

# Creating the Village

How Mutual Self-Help Housing Builds Community

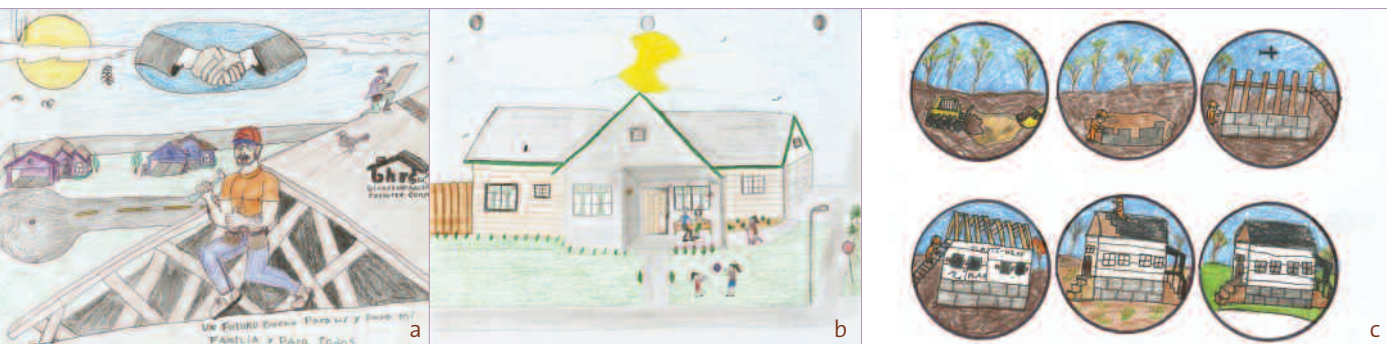


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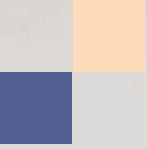
acknowledgements





## table of contents

|  |    |
|--|----|
| <b>executive summary</b> .....                       | 1  |
| <b>introduction</b> .....                            | 5  |
| background .....                                     | 5  |
| questions .....                                      | 6  |
| methodology .....                                    | 6  |
| <b>constructing the village</b> .....                | 11 |
| the villagers .....                                  | 11 |
| sweat equity .....                                   | 12 |
| housing costs .....                                  | 12 |
| equity and value .....                               | 13 |
| increasing incomes .....                             | 14 |
| learning skills .....                                | 14 |
| <b>from co-builders to community</b> .....           | 17 |
| bonds of community .....                             | 17 |
| civic engagements .....                              | 18 |
| <b>laying the foundation</b> .....                   | 21 |
| young children in mutual self-help communities ..... | 21 |
| adult children of mutual self-help communities ..... | 22 |
| <b>summary</b> .....                                 | 25 |





## executive summary

### Building Homes, Building Communities

Using the same lumber, sheetrock, and paint as any other dwelling, self-help housing does more than simply build affordable homes: it builds neighborhoods, strengthens families, and creates wealth. Self-help forms communities based not on a shared street name or a common fence, but on a shared commitment of hard work, mutual support, and long-term stability. Rural housing developers have long believed in the power of mutual self-help housing and there is now evidence to illustrate the ways in which this housing model has created strong communities.

With support from the Annie E. Casey Foundation, the Housing Assistance Council conducted research to examine and understand the profound ways in which mutual self-help housing builds both housing and communities that support low-income children. The research included surveys of more than 150 families who live in mutual self-help communities across the country.

### What is Self-Help Housing?

Self-help housing enables low-income families to help build their own homes. Mutual self-help, a program supported by the U.S. Department of Agriculture, organizes families to cooperatively build their own and their neighbors' homes. Working in groups of five to twelve, families provide 65 percent of the construction labor on their own and each other's homes. They spend long hours working on the houses in the evenings after work and on weekends. The families frame the buildings, put up windows and siding, install roofing material, paint, and landscape. Contributions of 1,000 hours or more of labor are not uncommon.

### Expanding Homeownership

Mutual self-help housing developments have been important in the effort to expand affordable homeownership among low-income and minority rural residents.

- **Creating affordable homeownership opportunities for more than 36,000 low-income rural residents.** The median income of current self-help borrowers is \$22,048, about half of the national median income for all homeowners. Self-help housing can reach very low-income households because of a powerful combination of cost-reducing program elements: no required cash down payment, considerable savings in house construction costs due to the sweat equity labor, and affordable mortgages from USDA's Rural Housing Service. While home prices vary considerably across the country, self-help units cost less than other homes. The median loan amount for all self-help units constructed in 2000 (excluding California units) was \$64,272, almost half of the median cost of a new unit in 2000.
- **Increasing minority homeownership.** Mutual self-help has been particularly successful in boosting homeownership among rural minorities. While minorities make up less than one-fifth (18 percent) of the national rural population, 58 percent of all USDA self-help residents are minority.

# executive summary



## Building and Maintaining Assets

A home is the most valuable asset most Americans, especially most low-income people, will ever own. Homeownership has been compared to an enforced savings account. Mortgage payments build equity that families can draw upon to meet educational, repair, or other family needs. Self-help homes have proven to be sound investments for their owners. While these units may cost less to purchase, they increase in value. Survey data show that the median estimated housing value of mutual self-help homes is \$110,000, which is 138 percent of the median value of all rural homes in 2000.

## Earning “Sweat” Equity

Because of the labor they contribute, self-help families typically have a significant amount of initial equity as compared to other low-income families. USDA data show that self-help builders move into their homes with an average of \$26,700 in initial home equity (i.e., the difference between the cost of the mortgage and the value of the home at the time of closing). In comparison, the median amount of non-liquid assets (e.g., home equity) held by low-income families in general is less than \$5,000.

## Creating Community

As the families work together to build their neighborhoods, they often develop long-term bonds of friendship. The families surveyed reported a strong attachment to their neighborhoods and high levels of trust with their neighbors. Over 90 percent of them continued to visit and rely on their neighbors even after their homes were completed.

Mutual self-help families are engaged and involved members of their neighborhoods and the larger community. One third of all households surveyed were involved with the local Parent Teacher Association, almost half attended church regularly, and 70 percent were registered to vote.

## Encouraging Children

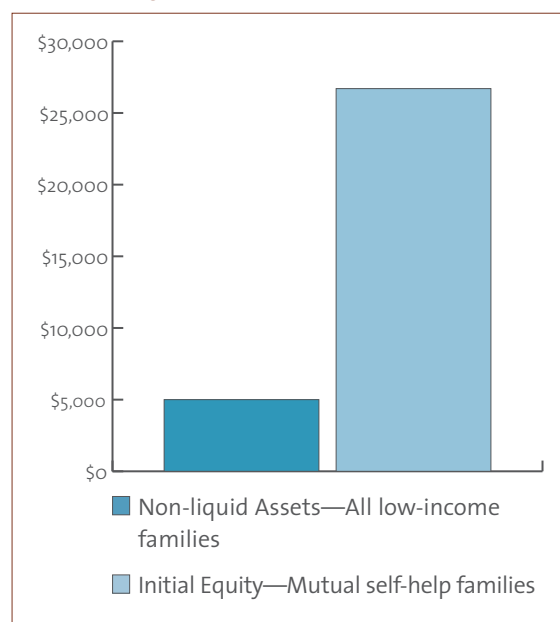
Children of the surveyed self-help communities are:

- **Active.** The majority of children in the surveyed self-help families are engaged in activities, both in school and out of school.
- **Positive.** Parents and children are overwhelmingly positive about their futures; the vast majority of these parents believe that their children will go on to college. More than half of these families have already taken steps towards that goal by taking college prep courses and talking about college.
- **Educated.** Adult children who grew up in the surveyed mutual self-help communities have very high graduation rates; 90 percent of all adult self-help children graduated from high school and 55 percent went on to college.
- **Driven.** Adult children of mutual self-help builders are also likely to be homeowners at a young age. Almost 20 percent of the adult children of the families surveyed are already homeowners, although their median age is only 24.

*“I am more likely to participate in my community because of the families I live around. They are very good and kind people who seem to want something out of life.”*

—Self-Help Survey Respondent

Assets Among Low-Income Households





# executive summary



## Summary

Self-help housing is a powerful tool in developing affordable homeownership for low-income families. The process through which these families build their homes can also be a transforming experience. It develops bonds of community and provides children with important lessons and resources that can last a lifetime.

The success of self-help relies on the hard work and dedication of the families and the organizations that sponsor this work. The program also depends on low cost mortgage loans and grants, such as those provided by USDA. Efforts should be made to publicize the benefits of mutual self-help housing and to increase the number of self-help developers. Given the opportunity and adequate resources, many more self-help villages could be created across the country.

## Looking to the future

*“Most of us went from nothing to a brand new house. This was not just given to us, but we had to work for it. As a result of this program, not only have I gotten to live in a really nice house and gained such helpful skills, but I’ve found out what I want my career to be. I want to be a framer.”*

–Katie Piller, Age 16







## introduction

Homeownership has long been valued for the economic benefits it can provide families, particularly low-income families (Retsinas and Belsky 2002). A home can be a financial asset for a low-income family to draw upon in times of need. Homeownership also affords a family some stability to pursue and attain their dreams. While homeownership itself has been studied extensively, the method through which families attain homeownership has not been examined in social science research. David Arizmendi's observations about the self-help process illustrate the potential impact the process of getting a home can have on the lives of families and the power of the mutual self-help model.

*"The process of getting a house had to be a life changing experience. The house would become the foundation for participating families to do things beyond housing to improve their lives such as providing education for their children and actively participating in the larger community."*

*—David Arizmendi, Proyecto Azteca*

Using the same lumber, nails, and drywall used to construct other affordable homes, mutual self-help housing brings families together to construct their and their neighbors' homes. Families are required to contribute up to 65 percent of the labor needed to build their homes. Working side by side for months, these families learn important construction skills, budgeting, and teamwork. Rural housing developers have long believed that the mutual self-help construction process yields powerful results for the participating families. Intuitively, these practitioners have known that the families who participate display significant commitment and dedication and that the process itself builds skills in ways that benefit the individual and the community. While many anecdotes support these beliefs, there has been little hard research on the social and economic benefits of this development model.

With funding from the Annie E. Casey Foundation, the Housing Assistance Council collected data to examine the process by which mutual self-help families work together to build their homes and subsequently build communities that are supportive of low-income families and children. The research provides some understanding of how this predominantly rural housing development process can yield economic and social benefits to low-income families that could be replicated across the country.

### Background

Mutual self-help housing development has its roots in the practices of early American barn raising and later work by the American Friends Service Committee (AFSC). In 1961, Congress enacted legislation that made it possible for the U.S. Department of Agriculture (USDA) Farmers Home Administration (FmHA, now Rural Housing Service) to fund loans to agricultural workers for building materials needed to construct self-help homes. The first formal implementation of the USDA self-help model was in Goshen, Calif. Construction of the first three mutual self-help units began in 1963.

Since 1963, more than 36,000 families nationwide have followed in the footsteps of the early pioneers of self-help housing. Working in groups of five to twelve households under the super-

# introduction

vision of and with support from a sponsoring organization, participants build their own homes. After their day jobs and on weekends, families work on their and their neighbors' homes, often contributing 1,000 hours of labor or more, approximately 65 percent of the labor needed to build their homes. Given their collective work, the participating families are able to purchase their homes at a reduced loan amount. In this model, the "sweat equity" of the participant serves as the downpayment for the home, thus eliminating one of the largest obstacles to homeownership.

USDA supports self-help housing development with two programs: Section 523 Technical Assistance Grants support the organizations that sponsor these programs and the Section 502 mortgage product provides participants with affordable mortgages. This combination of financing sources, in addition to the sweat equity of the participants, results in an affordable homeownership option for low-income residents (HAC 2003).

The literature on homeownership suggests that living in an owner-occupied unit improves quality of life for the family overall and children in particular. In addition to creating wealth for the family, some research has found that children of homeowners are better behaved and do better in school than their counterparts (Haurin et al. 2002). Given the labor that self-help families contribute to the building of their homes and communities, this form of homeownership may yield additional benefits that strengthen individual families and the communities they help to build.

While mutual self-help is a politically popular program, the extended benefits are not well understood. This research examines the economic and social impacts of mutual self-help development as a means of exploring how this form of housing provides resources that strengthen low-income families and communities.

## Questions

The research was designed to collect information from mutual self-help participants to illustrate how this program supports the creation of economic resources and community bonds that are supportive of low-income families and children. The report examines the following questions:

- What are the benefits of self-help housing?
- How does the self-help construction process create community networks among builder families?
- What has been the experience of children who live in these communities?

## Methodology

The research reflects data from several primary and secondary sources, including USDA borrower data, information gathered through a roundtable discussion of the project advisory committee, and a survey of participants conducted by the Housing Assistance Council.<sup>1</sup> Since 1961, USDA has supported the development of more than 36,000 units of self-help housing



*"Self help is a hand up, not a hand out."*

*—Dana Jones, Southern Maryland Tri-County CAC*

### The First Families

Lilia G. Jimenez, her husband, and their 14 children lived in a house with no insulation, no indoor toilet, and no city water. In 1963, Mrs. Jimenez and two other families completed the first USDA-funded self-help homes.



The original families still occupy the homes they helped to construct more than 40 years ago in Goshen, California. Now 75 years old, Mrs. Jimenez says that building their home through the self-help program was the best thing that ever happened to her family.

# introduction

across the country. The borrower data included in this study reflect 13,140 outstanding Section 502 loans from 1996 to 2004. HAC tabulations of these data are used to provide an understanding of the program, its participants, and other contextual factors.

In addition to the USDA information, data were collected from 155 families that participated in the self-help program to develop their homes. A survey protocol was designed to collect information on the families' current and previous housing and neighborhood conditions, their relationships with their neighbors, and their experiences with self-help.<sup>2</sup> Nine Section 523 grantees were selected to participate in the mutual self-help survey. Locations were selected based on the following criteria:

- **Experience:** Groups were selected only if they received a Section 523 grant in 1987 or before.
- **Current Activity:** Groups were selected only if they continue to construct self-help housing.
- **Geographic Location:** Groups were selected to provide some geographic diversity.

Based on these criteria the following organizations participated in the survey (Figure 1):

- Community Concepts, Inc., South Paris, Maine
- Delta Housing Development Corporation, Indianola, Mississippi
- Homes in Partnership, Apopka, Florida
- Kitsap County Consolidated Housing Authority, Silverdale, Washington
- People's Self-Help Housing, San Luis Obispo, California
- Self-Help Enterprises, Visalia, California
- Southeastern Wisconsin Housing Corporation of Racine County, Burlington, Wisconsin
- Southern Maryland Tri-County Community Action Committee, Hughesville, Maryland
- Universal Housing Development Corporation, Russellville, Arkansas

figure 1: Self-Help Survey Organizations



Using a survey protocol designed by the research team, the local organizations were asked to interview families living in homes constructed using the mutual self-help method. The survey asks families to comment on their experience participating in the mutual self-help

# introduction



process, their activities, and their perceptions of social networks in their communities. Families were also asked to comment on their economic connections (e.g., connections to mainstream financial services) and the current and future activities of their children (e.g., college attendance).<sup>3</sup>

The organizations were asked to select one older development (i.e., constructed prior to 1990) and one newer development (i.e., constructed between 1990 and the present) to provide some variation in the age of the residents and the experience of the homeowners. The organizations then attempted to interview each member of one work group from each of these projects.



# introduction

## From a Self-Help Home to the National Football League

Ramiro and Joan Romo worked cooperatively with five other families in 1982 to help build their own modest homes in a new subdivision on the outskirts of Burlington. Under the skilled tutelage of a construction expert hired by nonprofit Southeastern Wisconsin Housing Development, the families provided 65 percent of the labor on their homes. After work and on weekends, they did over 1,000 hours of real construction work—framing, trusses, walls, flooring, windows, and roofing.

While working on his home, Ramiro Romo gained valuable construction skills that he was able to develop into a career. Ramiro joined the Southeastern Wisconsin staff as a construction supervisor from 1983 to 1985 while attending college full time. He now works for Planning Design Build in Madison, Wisconsin, and continues to work in the building trade. Joan Romo is a Scan Coordinator at the local Sentry grocery store.

The Romo children, Tony and his sisters, Danielle and Joslin, flourished in their new close-knit community. They attended local Burlington schools and played sports in a vacant lot next to their home with the other neighborhood kids. Danielle graduated from the University of Wisconsin-Milwaukee with a degree in English and Joslin is a nursing assistant at a local elderly care unit with two small children of her own. Tony enjoyed basketball and soccer, took up football in high school, and became a star quarterback. On scholarship at Eastern Illinois University, he was an All-American and won the Walter Payton award as the nation's top Division II college player. In 2003, Tony signed as a free agent with the Dallas Cowboys and is today one of their backup quarterbacks.

Ramiro and Joan continue to live in their original self-help home. Ramiro praises the self-help program for helping him to create a wonderful environment in which to raise his family and providing him with the opportunity to learn a trade in which he still works today.

Of course not every child grows up to become an NFL quarterback. But the Romo family's overall experiences in self-help housing are not that unusual. Self-help home-building families benefit financially from the home equity created by their own sweat. Self-help builders learn skills that may become careers. The cooperative process builds stronger social networks that can benefit the individuals, the children who reside in these homes, and the overall community.







“It is difficult to express in words what it means to me and my family to see our own home being built. It is beyond any dreams. The problems have been many and the hours long, but the feeling of having something of our own helps me to forget the years of hopelessness. With faith in God and by people working together hand in hand, we can accomplish whatever we want. We don’t want anything handed to us; we just want an opportunity to work with our hands and pull ourselves out of the situation we are in.”

—Mrs. Salvador Gutierrez, Homebuilder  
Self-Help Enterprises, Visalia, California

## constructing the village

The heart of the mutual self-help model is the collective labor and commitment of low-income builder families. Organized into building groups of five to twelve, families provide 65 percent of the construction labor on their own and each other’s homes. Members of these households spend long hours on the building site after work and on weekends. With professional on-site supervision and training, residents participate in every aspect of construction except those reserved for the skilled trades. Families work together to prepare lots for development by clearing brush and removing trees. They frame the buildings, put up windows and siding, install roofing material, paint, and landscape. Contributions of 1,000 hours or more of labor are not uncommon.

table 1: Section 502 Self-Help Loans by State,  
1991–2004

| State                   | Percent    |
|-------------------------|------------|
| California              | 34%        |
| Arizona                 | 10%        |
| Oklahoma                | 8%         |
| Florida                 | 7%         |
| Washington              | 6%         |
| Mississippi             | 6%         |
| Colorado                | 4%         |
| Arkansas                | 4%         |
| <b>Total</b>            | <b>79%</b> |
| <b>All Other States</b> | <b>21%</b> |

Source: HAC Analysis of USDA RHS data.

Each family works on every home in their building group, and no one moves in until all of the homes are completed. Together, these families create economies of scale that allow for cost-effective material purchasing and labor-saving building efficiency. More importantly, the “sweat equity” contributed by each family both replaces the need for a cash downpayment and significantly lowers the cost of the home. This labor, along with the commitment to success that it represents and the cash value it creates, is the key to the effectiveness of mutual self-help housing.

While mutual self-help has been extremely popular among those organizations that have used the program, in many communities and states across the country the program has not been used extensively or at all. Mutual self-help activity is heavily skewed geographically; 79 percent of all activity has occurred in eight states (Table 1). A significant proportion of mutual self-help activity has taken place in California; 34 percent of Section 502 loans for self-help housing between 1991 and 2004 were made in California.<sup>4</sup>

Despite these geographic gaps, more than 36,000 units of affordable housing have been created using the mutual self-help program. This success has relied on funding support from USDA’s Rural Housing Service programs, the sponsoring organizations, and the hard work and dedication of the families themselves.

### The Villagers

Homeownership has always been highly valued in rural communities and the mutual self-help program has been an effective tool to expand homeownership among low-income, minority, and women-headed households. Rural households have a 76 percent rate of homeownership, higher than the national rate of 68 percent.<sup>5</sup> But low-income and minority households do not share in this abundance. Only 61 percent of rural minority-headed households and 58 percent of rural poverty-level households are homeowners.

Self-help housing programs help to close this gap by creating opportunities for people who want to own but lack the financial resources. One unique feature of the program is the high

# constructing the village



participation rates of racial/ethnic minorities in self-help housing programs. While minorities make up about 18 percent of the national rural population and 11 percent of all rural homeowners, 58 percent of all USDA self-help residents are minority (Figure 2).<sup>6</sup>

There is considerable anecdotal information suggesting that women-headed households have participated in the mutual self-help program to a great extent. Practitioners have noted that single mothers are often driven to build a stable home for their children and that they are often among the most enthusiastic participants.<sup>7</sup> Women-headed households account for 40 percent of the current portfolio of self-help borrowers.

The median income of current USDA self-help borrowers is \$22,048, or almost half of the national median income in 2000 (Figure 3). The ability of self-help housing to reach low-income people is extraordinary in the face of data showing that homeowners nationwide earn an average of 118 percent of their area median incomes. Nationwide, self-help borrowers' incomes are less than 43 percent of the median in their communities. Most self-help families simply could not afford their own homes without this innovative program. Fully 75 percent of self-help families surveyed for this study report that they would not have been able to achieve homeownership without the self-help housing program.

Self-help housing is able to reach very low-income households because of a powerful combination of cost-reducing program elements. With no required cash downpayment, considerable savings in house construction costs due to sweat equity labor, and affordable permanent financing available from USDA, self-help housing is accessible to households with very low incomes.

While not all mutual self-help builders use USDA's Section 502 mortgage product to finance their homes, the financial structure of the Section 502 program provides many families with an affordable mortgage loan product that reduces their monthly mortgage payments. The Section 502 program offers a fixed rate mortgage with varying payment terms based on the participant's income level. The lowest rate a borrower may receive is 1 percent. Between 1996 and 2004, 62 percent of self-help borrowers received mortgages at the 1 percent rate, given their incomes.

## Sweat Equity

The labor contributed by the participating families is critical to maintaining affordable mortgage costs for self-help participants. The value of sweat equity can be measured in several ways. Families derive a financial benefit from contributing their labor, which can be measured in the cost savings on their units. Surveyed families also report an increase in other skills and networks that ultimately benefit their families and their communities.

## Housing Costs

The median cost of a new home was \$81,000 in rural areas and \$119,600 nationally in 2000. Mutual self-help residents paid significantly less for their newly constructed units because

figure 2: Race and Ethnicity

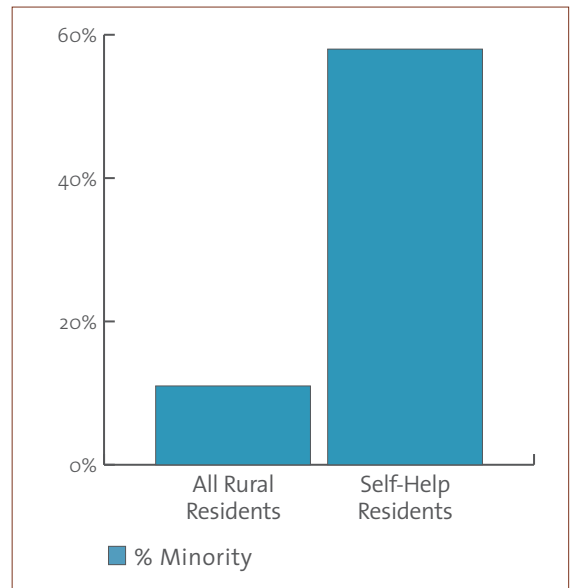
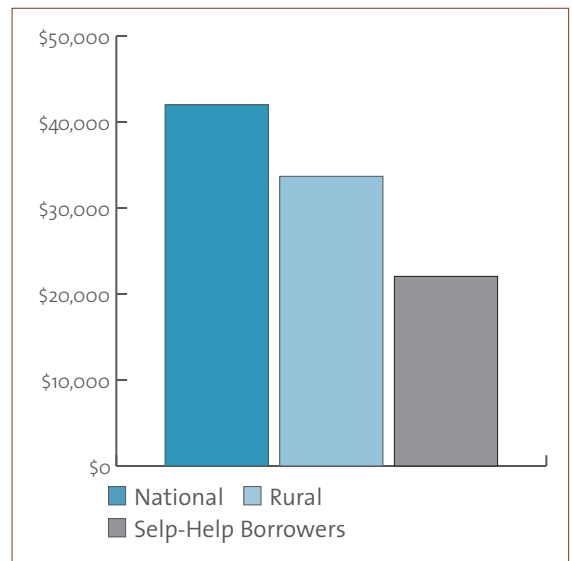


figure 3: Median Income



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their labor contributions significantly reduced the cost of their homes. The median cost of self-help homes constructed in 2000, excluding California units, was \$64,272, which is 53 percent of the cost of a new unit (Figure 4).

Affordability is a growing problem among rural households; over one-fifth of all rural homeowners are cost burdened, paying more than 30 percent of their household income for housing costs. As a result of the lower initial house price and the subsidized interest rate, self-help families can afford their monthly mortgage payments. Self-help borrowers made a median monthly

mortgage payment of \$292, which is less than 40 percent of the national median mortgage payment of \$740.

Three months after signing the loan papers, Julie Allen broke ground on her new home in Ohio. Construction began in the winter and harsh rains soon followed the cold winds. Julie admits that she knew nothing about building a home and had no idea of what to expect. Within weeks, she was working side-by-side with other families, hammering, hanging drywall, and painting. With the support of the Fayette County Community Action Commission and the other families in her workgroup, Julie learned how to build a house and a home for her and her small family.



## Equity and Value

Owning a home has been compared to an enforced savings account. Mortgage payments build equity that represents wealth households can draw upon in times of need. While many low-income mortgage borrowers enter into homeownership with little or no equity in their homes (Pitcoff 2003), mutual self-help participants have significant equity because of the construction hours they contribute.

For all mutual self-help families constructing their homes from 1997 to 2004, the estimated initial equity was \$26,700 (i.e., the difference between the mortgage cost and the estimated value of the unit).<sup>8</sup> This amount is particularly impressive when compared to the assets typically held by other low-income households. Among low-income families (i.e., those with incomes of 200 percent or less of the federal poverty level) the median amount of non-liquid assets (e.g., home equity) was \$5,000 (Wagmiller 2003).

Self-help units also increase in value, increasing the assets participants have at their disposal. Survey respondents were asked to estimate the current value of their homes. The median housing value they reported was \$110,000, which is 137 percent of the median value reported for all rural homes (Figure 5). In almost every case, participants reported that their homes were worth more in the current market than they paid for them.<sup>9</sup> The median increase in value was \$40,000 for self-help homeowners. Excluding homes located in California, the median increase in housing value was \$33,480.

A home is the most valuable asset many Americans, and low-income people in particular, will ever own. The wealth represented by home equity can be a significant resource for these households. Homeowners can use this equity to pursue other important goals in their lives, including education and home improvements. Given the equity self-help residents have in their units and the reported current values of their homes, these families have significant financial resources.

One-quarter of all surveyed self-help residents reported taking out a home equity loan. These loans were most commonly used for debt consolidation (72 percent) and housing repair and/or improvements (39 percent).<sup>10</sup> This is consistent with the general population's use of such loans in that 61 percent of all traditional home equity loans in 1997 were used to repay other debts and 45 percent were used for home improvement (Canner et al. 1998).

# constructing the village



## Increasing Incomes

Once mutual self-help households achieve homeownership, USDA data show that their financial resources begin to grow. Self-help homeowners have experienced an increase in their household incomes in the years immediately following construction. During the first two years after completion of their homes, self-help borrowers had an average 1.2 percent increase in their incomes.<sup>11</sup> Incomes continued to grow among these families, and by the fourth or fifth years, households experienced on average a 7 percent increase in incomes (Figure 6).<sup>12</sup> This rate of growth is particularly impressive given national rates of income growth over the 1990s. For the 20 percent of all households with incomes in the middle quintiles, after tax income increased by .5 percent per year and for those in the bottom quintiles (i.e., very low- and low-income people), income was virtually unchanged over the 1990s (Center on Budget and Policy Priorities nd).<sup>13</sup>

## Learning Skills

In addition to the financial benefits, the surveyed families indicated that the building process was an overwhelmingly positive experience. Almost one-third of the surveyed homeowners noted that they learned specific skills through the self-help process that they were later able to use. Many said the construction and home repair skills learned through the self-help process helps them maintain their homes today.

Several survey participants noted the hard work and long hours that are involved. Builders mentioned how difficult it was to work in harsh weather and with other families that were not as committed as they were; however, most responded that these challenges were worth the end result as they were “proud” of themselves and that the experience was “rewarding.”

In addition to learning construction skills, which are often used to make later home repairs, participants also noted other important skills learned during the self-help process. Several survey respondents indicated that they learned budgeting skills, both through classes and onsite, that they continue to use to maintain their finances. For some participants, their self-help experience has become a vocation.

figure 4: 2000 Housing Costs

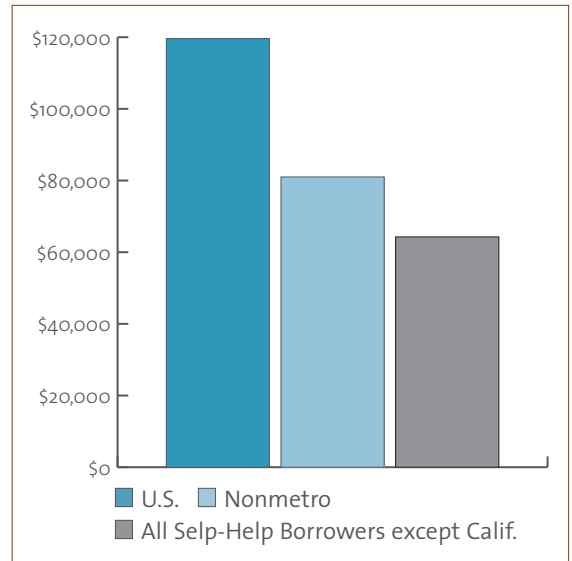
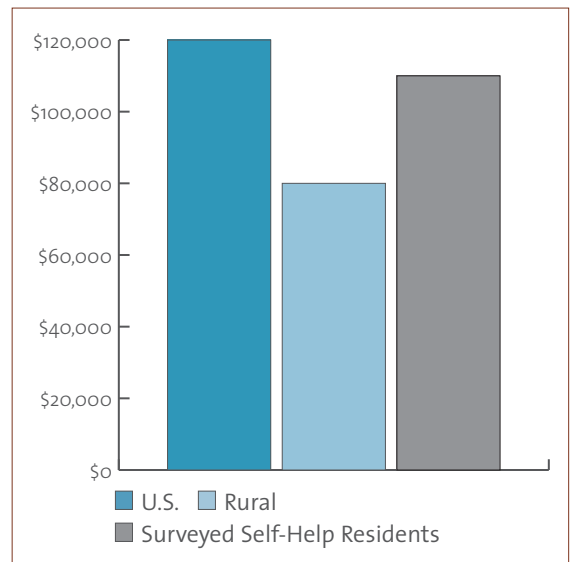


figure 5: Median Estimated Housing Values



*“[Through self-help] I learned how to be independent in a lot of ways. Being that I am a single mother, there are a lot of things around the house that I have to do myself and participating in this program helped me to do it myself.”*

*–Self-Help Survey Respondent*

# constructing the village

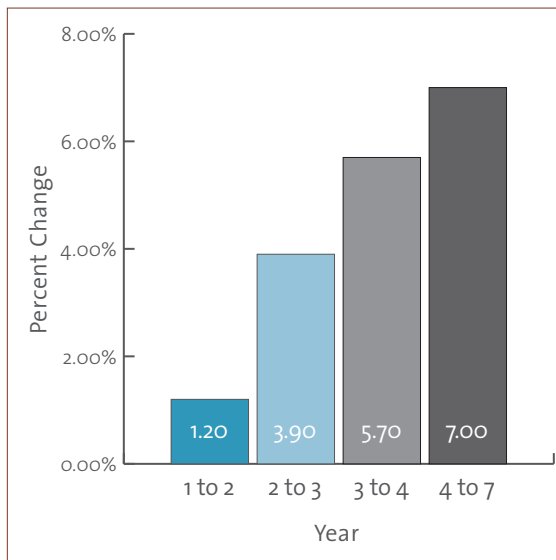


“One way of looking at housing in rural areas is to see it as a safety net: people need a decent place to sleep, they need some stable environment. That net can also be a trampoline. Housing can be an opportunity to bring people together, to give them access to services they aren’t able to get individually, and to empower them.”

—Nicolas Retsinas, Harvard University (2004)



figure 6: Income Increases Among MSH Borrowers



## Receiving Assistance and Returning the Favor

Rigoberto Ramirez of Coachella came to the California valley in the late 1980s from Mexico City. For years, he and his wife, who have six children, were unable to afford a house, moving among a series of apartments for Ramirez’s work as a farm laborer. In 1997, after saving up for a home, Ramirez applied to the Coachella Valley Housing Coalition’s self-help program. He was able to build a home for around \$75,000—a home that today would likely be appraised at about \$200,000.

From his experience in building his home, Ramirez went on to acquire the training needed to become a construction supervisor for the housing coalition. He now oversees projects like the one that helped his family realize a dream.

“It changed my life,” said Ramirez, 59, as he supervised work being done at Paseo de Las Palmas, a new coalition-backed home development being built in Coachella.

“It gave me the chance for a new job and new experiences,” he said, noting that the stability of living in a home has also boosted his children’s education and career prospects.

Adapted from the article, “He brings homes into reach for many,” by Lou Hirsh. *The Desert Sun*, December 28, 2004.





## from co-builders to community

Considerable evidence shows that homeowners participate in voluntary organizations and engage in political activity to a greater extent than renters (Retsinas and Belsky 2002).

*"My neighbors and I are as one."  
—Self-Help Survey Respondent*

DiPasquale and Glaeser (1999) found that homeownership has a strong correlation with civic involvement activities, including membership in non-professional organizations, knowledge of political leaders, voting, and involvement in local activities to improve community conditions. It has been shown that homeowners are 10 percent more likely than renters to work to solve their communities' problems (DiPasquale and Glaeser 1999). Community engagement and civic participation have long been linked with the development of social capital that can be used to strengthen communities and address community needs.

### Bonds of Community

Self-help participants demonstrate high levels of trust with and strong connections to their neighbors. Survey respondents were asked to rate their informal social networks with the people living in their communities. A series of statements were used to gauge how respondents felt about living in their communities.

- Overall I am attracted to living in this neighborhood.
- I feel like I belong to this neighborhood.
- I feel loyal to the people in my neighborhood.
- I plan to remain a resident of this neighborhood for a number of years.
- A feeling of fellowship runs deep between me and other people in this neighborhood.
- Living in this neighborhood gives me a sense of community.

On average, 29 percent of respondents strongly agreed and 55 percent agreed with the above statements. Almost 90 percent of the mutual self-help residents surveyed either strongly agreed or agreed that they were attracted to living in their neighborhood and 88 percent responded that they felt they belonged to the neighborhood. Loyalty to one's neighbors was also highly rated among survey respondents; 86 percent strongly agreed or agreed that they felt loyal to their neighbors.

Residents were also asked to comment on the connections they have with one another and the activities they engage in as a community.

- I visit with my neighbors in their homes.
- If I needed advice about something, I could go to someone in my neighborhood.
- I believe my neighbors would help me in an emergency.
- I borrow things and exchange favors with my neighbors.
- I regularly stop and talk with people in my neighborhood.
- People in my neighborhood work together to keep children safe.

On average, 19 percent strongly agreed and 43 percent agreed with the above statements. Almost 90 percent reported that they visit with their neighbors in their homes and that they believe their

# from co-builders to communi



neighbors would help them in an emergency. More than three-quarters (76 percent) of all respondents reported that people in their neighborhood work together to keep children safe.

Taken together, these characteristics demonstrate a high level of trust among self-help residents. Social capital research has shown that the connections between neighborhood residents are an important indicator of community strength. Felton Earls' forthcoming research shows that the most important influence on a community is the neighbors' willingness to act for one another's benefit and for the benefit of the community's children, which Earls has labeled collective efficacy. Self-help communities in the survey demonstrate high levels of collective efficacy during construction, and their perceptions of community dynamics illustrate that this efficacy carries through to their relationships as neighbors.

## Civic Engagements

Self-help respondents participate in civic activities to a large extent. Ninety percent of all respondents had been involved in at least one civic activity over the last 12 months. On average, residents reported an average of three civic involvements in the last year. The most common civic involvements reported were being registered to vote (70 percent), attending church (47 percent), and participating in the local PTA (32 percent). It is interesting to note that more than one-quarter of all respondents had spoken to a public official in the last 12 months. Fewer residents participated in neighborhood safety groups or block group associations; however, it should be noted that these types of organizations are less prevalent in rural communities than in urban areas.

There were some variations in terms of civic involvement across communities and length of tenure. Residents of older communities were slightly more likely to have participated in civic involvements in the last 12 months as compared to those living in newer communities, 93 percent and 89 percent, respectively.

Seventy-two percent of all HAC survey respondents indicated that they were more likely to participate in civic activities in their current communities than they were in their previous neighborhoods. The reasons for increased activism among these respondents varied. Many respondents indicated that they were more likely to participate because they were now homeowners and had a stake in the community that they did not have previously, which is consistent with what homeownership theory says about civic participation among homeowners. Several mutual self-help residents identified their connections with and respect for their neighbors as being motivating factors for increased activism.

“There is a sense of trust among my neighbors.”

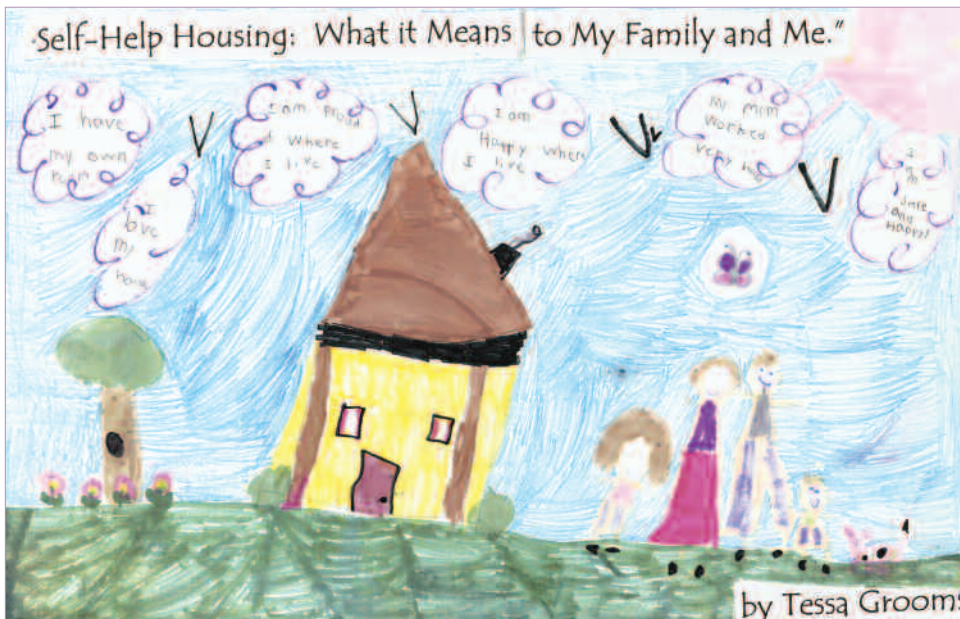
–Self-Help Survey Respondent





# from co-builders to communi

In the colonias of the Rio Grande Valley in Texas, the nonprofit sponsor Proyecto Azteca joins with self-help families to bless finished homes with a pachanga (fiesta), featuring food, singing, and celebration. The local nonprofit partners enrich self-help housing programs by honoring and building upon the abundant cultural traditions of rural America.







## laying the foundation

Proponents of homeownership have suggested that children benefit tremendously from their parents' ownership. While the findings on the social benefits of homeownership are less concrete

than those pertaining to the financial outcomes, there has been some work in this arena. Haurin et al. (2002) researched the connection between homeownership and the cognitive and behavioral outcomes of young children. Using achievement test scores in math and reading, as well as indicators for behavioral adjustment, the study showed that homeownership positively impacts the level of emotional support and the levels of cognitive stimulation of the home in which a young person lives. Children of homeowners have up to 9 percent higher cognitive outcomes in math achievement and 7 percent higher in reading achievement and their behavior problems are up to 3 percent lower. Additional research shows that better cognitive abilities and fewer behavioral problems can lead to a decreased likelihood of engaging in deviant behaviors, higher educational attainment, and increased earnings (Haurin et al. 2001).

### The meaning of a new home

Alicia Sanchez described the self-help experience in her own words:

"Housing for us was not an investment but rather the first opportunity that our family had to attain its most basic shelter needs. I was the first Hispanic girl to attend and graduate from Immokalee High School. I did not have the right clothes, the right shoes, and I was not the right color, but I was an apt and hard-working student and the principal and some teachers encouraged me. It is difficult to explain how inadequate our housing in the farm labor camp was, and how embarrassed I was to live in such a marginal place.

Having a decent home was important in the most basic ways. It was a place where I could have my own room, some privacy, a place to study, to have friends visit, and where I could have a date pick me up. The house had a great impact on all our lives. We soon stopped migrating and my father found different work in the off-season. I got a part-time job and soon all my sisters and brother worked in local businesses. We supported each other and we began to see ourselves as people with possibilities who could live successful and fulfilled lives which, thanks be to God, we have all done."



### Young Children in Mutual Self-Help Communities

The majority of all households responding to the survey (78 percent) currently had children 18 years and younger living in the home. There were 267 children living in the homes surveyed and the median number of children in each household was two. The children living in mutual self-help (MSH) households are young; the median age of the children living at home was nine years old. Almost half (46 percent) of all MSH children were between the ages of eight and fifteen (Figure 7).

While the impact of homeownership on educational success is still being debated, theories about parental involvement on education are somewhat more developed (Carter 2002). Parents who are involved in their children's education participate in important decision making that can determine the educational opportunities available to their child and to their communities. Self-help parents demonstrate connections to their children's schools and interest in their educations. Thirty-seven percent of all survey respondents with children reported that they had attended a PTA meeting in the last year, suggesting that they are engaged and involved in their children's schools.

# laying the foundation

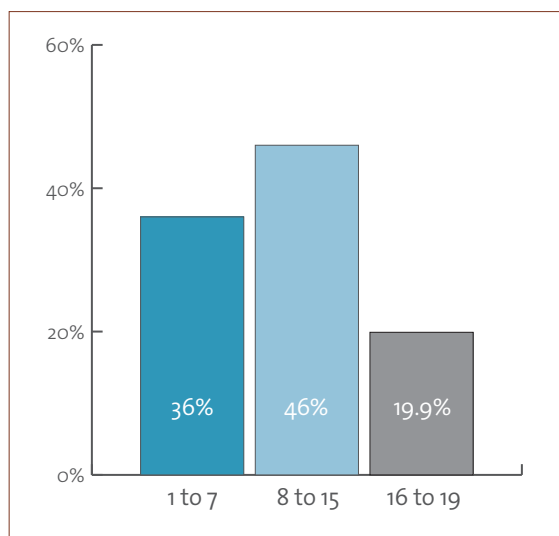


Participation in out-of-school activities has also been found to be an important contributor to school success. Structured extracurricular and other activities (e.g., sports and church attendance) have been shown to have a positive and significant effect on a variety of educational outcomes (Jordan and Nettles 1999). Of the 120 households with children age 18 years and under present, 67 percent reported that their children were engaged in at least one in school or out-of-school activity. The most commonly identified activities among children in self-help households included band, church groups, and sports.

Mutual self-help families had high expectations for their children's futures; 82 percent of all parents with children 18 years old and younger indicated that at least one of their children would attend post-secondary school after graduation from high school. More importantly, over half of these parents (58 percent) had discussed the academic requirements for college or vocational schools with their children and more than one-third (38 percent) had discussed specific college or vocational schools.

In 2004, in coordination with the U.S. Department of Agriculture, the Housing Assistance Council sponsored an art contest for children living in mutual self-help housing. Children created works of art entitled *What Self-Help Housing Means to My Family and Me*, and several wrote short essays. The sentiments expressed by the children indicated that many recognized the work their parents did to construct their homes. Kids participating in the art contest displayed a sense of accomplishment and pride in their parents and many articulated their dreams for the future.

figure 7: Ages of Self-Help Children



## Adult Children of Mutual Self-Help Communities

Sixteen percent of the surveyed households had an adult child (i.e., over the age of 19) living in their home and 23 percent of all surveyed households had adult children living elsewhere. These adult children of mutual self-help communities displayed impressive educational attainment and homeownership rates as compared to other low-income groups.

In 2000, 65 percent of all U.S. children in families with incomes of \$34,000 or less graduated from high school (Mortenson 2002). Self-help children graduated high school at a much higher rate; 90 percent of all adult children who grew up in self-help homes had graduated from high school. Among children in families with incomes of \$34,000 or less who graduated from high school, 54 percent continued on to college or other secondary education (Mortenson 2002). A similar proportion, 55 percent, of adult self-help children also attended some secondary or vocational training after high school.

There have been many speculations about the connection between homeownership and desirable behavior among children. Green and White (1997) suggest that home maintenance and financial management skills acquired by the parents through homeownership may be transferred to the children. Boehm and Schlottmann (1999) found that because of these factors the children of homeowners are more likely to become homeowners themselves. Parents who become homeowners through the mutual self-help program gain additional skills

*"I am so proud of my mother Diane and father, Maynard, for working their butts off everyday. Leaving the house at 6:30 in the morning and coming back at 10:00 at night. I never knew how much it meant to my mother and father to have their own house. If you would have seen my mom's face as she made her first meal for the family or my Dad's face as he finally got to relax and watch TV. It was a change for the whole Carter family, but it was worth it and if we had to do the whole process again we would."*

*—Corey, Age 15*

# laying the foundation

because of their participation in the program. Participants are required to attend construction training and homebuyer education courses. MSH participants reported learning a range of skills through the construction process, including dry walling, painting, and home maintenance. Many survey respondents viewed these skills as important, as they were now able to use them to maintain their homes.

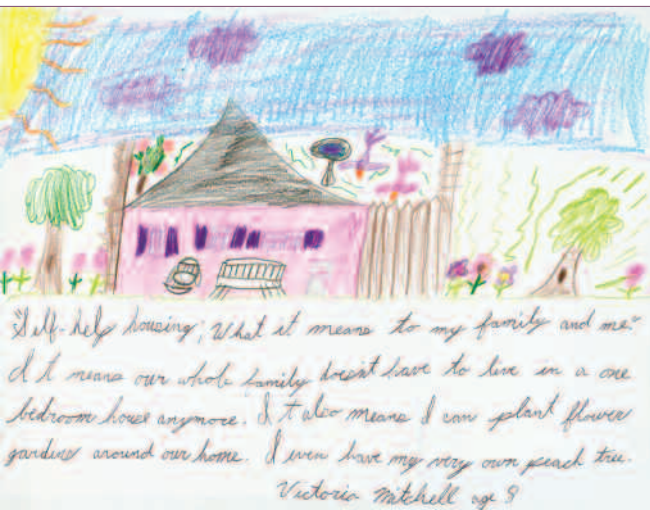
Homeownership is valued among adult children of mutual self-help families. Among the 24 households with adult children who grew up in the owner-occupied unit and now live elsewhere, 18 percent now own their own homes. Age may account for these figures, in large part, as the median age of these adult children is 23 years old. Given that the median age of first time homebuyers in the U.S. was 32 years old in 2001 (NAR 2004), it can be expected that the percentage of adult MSH children who become homeowners themselves will rise.<sup>14</sup>

“[Self help housing] means that my family will be stable and I’ll have a chance to better my life. Such as finishing high school with all A’s and then further attending college or a trade school to have a degree.”

Shanice Reyes, Age 11  
Homes In Partnership, Apopka, Fla.







## summary

The mutual self-help program provides very low- and low-income residents with the resources needed to construct their and their neighbors' homes. As these program participants work to construct their homes, they are also creating community bonds that form a supportive environment for their children. There is strong evidence that low-income families reap economic, social, and emotional benefits from mutual self-help.

Mutual self-help housing provides low-income rural households with the supports needed to become and to succeed as homeowners. Seventy-five percent of respondents indicated that they could not have become homeowners when they did without the Section 523 and Section 502 programs. Responses to the mutual self-help survey suggest that families not only benefited from becoming homeowners, they also benefited from the unique way in which they achieved homeownership. Self-help families demonstrate increased economic resources, strong civic connections, and high civic participation rates. Children who grow up in these communities demonstrate high levels of engagement that bode well for future employment and homeownership opportunities.

Mutual self-help housing:

- **Provides Very Low- and Low-Income Families with Homeownership Opportunities**

Mutual self-help creates homeownership opportunities for very low- and low-income households. The median income of self-help Section 502 borrowers between 1996 and 2004 was \$22,048, compared with the national median income among homeowners of \$50,000. Self-help borrowers' incomes were 42.5 percent of the area median incomes during this period. In contrast, homeowners nationwide earned 118 percent of their area median incomes.

- **Supports Local Nonprofit Organizations to Provide Integral Resources**

Local nonprofit organizations play a vital role in administering the mutual self-help program. Not only do local organizations provide marketing and administrative functions to deliver this housing program, the groups become invested partners in the lives of the families they serve. The credit and homeownership counseling provided through the program prepares families to succeed as homeowners and the ongoing support the organizations provide enables families to maintain their homes.

- **Increases Economic Resources and Assets Among Low-Income Groups**

The homes mutual self-help households occupy were purchased at relatively low dollar cost to them, given their labor, and for most households the values of these homes have increased dramatically. Mutual self-help families move into their homes with significant equity—over \$26,700 among recent borrowers—and this provides them with an economic safety net they can rely on to lower their debt, make improvements to their homes, or educate their children.

- **Creates Social Capital and Civic Involvement**

Mutual self-help also provides a structure through which families develop bonds of trust and reciprocity that can facilitate future neighboring. Families build together, they move in together, and they live as neighbors together. The social capital and potential for collective

# summary



efficacy in these communities are significant. Self-help families demonstrate significant connections with one another and their communities. Families reported feeling loyal to one another and generally had a positive perception of their neighbors and their communities. These feelings of loyalty and commitment, as well as the history of collective work experienced by the group, are an excellent basis for future civic action on behalf of the community. The work of building their homes has given many households a sense of empowerment that can, and in some cases has, translated into stronger, more stable communities.

## ▪ Develops Supportive Communities Where Children Can Flourish

The mutual self-help process creates villages that support and encourage the children who live there. The experiences of adult children who grew up in mutual self-help communities illustrate how children benefit from living in these neighborhoods. The overwhelming majority of families surveyed had children who graduated from high school and more than half of these children went on to college or vocational training. Despite their median age of 23, 18 percent of these adult children are homeowners themselves. The children currently residing in mutual self-help neighborhoods demonstrate an interest in and have made strides towards going on to college or vocational training and are participating in activities to a high degree.

Efforts should be made to publicize the benefits of this program and increase the number of self-help developers across the country. Given the opportunity and the resources, many more self-help villages could be created.







- <sup>1</sup> An advisory panel comprised of rural housing practitioners, USDA staff, and other stakeholders was convened to guide this project. The advisory panel was asked to comment on the overall project, the survey, and drafts of the report. On May 22, 2004, the advisory panel met and participated in a roundtable discussion of the mutual self-help program, its challenges, and other topics. A list of advisory committee members can be found on the last page of this report.
- <sup>2</sup> A copy of the survey protocol is available at [http://www.ruralhome.org/manager/uploads/creatingvillage\\_survey.pdf](http://www.ruralhome.org/manager/uploads/creatingvillage_survey.pdf).
- <sup>3</sup> A summary of the survey participant data is available at [http://www.ruralhome.org/manager/uploads/creatingvillage\\_survey.pdf](http://www.ruralhome.org/manager/uploads/creatingvillage_survey.pdf).
- <sup>4</sup> There are many reasons that account for California's successful utilization of the self-help program. The federal government's history with mutual self-help began in the Office of Economic Opportunity's (OEO) Migrant Division. Given California's large farmworker population, the program has had a long history in the state. Thus the state's organizations have had considerable time to develop the infrastructure (i.e., organizations) and the knowledge needed to make the program work.
- <sup>5</sup> Data from 2000 Census as analyzed in *Taking Stock*, Housing Assistance Council, 2002.
- <sup>6</sup> According to RHS Administrator Arthur Garcia. See *Rural Voices*, Housing Assistance Council, Fall 2003.
- <sup>7</sup> Advisory panel roundtable, May 22, 2004.
- <sup>8</sup> Survey respondents reported a median initial equity of \$14,700.
- <sup>9</sup> Several respondents in Mississippi indicated that they paid slightly more for their units than they were currently worth. Housing values in the Mississippi Delta Region are lower than in much of the rest of the nation, particularly in counties with large minority populations (HAC 2002).
- <sup>10</sup> Several respondents had taken out one or more home equity loans or used the same loan for multiple purposes.
- <sup>11</sup> These figures have been adjusted for inflation.
- <sup>12</sup> It is important to note that while the incomes of MSH borrowers increase, 44 percent of all participants continue to be very low-income and 36 percent are low-income. HAC analysis of USDA Section 502 program data.
- <sup>13</sup> Available on the world wide web, <http://www.inequality.org/conbudstudy2.html>.
- <sup>14</sup> It must be acknowledged that homeownership is much more prevalent among rural residents, given the prevalence of manufactured housing, a lack of rental opportunities in rural areas, and a predisposition towards homeownership.





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# housing assistance council

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With support from the Annie E. Casey Foundation, the Housing Assistance Council conducted research to examine and understand the profound ways in which mutual self-help housing builds both housing and communities that support low-income children. The research included surveys of more than 150 families who live in mutual self-help communities across the country. This report explains the findings from this research: self-help housing expands homeownership, builds and maintains assets, creates communities, and enhances the lives of children of self-help homeowners.

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