

THROUGH PARTNERSHIP & PROMISE

► TEN YEARS OF SHOP IN RURAL COMMUNITIES



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HAC, founded in 1971, is a nonprofit corporation that supports the development of rural low-income housing nationwide. HAC provides technical housing services, loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services. HAC is an equal opportunity lender.

ACKNOWLEDGEMENTS

The authors would like to express our gratitude to the many self-help housing organizations that participated in data collection for this report and the following groups that contributed additional time and information: Citizens for Affordable Homes, Inc. Nevada; Colorado Housing, Inc.; Colorado, Community Action Commission of Fayette County, Ohio; Housing Assistance Corporation, North Carolina; Florida Home Partnership, Florida; Inter-Lakes Community Action, Inc., South Dakota; Proyecto Azteca, Texas; Rural Development, Inc., Massachusetts; Self-Help Enterprises, California; Stop Abusive Family Environments, West Virginia; Tunica County Housing Project, Mississippi; and Universal Housing Corporation, Arkansas.

HAC sincerely appreciates the enormous contributions made by the families that have worked with these and other local organizations to build self-help housing across the country.

Cover photography is of multiple SHOP projects in rural communities across the country. Far left and top left by Thomas Levine. Top right by Jesse Charles Beals. Far right by Karen Segrave. Bottom right by Danny Klimetz. Bottom left by Ron Stapleton



DEAR FRIENDS:

The Housing Assistance Council (HAC) and the U.S. Department of Housing and Urban Development (HUD) are proud to have partnered for the last ten years to support self-help housing through the Self-Help Homeownership Opportunity Program (SHOP). The following report celebrates the impact of this partnership and the thousands of families who – through hard work, determination, and commitment – have achieved homeownership.

Having received more than \$76 million in SHOP funding since 1996, HAC is supporting the creation of over 6,500 self-help homes by homebuyers working with 130 affiliate organizations in 36 states and Puerto Rico. Given HAC's mission to improve housing conditions for the rural poor, with an emphasis on the poorest of the poor in the most rural places, the organization places a priority on service to rural communities and to areas with concentrations of housing need. Therefore, SHOP resources have been used to build more than 530 units of affordable housing in the high needs regions of Appalachia, the Border Colonias, the Mississippi Delta, and Native American lands.

These new self-help units benefit the families who build them as well as their communities. When the work is completed, HAC SHOP families' homes are physically indistinguishable from contractor-built housing. These homes are different, however, where it counts. By investing their own labor in their home construction, participants can significantly lower the amount they pay for their homes and receive the benefits of homeownership affordably. They move in with "sweat equity" valued, for some, at more than \$15,800. Families have reported using this equity to finance their children's educations, make future home improvements, or consolidate debts.

The savings extend beyond move-in day. HAC SHOP assisted households' average monthly housing cost is \$580, compared to \$764 for all low-income non-metro owners with mortgages.



Furthermore, while groups of HAC SHOP families are building houses they are simultaneously building a network of support. After devoting many hours, in most cases over 1,000 hours, to constructing homes for themselves and their neighbors, HAC self-help families have a strong connection to their neighbors and the vast majority report being involved in their communities.

Over SHOP's 10 years, HAC has been able to provide much needed funding to its affiliate organizations with tangible results in the form of thousands of new, affordable homes for low-income families and individuals. The new homeowners include a large number of minority-headed households and an even larger portion with children. Many of them are part of vulnerable populations in the most rural of areas.

HAC and HUD are pleased to issue this report showing how, through SHOP, HAC and its local affiliates are changing the face of affordable housing in their communities.

Sincerely,

ROY A. BERNARDI
Deputy Secretary
U.S. Department of Housing and
Urban Development

MOISES LOZA
Executive Director
Housing Assistance Council

INTRODUCTION

Self-help homebuyers like Shanita Evans (below) often report that building self-help homes provides more than just roofs over their heads – the experience can reveal new possibilities and be the beginning of a new life. Through partnership, commitment, and sacrifice thousands of low-income families across the country have become self-help homeowners. Government resources, along with private financing, local energy, and individual determination have come together to offer homeownership to those who might not otherwise have this opportunity. Since 1996, the U.S. Department of Housing and Urban Development (HUD) has supported self-help housing development through the Self-Help Homeownership Opportunity Program (SHOP). In its first 10 years, SHOP resources have been awarded to expand homeownership to nearly 20,500 low-income families around the United States. Grantee organizations and local affiliates administer programs across the country to build affordable homes with low-income homebuyers, consequently transforming the lives of self-help participants and the communities in which they live.

Background

- ▶ The Department of Housing and Urban Development administers SHOP to support the development of self-help housing for low-income participants. National or regional nonprofit organizations or consortia can apply to HUD for SHOP funds that can be passed to local organizations to purchase land or improve infrastructure where self-help housing will be developed. Self-help has strong roots in rural communities where barn raisings and other forms of mutual help construction have long been used. The Housing Assistance Council (HAC) has supported self-help housing in rural areas for all of its 35-year history. HAC is one of seven grantees to have been awarded SHOP funds over the past 10 years.

About the Data

- ▶ This report provides information on the families and communities that have been impacted by SHOP as administered by the Housing Assistance Council. In addition to reporting and programmatic data collected by HUD and HAC, the report includes data collected from HAC SHOP affiliates who provided information on the self-help units, their programs, and the families who ultimately occupy the units.¹ HAC also interviewed several affiliates and participating families to understand how housing constructed using SHOP resources has impacted individual wealth and community capacity. These profiles are presented throughout the report to illustrate the various ways SHOP resources have supported low-income families and communities.

THE SKY'S THE LIMIT

Stop Abusive Family Environments (SAFE), West Virginia

Buying a home can be the event of a lifetime. For self-help homeowners like Shanita Evans, building a home has been life transforming.

Working with the Stop Abusive Family Environments, Inc. (SAFE) staff, Shanita was able to build the home of her dreams and tap into personal resources even she did not know she had. SAFE has been working to break the cycle of violence through a social justice approach that combines domestic violence services and the provision of transitional housing with permanent housing and economic development.

Many of the women that SAFE has helped to become homeowners are coming from abusive family environments that can foster self-doubt and low self-esteem. Building their

own homes through SAFE's self-help program, which is supported in part by the Self-Help Homeownership Opportunity Program (SHOP), has given these women a much needed sense of self-worth and the realization that they do not have to return to their abusers. The effect of this confidence on the women and their children is immeasurable.

Shanita, who completed her home in March 2006, exemplifies the personal benefits women can derive from self-help homeownership. "As a single woman, I have been empowered knowing that I can achieve things in life such as becoming a homeowner," she said. "I've also been liberated knowing that from this accomplishment the sky is the limit for me."

THE SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

THE BENEFITS OF HOMEOWNERSHIP have been well documented; however, many low-income families lack the initial capital or supports needed to become homeowners (Retsinas and Belsky 2002). Many low-income families may assume that they will never own their own homes, given escalating housing prices or their lack of personal resources to cover down payments or closing costs. For many years, rural housing development organizations have used the self-help housing development model to remove some of the barriers to homeownership that constrain these families. By investing their own labor in the construction of their and other homebuyers' units, participants can significantly lower the amount they pay for their homes. HUD began to support self-help housing development in 1996 with the creation of SHOP[®]. HAC is one of seven grantees that have received SHOP funding in the program's 10-year history.



*Photography of Alaska CDC SHOP project by Ron Stapleton
House: Photography of Universal Housing Development Corporation SHOP project by Karen Segrave*

The Department of Housing and Urban Development

National and regional nonprofit organizations and consortia apply to the Department of Housing and Urban Development (HUD) for SHOP funds through HUD's Notice of Funding Availability (NOFA) process each year. Mandated by statute, HUD's specific goals in implementing the SHOP program are:

- Develop decent, safe, and sanitary homes for families and individuals who would otherwise be unable to afford to purchase a home;
- Foster homeowners' investments and contributions to their homes through sweat equity; and
- Encourage community participation and the investment of additional public and private funds in SHOP homes (HUD 2005).

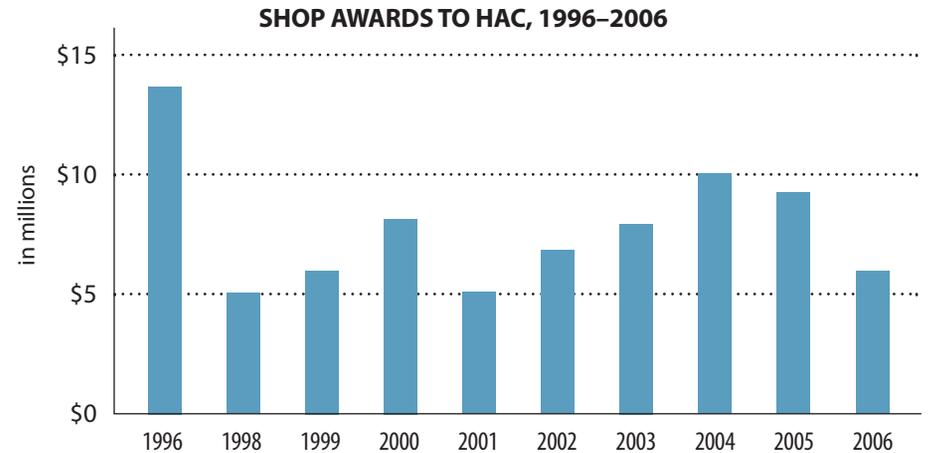
HUD has awarded more than \$235.1 million to grantees since 1996. These funds are ultimately used by local affiliates to support the development of self-help housing units.



Source: U.S. Department of Housing and Urban Development, 2006b

The Housing Assistance Council

The Housing Assistance Council (HAC) is a national nonprofit intermediary corporation that supports the development of rural low-income housing. Founded in 1971, HAC has provided lending, technical assistance, training, and research and information services to thousands of rural housing developers across the country. HAC's founding mission, which continues to guide its work today, is to improve housing conditions for the rural poor, with an emphasis on the poorest of the poor in the most rural places. Self-help housing has been an important tool used by HAC and its partner organizations to create affordable homeownership opportunities for very low-income and low-income families. Since 1996, SHOP has been a critical resource supporting this work. HAC has been awarded more than \$76.7 million in SHOP funding.



Source: U.S. Department of Housing and Urban Development, 2006b

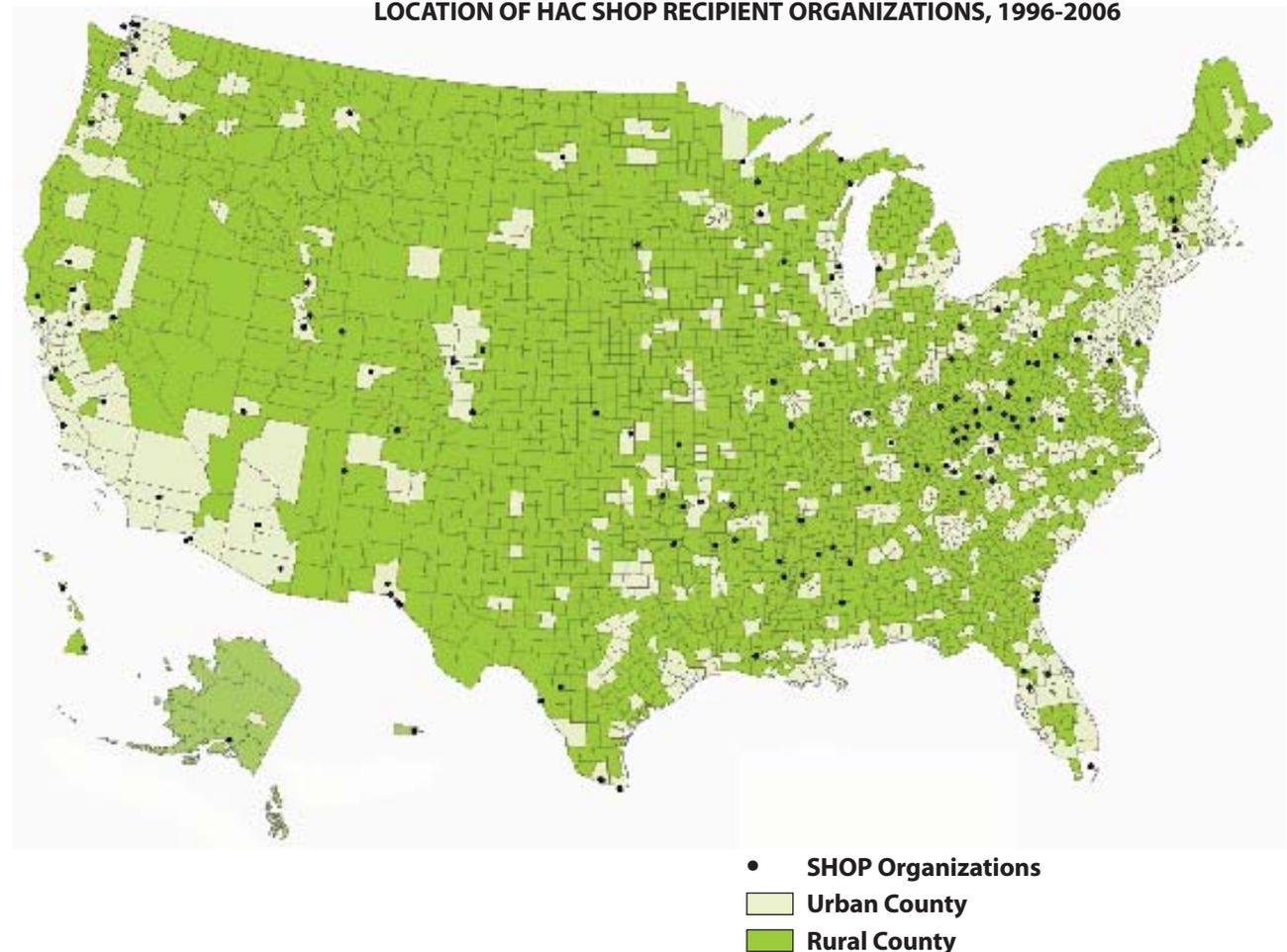
HAC SHOP AFFILIATES

LOCAL AFFILIATES ARE THE LINKS that transform SHOP dollars into affordable homes for low-income families. SHOP funding is awarded by HUD to national and regional nonprofit organizations, such as HAC, or consortia; these organizations generally act as intermediaries, passing SHOP funds to local affiliates that know their communities well and how best to serve local needs.

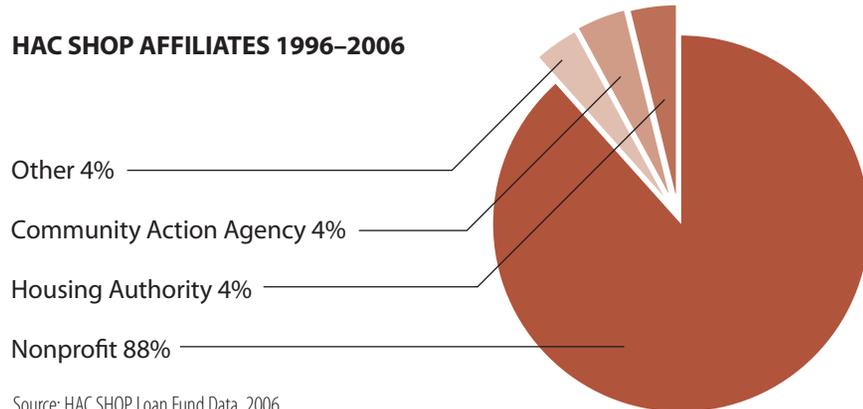
Local affiliates apply to HAC and other grantees for SHOP funds and can use up to \$15,000 per unitⁱⁱⁱ for eligible development activities, which include land acquisition and infrastructure improvements. The local organizations are responsible for all construction and participant activities, including securing additional funding, identifying and preparing sites, training families, and managing the construction process.

Over the program's history, HAC has loaned SHOP funding to 130 affiliates in 36 states and Puerto Rico. Given HAC's mission, service to rural communities is a priority. HAC SHOP affiliates are located in rural counties across the country.^{iv} In addition, HAC SHOP funds are used by many organizations that are headquartered in urban counties and serve rural populations (e.g., farmworkers) or multiple counties.

LOCATION OF HAC SHOP RECIPIENT ORGANIZATIONS, 1996-2006



Source: HAC SHOP Loan Fund Data, 2006

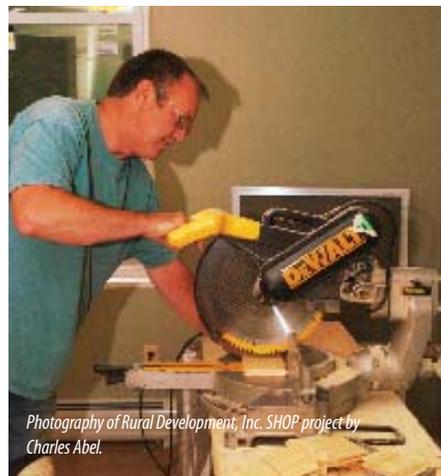
HAC SHOP AFFILIATES 1996–2006

Source: HAC SHOP Loan Fund Data, 2006

All SHOP affiliates must be nonprofit organizations with experience constructing self-help housing or structured to develop self-help units. HAC SHOP affiliates include many different types of nonprofits. These organizations have a range of self-help housing development experience – from Self Help Enterprises (SHE), which has developed over 5,300 self-help housing units in California since 1965, to Foothills Community Development Corporation, a Tennessee nonprofit organization that will develop its first three self-help units using SHOP 2005 funding.

Housing developers in rural areas often face unique and difficult problems. Many factors – nonexistent or inadequate water and waste disposal systems, a lack of access to credit, and limited access to labor markets and construction materials – make rural development difficult. Local affiliates must be creative and flexible

when designing their programs in order to overcome the many challenges that exist to successfully complete self-help developments. To support their efforts, HAC not only provides financial support through SHOP and other programs, but also offers its borrowers technical assistance when needed.^v



Photography of Rural Development, Inc. SHOP project by Charles Abel.

FIRST WATER, THEN SHELTER

Citizens for Affordable Homes, Inc., Nevada

Long before the first hammer is raised, organizations like Citizens for Affordable Homes, Inc. (CAHI) must overcome a number of obstacles in order to build self-help housing. In the deserts of northern Nevada, CAHI works to help families build self-help housing, but the cost of accessing water is a constant and expensive challenge to creating affordable housing solutions.

Lyon County, Nev., is currently the nation's fastest growing county. The influx of residents into the area has put an enormous stress on the community's infrastructure. Compounding this issue, the Nevada state engineer recently reduced the amount of water available for consumption by 34 percent. The cost of water rights has suddenly jumped from \$2,500 to \$30,000 per acre/foot, causing the price of building a home to increase by \$19,000. In Lyon County, where the SHOP-funded Dayton subdivision is located, the county has hiked fees for water and sewer hook-ups from \$3,500 to \$8,000 in two years. Because of these and other increased fees, CAHI must spend \$40,000 even before a self-help lot is developed.

This has been difficult for CAHI, a nonprofit housing development organization in Carson City. CAHI helps low- and very low-income families access affordable housing, with an emphasis on homeownership. CAHI is currently the only single-family self-help home builder in Nevada and the only option available for many families who want to become homeowners.

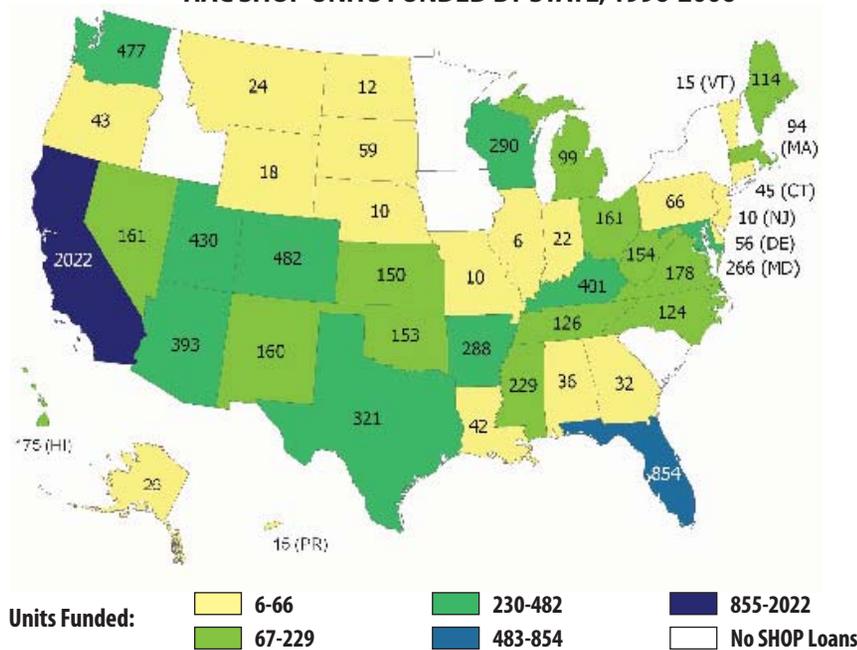
In order to keep the units affordable for low-income participants, CAHI has had to be very creative in identifying ways to secure water. Several CAHI employees recently attended a Rotary Club auction to benefit a cancer center in the area. After bidding \$50,000 for two acres/feet of water that had been donated, CAHI was able to acquire the water rights for a new self-help housing development, saving almost \$10,000. The organization is committed to using inventive strategies to find low cost alternative water sources. While other problems can and will arise, CAHI knows that once it finds the water, the families will build the shelter.

SHOP UNITS

OVER ITS 10-YEAR HISTORY, SHOP has been used to fund the development of 20,500 self-help housing units across the country. SHOP affiliates have three years to complete the committed units and, as of September 30, 2006, over 16,000 of the planned SHOP units have been completed and are now occupied by low-income families (HUD 2006c). HAC, a SHOP grantee each round since the program's inception in 1996, has been awarded more than \$76 million in funding to support the development of 6,580 self-help units; as of 2006 more than 4,982 of these units have been completed. According to HUD reports, HAC has received slightly less than one-third of all SHOP funding since the program began and HAC SHOP affiliates are credited with more than 30 percent of the units produced.^{vi} HAC SHOP units have been developed across the country in 36 states and Puerto Rico.

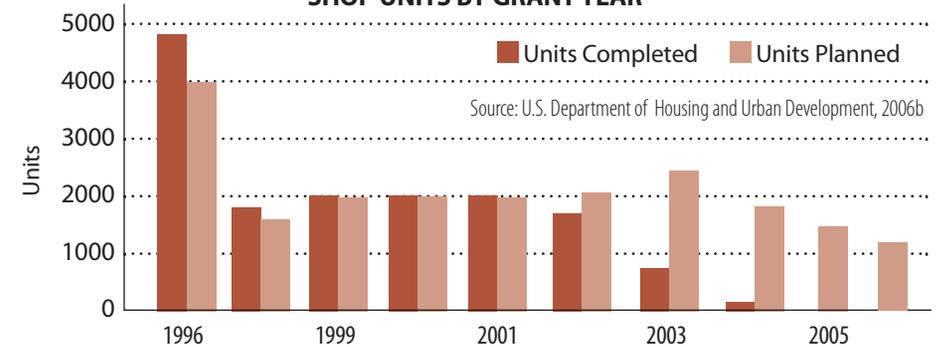
As shown below, HAC SHOP affiliates have often produced more units of self-help housing than initially planned. In three early rounds of SHOP (1996, 1998, 1999) local affiliates completed 480 units above the planned number using a combination of SHOP, HAC, and other funding sources (see Fostering Partnerships section below).^{vii} Ongoing SHOP rounds are expected to deliver additional self-help units as well, thus enabling more low-income families to participate in self-help programs and become homeowners.

HAC SHOP UNITS FUNDED BY STATE, 1996-2006

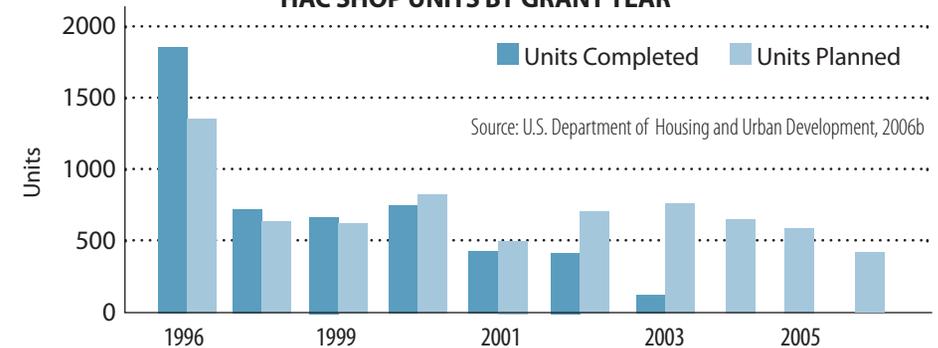


Source: HAC SHOP loan fund data, 2006

SHOP UNITS BY GRANT YEAR



HAC SHOP UNITS BY GRANT YEAR



Sweat Equity

Sweat equity is the central component of the self-help housing development process. Congress mandated that homeowners contribute a significant amount of sweat equity; HUD requires that each participating SHOP household contributes 100 hours of sweat equity to the construction of their own home and/or the home of other participating homebuyers (HUD 2006a). However, many rural organizations that use SHOP funding also use the United States Department of Agriculture (USDA) Rural Development Section 523 program to support self-help housing development (see Fostering Partnerships section below). The Section 523 program requires families to contribute up to 65 percent of the labor needed to build their homes. Consequently, many HAC SHOP self-help families contribute many more hours to building their homes than HUD requires.

The average participant in HAC's SHOP program contributes 1,093 hours of construction labor to self-help units. The work involves all phases of construction including site preparation, framing, roofing, landscaping, siding, and interior painting. Participant families often work together in groups, helping their neighbors build as they work on their own homes. This commitment gives the families a strong sense of community and pride, and significantly reduces the cost of self-help housing units.

The average participant in HAC's SHOP program contributes 1,093 hours of construction labor to self-help units.





Photography of Community Action Commission of Fayette County SHOP project by April Greene



Photography of Kitsap County Consolidated Housing Authority SHOP project by Jesse Charles Beals

TIME IS MONEY

*Inter-Lakes Community Action, Inc.
South Dakota*

"Self-help housing is kind of like camping," says Steve Stunes of Inter-Lakes Community Action, Inc. (ICAP) "If you want to know whether or not you want to marry someone, go camping for a weekend or build a house with them." SHOP funds are often used to help families build housing in subdivisions, where families work closely together for

months at a time, learning a lot about each other and themselves. The local affiliates also learn a lot about how to motivate families and keep them motivated throughout a long building project.

While many families are inspired by the prospect of owning their own homes, the sponsoring organizations must often find ways to keep families motivated throughout the self-help process. ICAP's third building group was made up of four married couples and one single mother. Burdened with

responsibilities of work and family, participants would often get impatient with how long it was taking to build the homes. To help these families fully appreciate what they were doing, Steve would put their required sweat equity hours into a dollars and cents context. He calculated that the money the families saved through sweat equity was equal to what they would earn working a \$15 per hour part-time job with no deductions. Knowing this helped many families get through the 10-month

build and eventually get them into their homes.

The value of the sweat equity can also be seen in the homes' sale prices. One of the self-help families had to sell their home when the head of household was promoted and transferred to another city. Two years after moving in, their home was sold for \$56,000 more than what they had paid. The investment this family made through building their home had truly been worth the effort.

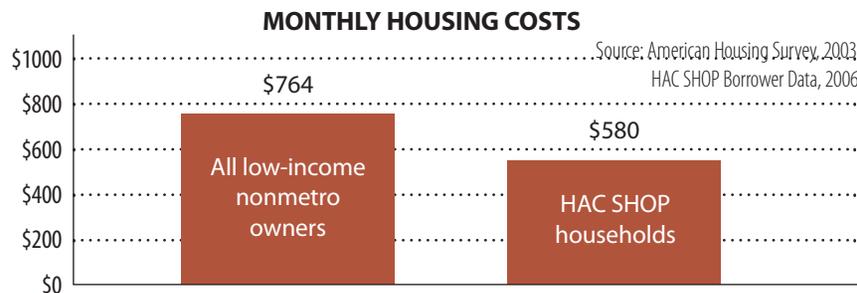
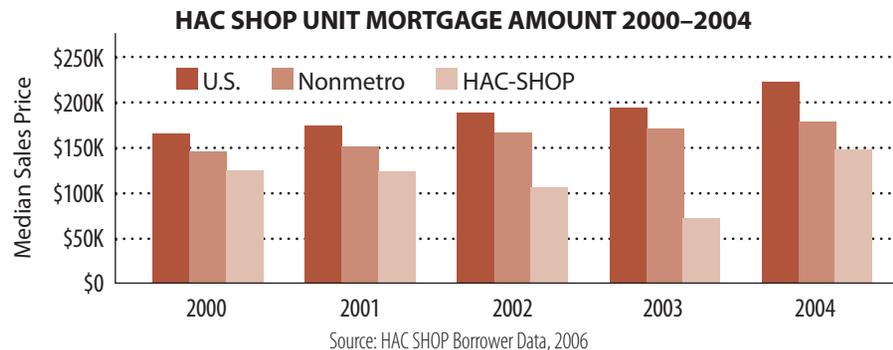
Quality Homes, Reduced Housing Costs

Under the direction of construction supervisors, participant homebuyers work to build the homes and communities in which they will live. In some cases, affiliates allow the participants to select from a range of home designs, choosing the home layout and paint colors to fit their individual styles. The finished self-help units are often indistinguishable from contractor-built homes, but because of the labor and other subsidies, the homes can be sold to the families at a significantly lower sales price.

As of September 30, 2006, HAC SHOP affiliates have completed over 4,982 of the 6,580 self-help units committed under the SHOP program. The \$15,000 per unit SHOP funding and sweat equity investment by the families, in addition to other leveraged resources (see Forging Partnerships section below), have created affordable homes for low-income residents.

Between 2000 and 2004, the average median purchase price of a newly constructed home in nonmetro areas was \$178,300.^{viii} Among HAC SHOP assisted households, the mean mortgage amount for units constructed between 2000 and 2004 was \$123,269 – 45 percent less than the national nonmetro average. Like other costs, SHOP housing prices vary significantly across the nation. Development and land costs tend to be much higher on both the east and west coasts. For example, the average mortgage amount for SHOP units built in California is over \$192,000 compared to an average of \$68,000 among units in West Virginia.

The lower overall price of the home means a lower monthly mortgage payment for the self-help family. HAC SHOP assisted households pay an average monthly housing cost of \$580 compared to \$764 for low-income owners with a mortgage in all non-metro areas.^{ix}



SHOP INNOVATIONS: GREENING SELF-HELP HOUSING

Colorado Housing, Inc., Colorado

Colorado Housing, Inc., (CHI) was founded exclusively for charitable and educational purposes, including helping the poor and distressed, ending prejudice and discrimination, and providing decent, affordable housing to low- and moderate-income people. As of June 2006, the organization has built 163 self-help homes and 23 more self-help units are under construction.

CHI is working to redesign its house plans using solar panels and other green building techniques, to make self-help houses more affordable in the long run. Other organizations have incorporated similar green techniques in their affordable housing projects, saving low-income families more than \$400 annually on energy costs.

MAKING THE IMPOSSIBLE POSSIBLE

Housing Assistance Corporation, North Carolina

As a growing number of well-off retirees relocate to Henderson County, N.C., the community faces a growing housing affordability problem. Wages in the service based job market have not kept pace with escalating housing costs. In 2005 the average sales price for a home in Henderson County was about \$222,000 – well out of range for a working family who can afford only \$100,000 to \$130,000 for a home.

The Housing Assistance Corporation North Carolina* (HAC NC), a local non-profit and HAC SHOP affiliate, helps many families who want to become homeowners through its self-help housing program. According to HAC NC staff, nearly 85 percent of HAC NC's SHOP program participants would not qualify for traditional home loans, but because HAC NC's program requires no down payment and closing costs are included in the mortgage loan, participants can afford to buy their own homes. As of 2006, HAC NC has helped 47 families become self-help homeowners with five more in the works for 2007.

Stacey Rose was in her last year of college when she and her new husband, Sean, were expecting their first

child. They thought homeownership was well out of their reach until they found out about HAC NC's self-help housing program. Within weeks the Roses were qualified and added to a building group of nine other families. With some hard work, the Rose family soon moved into their new home. By working on the home in the evenings and on weekends, the Roses and families like them, saved an average of \$20,000 off the cost of their homes. The average HAC NC self-help home costs a family \$120,000 to purchase and is appraised at over \$140,000.

While the process of building his own house along with all his other responsibilities was overwhelming at times for Sean Rose, there were many benefits. Soon after he and his wife completed their home in the Meadow Woods subdivision, Sean was offered a job at HAC NC as a construction supervisor. He has been employed there since the summer of 2002. Self-help not only provided the Roses with a new home, it also gave Sean Rose a whole new career.

**Not a subsidiary of the Housing Assistance Council.*



As of 2006, HAC North Carolina has helped 47 families become self-help homeowners with five more in the works for 2007.

SHOP FAMILIES

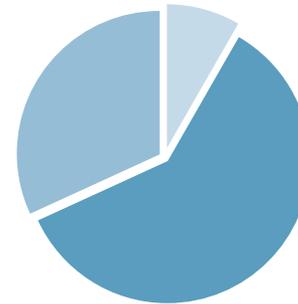
MANY LOW-INCOME FAMILIES who could thrive as homeowners lack the resources to make down payments or to cover closing costs. Others may simply be intimidated by the home buying process and need some help navigating through the system. Only 58 percent of rural poverty level households are homeowners compared to 76 percent of all rural households (HAC 2005). The SHOP program is structured to help low-income households access some of the resources they need to become homeowners. HAC has always recognized that certain rural areas and populations experience poverty and substandard housing at higher levels than the rest of the nation, facing greater obstacles to securing affordable housing. SHOP resources have enabled HAC affiliates who work in high needs regions and with underserved populations to build sustainable, affordable homeownership opportunities for low-income homebuyers.

Low-Income Homeowners

The SHOP program is intended to promote homeownership for low-income families and individuals; eligibility is therefore limited to those homebuyers whose incomes do not exceed 80 percent of the area median income (AMI) (HUD 2006a). HAC SHOP affiliates have been able to use available resources to make self-help homeownership affordable for and accessible to homebuyers with extremely low incomes. While all HAC SHOP-assisted households are low-income (incomes below 80 percent of AMI), over half of all HAC SHOP families are very low-income (under 50 percent of AMI) and 12 percent are extremely low-income (under 30 percent of AMI). The median income of HAC SHOP families is \$25,000, which is more than 40 percent less than the national median income.

HAC SHOP FAMILIES PERCENT OF AREA MEDIAN INCOME

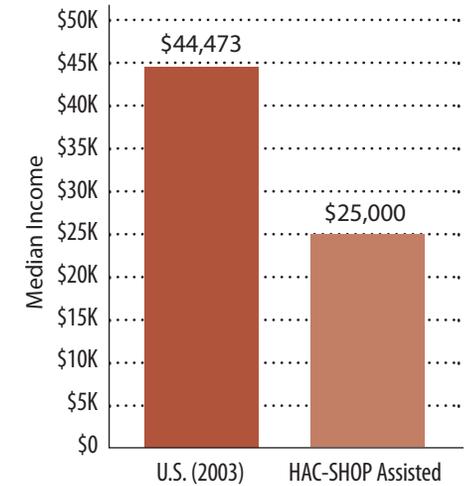
Source: HAC SHOP Borrower Data, 2006



- 12% are at or below 30% of AMI
- 35% are 51%–80% of AMI
- 53% are 31%–50% of AMI

MEDIAN INCOME

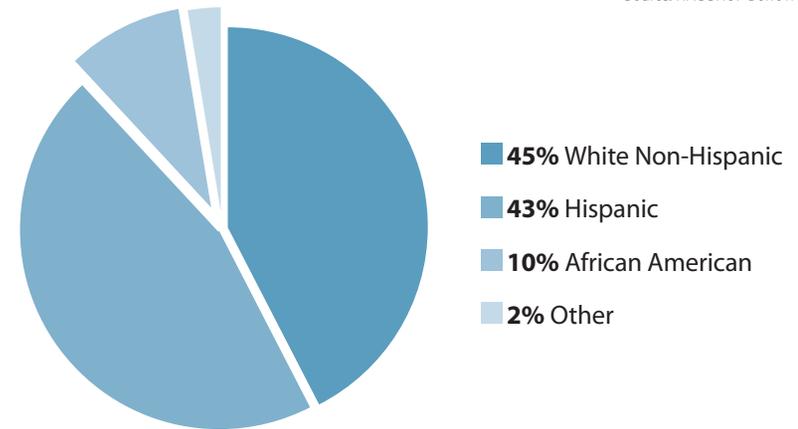
Source: HAC SHOP Borrower Data, 2006



Photography of Alaska CDC SHOP project by Ron Stapleton

RACE & ETHNICITY OF HAC SHOP FAMILIES

Source: HAC SHOP Borrower Data, 2006



Minority Homeowners

Minorities in rural areas are among the poorest and worst housed groups in the nation, with extremely high levels of inadequate housing conditions and lower overall homeownership rates (HAC 2002). Whereas 80 percent of nonmetro non-Hispanic whites own their homes, 61 percent of nonmetro minorities are homeowners. Non-white and Hispanic rural households are also three times more likely to live in substandard housing than non-Hispanic white rural residents. Nationally, more than one in five rural households headed by African Americans lives in substandard housing.

SHOP resources have been used to help close the homeownership gap between racial and ethnic minorities and whites. While less than 20 percent of rural America's population is minority, 55 percent of all HAC SHOP families are headed by minorities.



Photography of Tunica County Housing Project, Inc. SHOP project by Danny Klimetz.

The median income of HAC SHOP families is \$25,000, which is more than 40 percent less than the national median income.

Households with Children

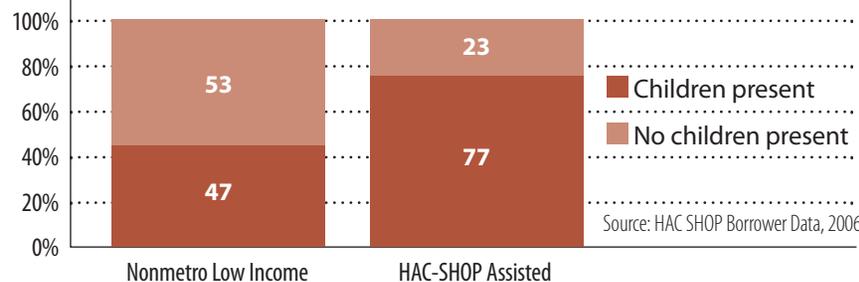
HAC SHOP families are more likely than other rural low-income families to include children. Over three-quarters of all HAC SHOP families – excluding elderly households – include children as compared to slightly less than half of all other rural low-income families.

Research has shown that children whose parents are homeowners do better in school and have fewer behavioral problems than children living in rental housing (Haurin et al. 2002). Previous research on self-help housing has shown that when families build together the process itself can help develop supportive communities where children can and have excelled in school and gone on to become homeowners themselves (HAC 2005).



Photography of Tunica County Housing Project, Inc. SHOP project by Danny Klimetz.

HOUSEHOLDS WITH CHILDREN PRESENT (NON-ELDERLY)



RIISING TO THE CHALLENGE

Tunica County Housing Project, Mississippi

Deep in the heart of the Mississippi Delta, the Tunica County Housing Project (TCHP) has established a goal to provide decent affordable housing by 2008 for every family living in Tunica County. Self-help homeownership and SHOP funding have been central to TCHP's effort. Freddie Brandon, TCHP's president, explains the importance of increasing homeownership among Tunica County's predominantly African-American population. "Homeownership helps you build a better life for you and for your family. When you buy a home you are investing in your own future, instead of giving your money to a landlord."

Homeownership is a challenge in this region, however, given high poverty rates and poor credit among many households. Families come to TCHP with serious credit problems, and the organization provides assistance in the form of classes and one-on-one credit counseling. But this can be a long and difficult process for many. TCHP worked with several families for more than five years before they were able to become self-help homeowners.

TCHP has found that participant families are not easily discouraged and will rise to the many challenges facing them. A recent self-help building group displayed tremendous enthusiasm and determination when the group was challenged to finish their

units in four months. They promised to finish on time – no matter what. Despite a number of personal hardships, including deaths in two of the families, the group completed the units on schedule. Families like these, so driven by the desire to own their homes, keep TCHP striving to help African-American families make their dream of homeownership a reality.

Since 1992, TCHP has constructed more than 60 housing units, 40 of which were produced using SHOP funding. The result of TCHP's self-help work is a beautiful community with lovely brick veneer houses. The program has given many African-American families an opportunity to become homeowners that they otherwise may not have had. Because of these successes, many more low-income, minority families are hoping to own a home in Tunica County and the county is enjoying a higher tax base as more families acquire property. SHOP is clearly an important part of TCHP's efforts to solve the county's housing problems.

SPECIAL NEEDS REGIONS AND POPULATIONS

HAC offers services to public, nonprofit, and private organizations in all rural areas, with a special focus on high-need groups and regions.

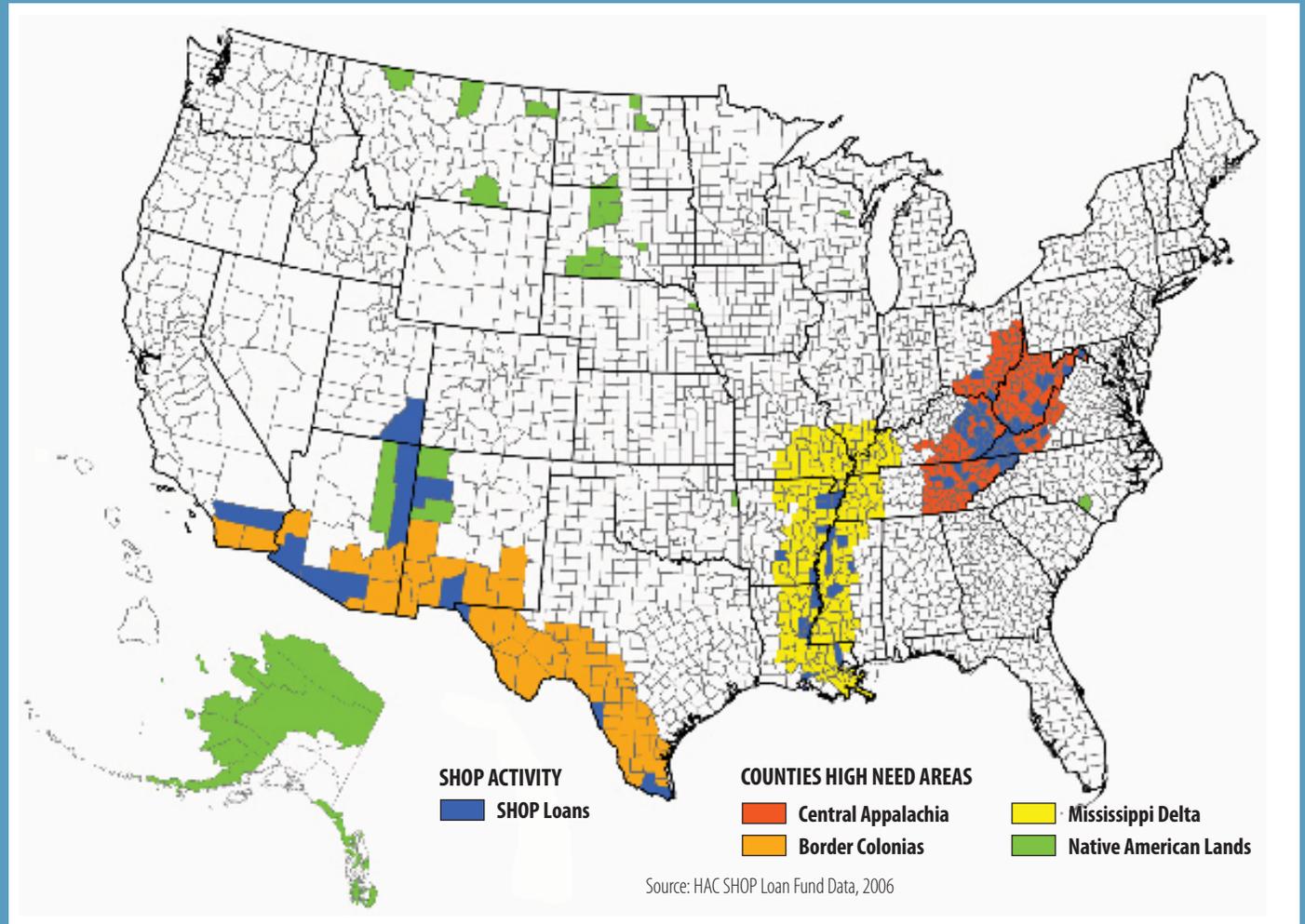
Border Colonias. HAC defines the border colonias region as 66 counties within the states of Texas, New Mexico, Arizona, and California that are located within 100 miles of the U.S.-Mexico border. This region is dotted with hundreds of rural subdivisions characterized by extreme poverty and severely substandard living conditions.

Central Appalachia. The region includes selected counties in states stretching from northern Mississippi to southern New York. HAC focuses on the central region, which includes 215 counties in the states of Kentucky, Ohio, Tennessee, Virginia, and West Virginia. Central Appalachia's poor housing conditions are compounded by the isolated nature of many Appalachian communities.

Lower Mississippi Delta. The Lower Mississippi Delta region is defined as 219 counties and parishes in portions of Arkansas, Louisiana, Missouri, Illinois, Tennessee, and Kentucky. The region's population is almost one-third African American and 18 percent of the region's residents are poor and more than 25,000 units in the region are substandard.

Native American Lands. Native Americans are historically one of the poorest groups in the country, and persistent poverty and inadequate housing conditions continue to be key issues on Native American lands.

HAC has made 38 SHOP loans in high needs rural communities totaling more than \$3.19 million in resources. HAC SHOP funds will be used to construct more than 530 units of self-help housing in these high needs regions. SHOP has provided a critical piece of financing needed to construct affordable housing in these communities.



Farmworkers. Farmworkers can be found throughout the United States. Despite the long hours and difficult work they perform, farmworkers are among the lowest paid workers in this country. Due to their low wages, farmworkers face significant challenges in finding decent, affordable housing. Farmworkers often participate in self-help housing programs. Several HAC SHOP affiliates in California, Texas, and Florida work closely with farmworker populations and use SHOP resources to meet farmworker housing needs.

MORE THAN A ROOF

ACROSS THE COUNTRY, more than 20,500 households will become self-help homeowners working in collaboration with organizations that have been funded with SHOP resources. Like other homeowners, these families will reap the many benefits that have been shown to accrue to those who own their own homes and the communities in which homeowners reside:

- increased personal assets and wealth;
- higher rates of civic engagement and involvement (Retsinas and Belsky 2002); and
- improved learning and behavioral outcomes for children (Haurin et al. 2001).

HAC SHOP affiliates have worked with low-income families to create homeownership opportunities that result in real wealth for self-help homebuyers. HAC SHOP-assisted families enter into their homes with initial equity based on the labor they contribute to their homes and there is also evidence that the self-help units developed have appreciated in value. However, these benefits are significant only if a family is able to maintain homeownership over the long term. HAC SHOP affiliates have created systems and programs that help families hold on to their homes in times of crisis and reap the substantial benefits of self-help homeownership. SHOP resources have also helped to build community resources associated with the development of the units and the nonprofit organizations that do this work.

Increased Wealth

While income is an important indicator of financial resources, research has shown that assets play a much greater role in determining economic stability. Assets enable families to respond to economic crises and assets also create a more stable economic future for the next generation (Sherraden 1991). Research has shown that many low-income families lack both liquid (e.g., savings) and non-liquid assets (e.g., home equity), making them vulnerable to future economic hardships (Carney and Gale 2000; Retsinas and Belsky 2002).

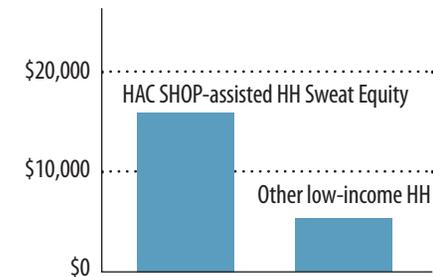
As new homeowners, self-help families have access to one of the major sources of wealth among low-income groups – a home. Homeownership is a central asset building strategy. Mortgage payments can be compared to an enforced savings account that homeowners can tap into in times of need by cashing out equity. Before making their first mortgage payment, self-help homeowners have “sweat equity” in their units. HUD defines sweat equity as the difference between the appraised value of the unit and the actual cost (i.e., mortgage) for the family (HUD 2006, 11968).

Families that built units using HAC SHOP 2002 funds reported an average of \$15,877 in sweat equity, more than three times the amount of non-liquid assets typically held by low-income families (Wagmiller 2003).^x

In general, housing values are lower in rural America than in urban areas. The median value of all homes in the U.S. in 2000 was \$119,600 compared to \$81,000 in nonmetro areas (HAC 2002). Despite overall lower values, rural

housing values have risen at a greater rate than those in urban areas in recent years (HAC Forthcoming). The 2000 Census reveals that inflation adjusted median home values increased by 32 percent between 1990 and 2000 in nonmetropolitan areas, approximately 11 percentage points greater than the national rate of appreciation.^{xi}

LOW INCOME FAMILY ASSETS



Source: HAC SHOP Borrower Data, 2006

Previous research shows that self-help units are an appreciating asset for low-income homeowners and typically increase in value over time (HAC 2005). Self-help families reported an estimated median home value of \$110,000, which is 137 percent of the median value reported for all rural homes. The self-reported median increase in value for self-help homes built from 2000 to 2004 was \$22,000.^{xii}

With the sweat equity they earn through building their units and the increasing value of their homes, self-help participants have access to assets that can be used to support families in times of need. HAC SHOP-assisted households have reported using their home equity to finance their children's education, make future home improvements, or consolidate debts.

PLANT A SEED AND WATCH IT GROW

Florida Home Partnership, Florida

A home is the most valuable asset most families will ever own and can represent an important source of wealth for homeowners. However, many low-income homeowners may find it hard to build substantial equity in affordable housing. Florida Home Partnership (FHP), a HAC SHOP affiliate, takes the goal of building equity seriously and makes it a reality for its families.

FHP achieves this goal by building “workforce communities.” Self-help homes are built adjacent to market-rate communities. These units have been designed to have the same aesthetics and amenities as market-rate homes, making them indistinguishable from the surrounding community. In addition to construction standards, FHP creates homeowner



associations in each of its communities. These associations have by-laws and standards that govern the up-keep of the community, thereby allowing the housing values to stay high and in many cases grow significantly. On average, self-help residents move into their communities with \$50,000 of sweat equity and FHP has seen the value of their SHOP funded units grow each year.

The wealth self-help homebuyers accumulate can be important when families are looking to purchase larger homes or move out of the area. The Martinez and Ornelas families moved into their self-help homes 10 and 5 years ago, respectively. Today these two families are looking to move into bigger homes in order to accommodate their expanding families more comfortably. Purchased at around \$70,000, their self-help homes will sell for almost \$200,000 today. The Martinez and Ornelas are delighted to be able to move up to larger homes and because of the work they did years ago, they will have the assets they need to achieve their new dreams.

Photography of Florida Home Partnership SHOP project by Thomas Levine.

THE VALUE OF HOMEOWNERSHIP

Self-Help Enterprises, California

For Self-Help Enterprises (SHE) building equity and wealth is the “kernel” of the self-help housing program. According to Peter Carey, SHE’s executive director, “Assets give people stability that money doesn’t give,” and the organization has always designed projects to ensure that families end up with a reasonable amount of sweat equity at the end of construction.

In the past, SHE has tried to ensure that participants have sweat equity totaling at least 10 percent of the value of the home. Today the amount of equity tends to exceed that; most families move into SHOP homes with about \$30,000, or 20 percent of the value of the home, in equity. The organization is so insistent upon creating wealth for families that if a project is not guaranteed to give families equity in their homes upon move-in, SHE will not take on the project.

SHE was founded in 1965 to improve the living conditions of low-income people in the San Joaquin Valley of California. Its self-help initiative is the oldest in the country and is the prototype for the U.S. Department of Agriculture’s (USDA) Mutual Self-Help program. Since 1965, SHE has created more than 5,400 self-help homes, making it the largest producer in the country. HAC SHOP resources have been used to fund over 300 SHE self-help units over the last decade.

The value of SHE’s SHOP homes has increased tremendously over the years – most units have doubled or tripled in value. While the cost of building materials has risen nearly 40 percent over the last three years and developable lots can cost anywhere between \$40,000 and \$80,000, the appraised value of self-help units has risen faster than the cost. On one hand, this has contributed to the viability of the program. On the other hand, this also makes it more difficult to qualify lower income families. This is why SHOP is essential to ensuring that at least 40 percent of the families SHE serves have very low incomes.

SHE has witnessed first hand the positive effect of home equity on families. Recently a young man shared the story of how his parents were able to use the equity they had in their SHOP home to finance college educations for him and his siblings. Home equity gives families a financial base that enables them to achieve more and SHE’s self-help homes have been an appreciable and an appreciated asset for participants.

MAINTAINING HOMEOWNERSHIP

WHILE ACHIEVING HOMEOWNERSHIP can be challenging for low-income homebuyers, maintaining homeownership over the long term can also be difficult. Homeowners with little savings and few assets can be pushed into foreclosure by personal issues including job loss, divorce, and illness. Local affiliates report that predatory lenders often target homeowners with significant equity in their homes, including self-help homebuyers. Larger economic forces such as the increasing cost of living and stagnating wages can also contribute to financial hardships that can lead to the loss of one's home. Foreclosure rates across the country have increased dramatically in the last few years (Bresnahan 2006), threatening the largest asset that many low-income families will ever have – their homes.

HAC SHOP affiliates have created relationships and systems to ensure that self-help families can keep the homes they work so hard to build. In addition to the pre-purchase counseling that most affiliates require, many affiliates engage in formal and informal post-purchase counseling to protect homes from economic downturns and abusive lending practices. Universal Housing Development Corporation and Community Action Commission of Fayette County are two HAC SHOP affiliates that have had success in helping self-help families keep their homes and the equity they have built in these units.



Photography of Community Action Commission of Fayette County SHOP project by April Greene

KEEPING WHAT THEY HAVE EARNED

Community Action Commission of Fayette County, Ohio

Families across the country have fallen victim to predatory mortgages, payday loans, and other lending abuses that strip families of home equity and force them into foreclosure and bankruptcy. For the last several years, the state of Ohio has had among the highest rates of mortgage foreclosure in the country. The Community Action Commission (CAC) of Fayette County has worked vigorously to combat this trend, particularly for the group's self-help families who have so much home equity to lose.

Originally established in 1965 to operate the county's anti-poverty and community development programs, CAC of Fayette County amended its by-laws in 1992 to include housing as one of the organization's specific purposes. Since that time, the organization has received over \$1 million in SHOP funding to help 122 families build self-help homes. The significant amount of sweat equity self-help families have in their homes makes them prime targets for predatory lending activities that can strip equity and ultimately lead to the loss of their homes.

To combat home loss, CAC of Fayette County provides a considerable amount of credit counseling and pre- and post-homeownership counseling, as well as emergency funding and a forgivable second mortgage. The organization has also formed an

Individual Development Account (IDA) program that allows homeowners to put funds aside in an account matched by CAC of Fayette County; the money saved in the IDAs can be used to make emergency mortgage payments.

Most importantly, the organization works hard to stay in contact with families long after their units are complete, creating a support network on which families can rely. The organization publishes a newsletter that keeps families in touch, and has worked closely with the families to develop neighborhood watches and associations. Families are encouraged to come to CAC of Fayette County staff with any concerns or questions.

These strategies to combat home loss seem to be working, as over two-thirds of the homeowners from the first two rounds of SHOP are still living in their homes. While some families have sold their homes and moved away, overall, almost 80 percent of homeowners in CAC of Fayette County's self-help program remain in their units today. Because they have the tools and resources they need to stay in their homes, HAC SHOP families in Fayette County Ohio are keeping the homes they worked so hard to get.

Photography of Universal Housing Development Corporation SHOP project by Karen Segrave.



PUTTING DOWN ROOTS

Universal Housing Development Corporation, Arkansas

For many low-income families the biggest challenge to maintaining homeownership can be the ordinary financial ups and downs of life. Universal Housing Development Corporation (UHDC) was one of the original HAC SHOP affiliates and the organization works hard to help its families keep the homes they worked so hard to build.

UHDC's mission to provide housing and housing assistance to low- and very low-income families led the group to apply for and receive SHOP funds. For Universal, however, the work does not end when the families enter homeownership. The organization continues to support those first 47 SHOP families.

Pope County, Ark., UHDC's primary service area, has a poverty rate of over 17 percent and about one third of the

households are single women with children. Life events can threaten the homeownership many families have worked hard to achieve. Debt, job loss, and divorce can all lead to mortgage payment delinquencies or default. In spite of these challenges, most of the families served by Universal Housing's self-help program are still enjoying homeownership today, either in their original units or elsewhere.

Universal Housing works to combat home loss through extensive credit and homeownership counseling, before and after the home purchase, and by maintaining strong ties to homeowners. By encouraging families to seek out staff when problems arise, and continuing that relationship long after the move-in date, Universal Housing has managed to

get most homeowners back on track if and when they fall into delinquency.

These efforts have paid off; 30 of the original 47 families who built their homes using SHOP 1996 and 1998 funds with UHDC are still living in their homes today. Some families sold their homes when they moved out of the community or were looking for bigger homes. There have been very few foreclosures among UHDC's self-help homebuyers. By putting families in a homeownership situation they can afford and keeping track of the families after they complete their homes, Universal Housing has had success in providing long-term stability for new homeowners in north central and western Arkansas.

STRENGTHENING LOCAL COMMUNITIES

IN ADDITION TO THE ACTUAL HOMES that are built, housing development can have a financial and social impact on the larger community. It has been estimated that the development of 1,000 new units of single family housing results in 2,448 full time construction and construction-related jobs and \$79.4 million in wages.^{xiii} Because of the needed financial resources and the self-help building model used by many affiliates, SHOP-supported self-help housing development activity helps to build community resources in a number of ways.

- Forging partnerships with other government and private funding sources;
- Building the capacity of nonprofit organizations;
- Encouraging community bonds and civic participation.

These resources are critical in the communities where HAC SHOP resources have been used. The vast majority (75 percent) of HAC SHOP activity from 2000 to 2005 has occurred in rural counties across the country where access to affordable homeownership options is often limited. Overall, HAC SHOP affiliates have built self-help units in counties that have lower homeownership rates (62.5 percent), higher cost burden rates (27.6 percent), and have higher crowding rates (10.7 percent) than other counties across the nation. SHOP funds and the eventual development of self-help units in these counties have resulted in additional resources, increased nonprofit capacity, and stronger ties in these communities.



Photography of Kitsap County Consolidated Housing Authority SHOP project by Jesse Charles Beals.

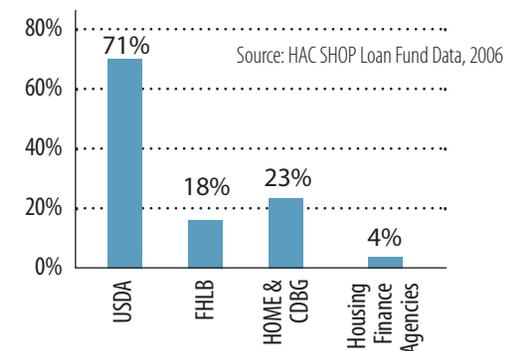
Forging Partnerships

Successful self-help housing developments would not be a reality without partnerships. Affordable housing development depends on the cooperation of the housing organization, funders, local government, and several other key players. SHOP funds provide vital pre-development money to start projects and help organizations leverage additional dollars. SHOP funds are typically used in conjunction with one or more federal, state, local, or private funding source.

HAC SHOP affiliates access multiple funding sources in order to develop self-help units. Among the more popular additional financing sources are the U.S. Department of Agriculture's Rural Development (RD) Section 502 single-family loan program and the Section 523 self-help housing technical assistance program.^{xiv} USDA resources were identified as an additional source of funding in over 70 percent of all HAC SHOP loan commitments between 2000 and 2005. Additionally, HAC SHOP affiliates have also accessed Federal Home Loan Board (FHLB) Affordable Housing Program dollars, Community Development Block Grant (CDBG) and HOME funds, and funding from state Housing Finance Agencies. These additional resources help to keep the units affordable for low-income participants.

An analysis of recent loan activity from 2000 through 2005 shows that HAC SHOP funds have leveraged a total of \$675.2 million; for every \$1 in HAC SHOP funds invested in a self-help family housing project, another \$14.23 is leveraged in additional funds.^{xv} Leveraged dollars make self-help housing a reality and keep the units affordable for the lowest income groups.

HAC SHOP PROJECT FUNDING SOURCES 2000–2005



PIECES OF A PUZZLE

Proyecto Azteca, Texas

Proyecto Azteca (Proyecto) is a non-profit organization incorporated in 1991 to provide housing assistance for very low-income and extremely low-income families living in isolated border colonias in and around San Juan, Texas. Using the self-help approach, Proyecto Azteca organizes groups of families to build their own decent and affordable homes. Because of the range of funds that are brought together and the organization's unique Cascaron House Kit, Proyecto is able to sell self-help homes to participant families for as little as \$40,000.

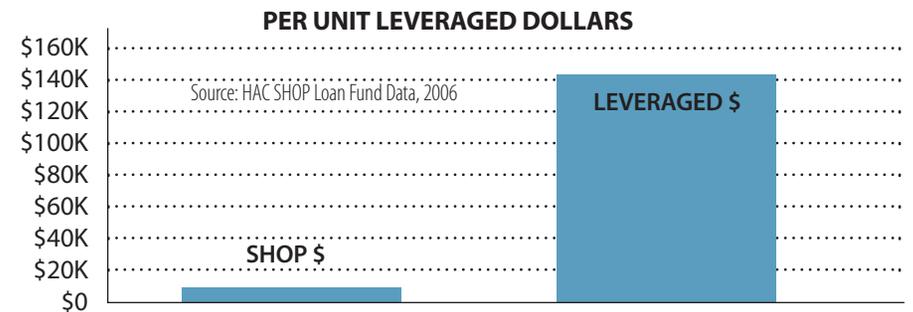
Proyecto has financed and trained more than 400 families in construction and first time homeownership in over 50 Hidalgo County colonias. Since Proyecto's incorporation, it has received significant federal and local support and has used these resources creatively to make self-help homeownership affordable for and accessible to the lowest income groups.

In addition to SHOP and USDA Section 523 funds, Proyecto has received funding from the Rural Housing and Economic Development program, Hidalgo County HOME funds, Texas Bootstrap Home Loan program, CDBG, and FHLB of Dallas to build self-help units.

In addition to bringing additional financial resources into the region, Proyecto's self-help housing development has had larger community and social development implications. Proyecto recently launched a HUD Youthbuild program to help youth obtain their GEDs and to allow them to gain work experience in the construction field as they contribute toward building 40 homes in a 19 month period.* The organization has also partnered with the Texas Youth Commission and Evins Regional Juvenile Correction Center to work with 24 incarcerated youth from the Rio Grande Valley helping these youths gain construction experience as they complete three housing units per year.

Hardworking families, Proyecto Azteca's self-help model, and resources like SHOP are all pieces of a larger community development puzzle that results in affordable homeownership for low-income families in the border region.

*YouthBuild participants' labor contributions are not considered volunteer labor as these participants are paid a stipend for their work.



Building the Capacity of Local Organizations

Building self-help housing requires a certain level of financial and technical capacity. HAC provides technical assistance to rural self-help developers and because so many groups are also USDA Section 523 grantees, they also have access to the USDA technical assistance providers. The Section 523 program also provides critical administrative funding for local self-help sponsors, which can be used to pay staffing costs or provide participant training. Nonprofits across the country are constantly challenged by the need to identify and raise additional operational and programmatic funds.

HAC provides local affiliates with an opportunity to raise much-needed housing development funds through SHOP. When a SHOP affiliate meets its production goals and other requirements, as outlined in its loan agreement, HAC allows for up to 80 percent of the organization's loan to be forgiven. The affiliate can then use those funds for other purposes related to the self-help program, resulting in increased capacity for the organization and increased affordable housing activity in its communities.

Through September 30, 2006, HAC has formally forgiven more than \$15 million in SHOP funds and more than 70 local organizations have used these funds to subsidize participating families, engage in additional affordable housing development, or invest in their own revolving loan funds.

Investing in Affordability

Given the escalating cost of land in California, many housing developers have found it difficult to create affordable housing for low-income populations. Burbank Housing, Inc. has used its forgiven SHOP grant to provide additional subsidies to low-income families. Of the \$187,000 in SHOP 1998 funds that was formally forgiven, Burbank Housing provided additional subsidies totaling \$145,000 to seven families to ensure that these families can afford the units they worked to construct.



Photography of Rural Development, Inc. SHOP project by Charles Abel.

Encouraging Community

Much of the self-help development undertaken by HAC SHOP affiliates occurs in subdivisions where families work together to build their and their neighbors' homes. This partnering often builds deep bonds of trust and reciprocity that can facilitate future neighboring, adding an important social network to the physical community that has been created.

There is a strong connection between homeownership and 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 also been shown that homeowners are 10 percent more likely than renters to work to solve their communities' problems (DiPasquale and Glaeser 1999).

A survey of self-help participants revealed high levels of trust between and strong connections among neighbors (HAC 2005). Further, self-help residents were very likely to be involved in civic activities; 90 percent of all self-help homeowners surveyed reported having an active civic life, including participation in the local PTA, voting, or church attendance. Individuals who participate in community life are much more likely to become involved in community dynamics and work to address community needs.

KEEPING IT AFFORDABLE

*Rural Development, Inc.
Massachusetts*

Local affiliates have used creative strategies to ensure that the units built using SHOP funds remain affordable. In 1998, SHOP funds were used to help five families build their homes in the South Montague development in Turner Falls, Mass. Today four of those families still live there. The fifth family ran into some financial trouble and subsequently, they defaulted on their mortgage and had

to sell their home. Because of a 15-year restriction in their deed to the property, the family was required to sell the house back to Rural Development Inc., the sponsoring organization, for what they originally paid. Eventually, another low-income family was able to buy the home, keeping it in the affordable housing stock.

RDI runs the Home Ownership Program (HOP) to provide affordable housing to low-income first-time homebuyers. HOP assists residents earning 80 percent of the area median income to

obtain a mortgage and receive homebuyer education. SHOP funding is a key resource, helping to make HOP an efficient tool to meet clients' needs.

HOP accomplishes two things. It allows low-income families to become homeowners through RDI's self-help program. HOP also preserves the housing unit for additional low-income residents by imposing a deed restriction on many of the self-help units. As a result, RDI has been able to create stable, affordable communities using SHOP funding. Through the deed rider, if resi-

dents choose to sell their homes within 15 years of purchase, they must offer them back to RDI or to an RDI-certified low-income resident for essentially the same price they paid. After the 15 years are up, residents may sell at market rate.

Throughout the years RDI has built and sold over 80 scattered site units. Because of RDI's creativity and SHOP resources, these 80+ units of housing will remain affordable for an untold number of low-income families for years to come.

CONCLUSION

The Department of Housing and Urban Development has supported the development of more than 20,000 affordable self-help homes across the country through 2006. Self-Help Homeownership Opportunity Program (SHOP) funds provide local affiliates with the resources needed to purchase land and improve infrastructure – activities that set the stage for the labor these affiliates and the participating low-income families will invest in building these homes.

As one of the seven SHOP grantees over the program's 10-year history, the Housing Assistance Council (HAC) received over \$76 million in funding to complete 6,580 units of affordable housing. With its emphasis on serving rural communities and 35 years of experience, HAC has been well positioned to serve the needs and interests of a broad range of rural constituencies.

HAC SHOP affiliates are a critical part of the self-help development process and they often face significant challenges to developing affordable housing – from accessing water to qualifying families for a mortgage loan. Despite these challenges, the HAC SHOP program has had some impressive results:

- ❖ HAC SHOP resources have been used to construct thousands of affordable homeownership units for underserved populations:
 - *The median income of a HAC SHOP assisted household is \$25,000 and 65 percent of the households served are very or extremely low-income.*
 - *Fifty-five (55) percent of the households served are headed by minorities.*
 - *More than three-quarters (77 percent) of these households have children present.*
 - *SHOP resources have also been used to build more than 530 units of affordable housing in the high needs regions of Appalachia, the Border Colonias, the Mississippi Delta, and Native American lands.*
- ❖ The average mortgage (i.e., sales price) on a HAC SHOP unit developed between 2000 and 2004 was \$123,269, less than 45 percent of the average sales price for another new unit over the same time period.

SHOP affiliates and participants have reported longer term impacts of the program, including increased wealth for the families and increased capacity among the local affiliates.

- ❖ HAC SHOP-assisted households average 1,093 hours of labor on self-help units and families report more than \$15,800 in sweat equity when they move into their homes.
- ❖ Local affiliates have leveraged more than \$591 million in additional funds to build SHOP units.
- ❖ HAC has formally forgiven \$15 million in SHOP grant funds that local affiliates have used to create additional affordable housing opportunities for low-income families.

With this increased individual wealth and community capacity, HAC SHOP families have invested in their futures and local affiliates are creating and helping to sustain affordable housing opportunities for more low-income families.

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ENDNOTES

ⁱ Information on the families is derived from a survey of HAC affiliates. Every five years, HAC randomly selects loans to survey borrowers and collect data on the households that occupy units constructed using HAC loan products. The most recent survey was conducted in March, 2006 and resulted in the selection of 51 SHOP loans that were disbursed between 2000 and 2004. The data collected provide information on 627 SHOP assisted households. Unless otherwise noted, all data pertaining to SHOP families derive from the HAC survey of borrowers.

ⁱⁱ For more technical information on SHOP, please see, *A Guide to Using Self-Help Homeownership Opportunity Program Funds*. This 2005 guide provides an overview of the program, SHOP requirements, and tips on designing a successful self-help program.

ⁱⁱⁱ Previously, HUD limited the average SHOP investment to \$10,000 per unit. In 2004 this was changed to an average investment of \$15,000 per unit.

^{iv} HAC defines rural as all counties outside of a metropolitan area, and metropolitan counties that have no urbanized population.

^v Many HAC SHOP affiliates are also USDA Section 523 grantees. Section 523 grantees also have access to four USDA funded Technical Assistance Providers: NCALL Research,

Inc., Florida Non-Profit Housing, Little Dixie Community Action Agency, and the Rural Community Assistance Corporation.

^{vi} Overall SHOP reporting data are derived from the Department of Housing and Urban Development's reporting data. Available via, <http://www.hud.gov/offices/cpd/affordable-housing/programs/shop/completion.pdf>

^{vii} While not part of the "planned units," those units funded with core SHOP dollars are considered to be required units. The additional units reported reflect those constructed using both core and recycled or revolved SHOP payments. The additional SHOP 1998 units were constructed using core SHOP funds that resulted from several SHOP affiliates using less than \$10,000 per unit.

^{viii} Annual median purchase price data derived from the U. S. Department of Housing and Urban Development and the U.S. Department of Commerce, *Characteristics of New Housing* c25/99A <http://www.census.gov/const/C25Ann/soldmedavgprice.pdf>: Accessed on May 12, 2006). Data were averaged from 2000 to 2004 for comparisons to SHOP survey data, as most units were completed in this time period.

^{ix} National monthly housing cost data derived from HAC tabulations of 2003 American Housing Survey data.

^x HUD requests and HAC collects and reports median sweat equity for each SHOP project. These numbers are then reported as average median sweat equity. It has been determined that a specific statistical formula must be used to average medians in this way. HAC will use this formula to calculate the average median sweat equity held by homebuyers.

^{xi} Interpolation methods are used and likely account for differences in medians from printed Census reports and those in this report. Various median values in this report were further estimated using weighting procedures.

^{xii} In 2005, HAC conducted a survey of households that participated in the USDA Mutual Self-Help Housing program. The survey resulted in responses from 155 families from nine communities across the country; the survey group included families who constructed their homes from 1972 through 2004. Participant households were asked to provide information on the amount they paid for their homes, the amount the homes were worth in 2005, and other data relative to the unit and the homeowners. For more information on the 2005 survey, visit <http://www.ruralhome.org/manager/uploads/creatingthevillage.pdf>.

^{xiii} Various studies have attempted to refine the multiplier effect for housing construction to determine how much the construction of a unit of housing contributes to the local economy. Given the highly complex and interrelated nature of housing construction and local economies, these multipliers are estimates and should be used with caution. For more information on the multiplier calculation cited in this report, see <http://www.realtor.org/sg3.nsf/Pages/americashousing?OpenDocument>

^{xiv} Many HAC SHOP-assisted homebuyers purchase their homes using USDA Section 502 mortgage loans; these subsidized loans become the permanent financing for the project. USDA Section 523 funds provide administrative funding to the organizations that administer the self-help programs.

^{xv} This calculation is based on an investment of \$10,000 in SHOP funds per unit. In 2004, the SHOP per unit limit was increased to \$15,000 per unit.



Housing Assistance Council

1025 Vermont Ave., NW,
Suite 606
Washington, DC 20005
TEL 202-842-8600
FAX 202-347-3441
hac@ruralhome.org

Southeast Office

600 W. Peachtree St., NW
Suite 1500
Atlanta, GA 30308
TEL 404-892-4824
FAX 404-892-1204
southeast@ruralhome.org

Western Office

Western@ruralhome.org

Southwest Office

3939 San Pedro, NE
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

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