Can I participate in the program if I am not a citizen of the United States?

Yes. Applicants must be U.S. citizens, legal resident aliens, or U.S. nationals.

## Can I participate if I already own or have owned a home?

In some cases yes. You can participate if you have not owned a home in the past three years, you currently own a substandard home, or your current housing is not adequate to meet your needs.

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

Yes. 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.

## Do I have to have construction experience to be in the program?

No. Most participants have little to no construction experience.

## Are families with disabled or handicapped members eligible?

Yes. However, there is no reduction in the labor contribution to the building group for any participant family. In cases where the future owners cannot physically do construction work, arrangements for additional work from approved helpers must be made by the participants. There are also house plan modifications available when there are special needs in a household.

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

Loans are for 33 years (38 years for those with incomes below 60% of the area median and who cannot afford 33-year terms). The interest rate is set by the USDA and closely reflects the rate you would get from a bank. The rate can never be higher than the market rate set by USDA at the time the loan closes. But the rate can be lower. The rate can be as low as 1%, based on a family's need.

## A 1% interest rate sounds too good to be true – what am I missing?

Keep in mind, you can only get the reduced interest rate if your income is so low you need the lower rate to make your monthly mortgage payment fit your budget. In fact, as your income changes from year to year so may your interest rate, but never less than 1% and never more than the maximum rate at the time of your loan closing.

Keep in mind also, that the reduced interest rate is not a gift; it is what USDA calls a subsidy. You should expect to pay back to USDA some or all of this subsidy at the end of your loan.

## How much will my house payment be?

That's a tough question, because there are so many variables: for instance, your income, the terms of your loan, and the cost to build the house plan that you choose.

Based on the house payments of other families who have gone through our program, we can say that your payment could be as low as \$400 per month and cannot be more than a certain percentage of your income (see the next paragraph).

Very low income applicants must have enough income so that the mortgage payments they make (for principal, interest, property taxes, and homeowners' 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 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.

## Is the price of the lot included in my mortgage?

Yes.

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

Anticipate having a couple of hundred dollars saved for a credit report, builder's risk insurance, some basic hand tools, weather protective clothing, etc. Prior to moving into your new home you may need an additional \$450+/- for your first year's homeowner's insurance.

## How big is a typical mortgage?

Depending on the house plan chosen, mortgages can range from \$120,000 to \$165,000.

## 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 determines where self-help groups 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 from schools and places where people might work.

## How big are the lots?

Lots typically range in size from .17 to .25 of an acre.

## May I pick my house plans?

There are a number of house plans available. They range in size from roughly 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.

## Can I make changes to my house during construction?

No. These are not custom homes and have to be built according to USDA-Rural Development approved plans. Once you move into your home, you can make any changes you would like.

## Do I get to pick my own finish products, i.e. counter tops, flooring, etc.?

You will be able to select cabinet finishes and flooring, counter top, appliance, interior paint, and exterior home colors from our range of options.

## What appliances are included?

Typically, washer, dryer, range hood (with microwave), dishwasher, and refrigerator.

## 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 20-25 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, age, or marital status. However, the labor commitment for each family is the same.

## Can my children help me build the house?

Children 17 and younger are not allowed at the work site to protect their safety. Children 18 years and older are allowed to help build the houses with the permission of the construction supervisor.

