



Housing Assistance Council

1025 Vermont Ave., N.W., Suite 606, Washington, DC 20005, Tel.: 202-842-8600, Fax: 202-347-3441, E-mail: hac@ruralhome.org

www.ruralhome.org

Statement of Moises Loza, Executive Director, Housing Assistance Council before the Self-Help Public Forum, USDA Rural Development June 30, 2010

On behalf of the Housing Assistance Council (HAC), thank you for providing this opportunity for comment on the Mutual Self-Help Housing Program of the U.S. Department of Agriculture (USDA). HAC is a national nonprofit intermediary organization that provides loans, technical assistance and training, and research and information resources to local housing organizations throughout rural America. Throughout its history, and most recently through its participation in the Department of Housing and Urban Development's Self-Help Homeownership Opportunity Program (SHOP) since 1996, HAC has developed particularly close relationships with groups that operate self-help housing programs, and has witnessed the powerful ways self-help housing can change families and communities.

HAC sincerely appreciates the effort Rural Development (RD) is devoting to listening to its grantees and other stakeholders as the agency considers critical aspects of the program rules and operation. Based on its experience with the program, HAC offers several recommendations:

- Ensure that any changes are consistent with the program's purposes and recognize the many factors that contribute to the program's effectiveness.
- Continue requiring families to contribute a substantial amount of labor.
- Continue funding Technical and Management Assistance (T&MA) contracts.
- Establish a demonstration program for new grantees to compete for funds.

Program Purposes, Efficiency, and Cost Effectiveness

The self-help program is based on a unique partnership between USDA, local housing organizations, regional intermediary organizations, and low-income homebuyers. Each partner plays an essential role in achieving the program's purpose, as stated in USDA's regulations: "to fund organizations that are willing to locate and work with families that otherwise do not qualify as homeowners. Generally, these are families below 50 percent of median incomes, living in substandard housing, and/or lacking the skills to be good homeowners."

To make homeownership possible for "families that otherwise do not qualify as homeowners," self-help taps their willingness to work hard – very hard – to achieve their dreams. "Sweat equity" is aptly named, as the families' construction work reduces the costs of their homes and increases the amount of equity they hold compared to other new homeowners. The dollar amount of their equity varies considerably around the country.

Building Rural Communities

Southeast Office
600 W Peachtree St., N.W.
Suite 1500
Atlanta, GA 30308
Tel.: 404-892-4824
Fax: 404-892-1204
southeast@ruralhome.org

Western Office
717 K St.
Suite 404
Sacramento, CA 95814
Tel.: 916-706-1836
Fax: 916-706-1849
western@ruralhome.org
HAC is an equal opportunity lender.

Southwest Office
3939 San Pedro, N.E.
Suite C-7
Albuquerque, NM 87110
Tel.: 505-883-1003
Fax: 505-883-1005
southwest@ruralhome.org

Midwest Office
10920 Ambassador Drive
Suite 220
Kansas City, MO 64153
Tel.: 816-880-0400
Fax: 816-880-0500
midwest@ruralhome.org

While the equity achieved is important, it is inappropriate to evaluate the program's effectiveness by focusing on the difference between equity and USDA's grant assistance per unit. The program provides far more than dollar value. In a 2005 survey of self-help families,¹ HAC found that as they worked together to build their homes, the families established ready-made neighborhoods. Long before they moved into their new homes, they worked side by side for months, sharing meals, childcare, bad weather, construction setbacks, and triumphs. As a result, they reported unusually strong ties to one another and to their communities. More than 90 percent of the survey respondents reported engaging in at least one civic activity in the past year, such as registering to vote and participating in the parent-teacher association at their child's school.

HAC's survey also found strong positive impacts on the children in the surveyed self-help communities. The majority of these children were engaged in activities, both in and out of school. The vast majority of parents of youngsters believed their children would go on to college. Of the adult children who grew up in these communities, 90 percent graduated from high school and 55 percent went on to college.

USDA's self-help program has also been particularly successful in boosting homeownership among rural minorities. While minorities make up only 18 percent of the national rural population, 58 percent of all USDA self-help residents are minority.

Finally, anecdotal evidence indicates that some self-help participants find new careers based on the skills learned in the self-help process. Some have been hired by Section 523 grantees to assist future participants. Others have found jobs in the construction industry, or have pursued training in a skilled trade. One such example is Ramiro Romo, the father of Dallas Cowboys starting quarterback Tony Romo; after the family participated in Southeastern Wisconsin Housing Corporation's self-help program while Tony was a child, the housing organization hired Ramiro and he developed a career in construction.

The benefits listed here may be more difficult to quantify than dollar amounts, but they cannot be ignored. Measurements of the program's efficiency and cost effectiveness must include the number and characteristics of participants who would not have become homeowners otherwise, the strength of their communities, the positive effects on their children, and the economic ripple effect of homeownership. Any changes to the program must be consistent with these impacts, and must continue to make homeownership possible for families who could not achieve it otherwise.

Labor Contribution

The labor contribution is the hallmark of the mutual self-help housing program and the reason for much of its success. The more labor a family contributes, the more benefit that family obtains from the program in terms of dollars saved, skills learned, and pride earned. HAC is not in a

¹ Data cited in this section of HAC's testimony is drawn from *Creating the Village: How Mutual Self-Help Housing Builds Community* (Housing Assistance Council, 2005), available at www.ruralhome.org.

position to recommend a specific level of labor contribution or a way to measure it, but believes strongly that a substantial labor contribution is essential.

Technical and Management Assistance

The Technical and Management Assistance providers have been critical partners in the effort to create and sustain self-help housing programs across the country. Their activities do not duplicate RD oversight; instead, they are cost effective additional services. HAC recommends maintaining the Technical and Management Assistance system. HAC also encourages greater educational networking among self-help stakeholders of all kinds.

Expertise and needs vary widely among the over 100 current mutual self-help organizations and the numerous other groups that hope to develop self-help programs. Not all RD staff have the knowledge or the time to provide functions ranging from funding application reviews to core skill training to financial management to high-risk work-out plans. The T&MA contractors provide these services and more.

RD should, of course, monitor the T&MA contractors' performance. Its monitoring should include determining not only the quality of the services delivered by each contractor, but also whether the contractor is delivering the services most needed by the grantees with whom it works. RD should improve computer-based performance monitoring, develop a new generation of SHARES to better measure and report performance, and connect grantee performance information to Centralized Servicing Center data on homebuyers.

RD itself could make use of the T&MA contractors to upgrade the self-help knowledge and skills of RD staff. HAC encourages RD to consider investment in TA and training to:

- develop and implement a curriculum to improve RD staff's ability to monitor the program, review funding application, and assist grantees;
- formalize core training for RD staff, as well as for grantees (e.g., loan packaging, construction supervision) and offer it nationally, similar to the recently developed Section 502 loan packaging training;
- provide assistance to grantees and RD staff in each state tailored to needs identified by the RD State Office, such as leveraging (grants and affordable loan products), post-occupancy counseling, green building, volunteer recruitment and management, land acquisition and development, and self-help housing rehabilitation; and
- allow State Offices to contract for needed specialized technical assistance from any qualified provider.

While the T&MA contractors are essential partners in a functioning self-help system, local self-help sponsors as well as RD staff should have the opportunity to learn from other sources as well, including each other. Self-help groups report that they have found past national and regional conferences and training sessions to be very useful. Peer exchanges can work well also, enabling newer sponsors to learn directly from more experienced organizations.

Competitive NOFA

The self-help program benefits from the network of strong and experienced Section 523 grantees. Since RD's monitoring system has been able to identify underperforming grantees and remove them from the program, little would be gained by asking the current grantees to compete against each other for funding, whether annually or less frequently. A competitive funding process could also disrupt the partnerships between RD and its grantees, and could discourage long-term planning and investment by the grantees.

A funding competition could be useful, however, to provide opportunities for new grantees. While the decline in the housing market has slowed self-help programs in many areas, other places may have a need for new projects now and, assuming the economic recovery continues, new programs will be needed in the future. HAC recommends that RD use a portion of Section 523 funding for a demonstration, offering funds to new self-help sponsors on a competitive basis.

Self-Help Rehabilitation

The self-help program has always focused on new construction carried out by groups of families. HAC supports the mutual self-help process, which is a core value of RD's self-help program. However, HAC does encourage RD to consider allowing grantees to offer self-help rehabilitation programs, when warranted.

The complexities of some rehab work would not accommodate the mostly unskilled labor of homeowners. In the occasional situations where appropriate types of rehab are needed, however, and grantees are capable of providing the necessary oversight, self-help rehab could help make it possible for additional low-income families to achieve, or to maintain, homeownership.

Conclusion

Again, thank you for giving stakeholders this opportunity to provide comments on this critical homeownership program. From its start with a group of three families in Goshen, California in 1963, USDA's self-help program has grown to produce over 1,000 affordable homes for low-income homebuyers every year. The program is an important resource in rural communities across the country. Self-help housing gives low- and very low-income families a way to use their own hands to create homes and better futures for themselves and their children.