



Building
Rural
Communities

HAC

Rural Voices

THE MAGAZINE OF THE HOUSING ASSISTANCE COUNCIL

Special Edition 2011 • Volume 16 / Number 1

RURAL HOUSING PROGRAMS THAT WORK



USDA RD SECTIONS 502 & 523

MESSAGE TO OUR READERS

Dear Friends

The Administration's proposed 2012 budget for USDA rural housing would eliminate two extremely successful homeownership programs for low-income families. The articles in this issue of *Rural Voices* illustrate the many ways that these programs expand homeownership, promote affordability, create jobs, and stabilize rural families and communities.

The 2012 budget proposes to completely eliminate the Section 523 Mutual Self-Help program, a \$37 million account. The self-help method involves families working together to build their homes and earning "sweat equity" under the supervision of experienced construction managers. These extensive labor contributions mean that each family has equity in their home when it is finished, and that the new owners know how to repair their houses, know their neighbors, and have a strong sense of community. In addition, a number of them use their on-the-job training to find new jobs in construction.

Many self-help participants, as well as other low- and very low-income homebuyers, rely on Section 502 Direct Loans for affordable mortgages. Notably, it is a loan program with reduced interest, not a giveaway, with the funds repaid to USDA, with interest. The 502 Direct program's delinquency and foreclosure rates are better than those of conventional mortgages.

The Section 502 Direct Loan program has allowed over two million families to accumulate assets through the equity in their homes. Assuming a conservative asset appreciation of \$20,000 per home, the Section 502 program has created wealth of over \$40 billion for these two million rural families. Yet the budget would reduce Section 502 funding by 80 percent, cutting off these opportunities for homeownership and asset accumulation.

The Administration's proposed 2012 budget would terminate some of USDA's most important efforts to provide decent, affordable housing for rural Americans. While these cuts would achieve some small savings, they would also eliminate jobs, job training opportunities, and asset building for hardworking low-income families. This is neither a fair trade, nor an appropriate choice in a fragile economy.



Joe Debro, Chair



Twila Martin Kekahbah, President



Moises Loza, Executive Director

Contents



VIEW FROM WASHINGTON

3 Rural Housing Programs that Work

FEATURES

USDA HOUSING PROGRAMS:

EXPAND HOMEOWNERSHIP. By providing affordable mortgages to low- and very low-income households, USDA Sections 502 and 523 increase homeownership rates beyond what the private market will support.

5 USDA Housing Programs have Countless Benefits
by Neal Gibson, NRHA

5 USDA Funding Helps Put an End to the Cycle of Poverty In Rural Colorado
by Brittnee Wood, CRHDC

6 A Chance at Homeownership
by Tom Sommerville, HRWC

7 Building Sustainable Assets through Homeownership
By Dana Cleary, CHISPA

PROMOTE AFFORDABILITY. The low rates of foreclosure for self-help and other USDA-financed homes show that USDA housing programs provide truly affordable mortgages.

8 Bringing Down Housing Costs in Hawaii
By Claudia Shay, SHHCH

8 Innovating to Affordability
By Mark Kvammen, NEICAC

CREATE JOBS. Section 502 funds support local businesses that sell materials, construction workers, plumbers, electricians, and others who depend on housing development for their livelihood.

10 States Recognize the Benefit of USDA Housing Programs
By Jill Lordan, NCALL

11 Supporting Local Businesses in Kentucky
By Wilma Kelley, BHDC

11 Getting the Economic Ball Rolling
by Kimberly Miller, UHDC.

STABILIZE FAMILIES AND COMMUNITIES.

Homeownership benefits families through a more stable environment for children and more investment in the surrounding community; particularly if the whole block help build one another's home.

12 With Drive and Determination
By Becky Reynolds, Little Dixie CAA

13 Finding a Way Home
by David Ferrier, CHIP

14 Building Homes and Communities in America's Breadbasket
by Tom Collishaw, SHE

Cover Photos provided by: Top Left to Right: HAC, CRHDC, and Little Dixie CAA. Bottom Left to Right: NRHA, CHIP and NCALL.

Unless otherwise noted, all photos in this publication were provided by the organization featured in the article.



RURAL HOUSING PROGRAMS THAT WORK

The U.S. Department of Agriculture (USDA) operates housing and community development programs that are targeted to meet the needs of America's rural communities. Housing programs have been a critical part of USDA Rural Development's effort to bring about improved living conditions in the nation's rural areas. Together, the Section 502 and 523 programs represent a critical resource in the effort to create affordable, sustainable homeownership for low-income rural residents.

Section 502 Direct Loans

Banks have tightened mortgage lending requirements, interest rates are rising, foreclosed homes are sitting vacant, and jobs are badly needed. A program that helps low- and very low-income families buy their first homes, and requires them to repay their assistance with interest, would be helpful – and the U.S. Department of Agriculture has such a program. The Administration's budget, however, proposes to cut 80 percent of its funding in 2012.

This program, Section 502 Direct Loans, provides affordable mortgages to borrowers in rural America whose incomes averaged only \$26,600 in 2009 (the most recent data available). Nearly four of every ten earned less than half of the median income in their area. Just over 30 percent of them in FY10 were minorities. The program's delinquency and foreclosure rates are better than those of conventional mortgages.

According to an Office of Management and Budget (OMB) Program Assessment, the Section 502 Direct Loan Program,

"is the only direct Federal mortgage program that is means tested and offers subsidized loans. This program routinely meets or exceeds its goals..." and "...it is unlikely that a private or state program would be able to provide assistance similar to this program."

Many families, including those who participate in USDA's self-help program, obtain Section 502 Direct Loans. To qualify for the program, families must be without adequate housing and unable to obtain conventional loans, yet able to afford the mortgage payments including taxes and insurance. They must have very low- or low-incomes, defined as below 50 percent or below 80 percent, respectively, of area median income.

Interest rates on Section 502 mortgages can be as low as 1 percent, depending on a family's income. Loan terms can be up to 38 years. There is no required down payment.

Since it began in 1950, the Section 502 Direct Loan program has allowed over two million families to accumulate assets through the equity in their homes, making it one of the most effective anti-poverty initiatives ever created by the federal government.

Section 523 Mutual Self-help

Self-help housing may well be the federal government's most successful homeownership activity. The U.S. Department of Agriculture's self-help program uses a small federal expenditure to harness traditional American hard work and community cooperation, enabling low- and very low-income families to own their own homes. Yet the Administration has proposed to stop funding the program in fiscal year 2012.

USDA's self-help program organizes groups of eight to ten low-income families who work together to build their own and their neighbors' homes. Families provide 65 percent of the construction labor, spending long hours working on their houses in the evenings after work and on weekends. Thus, each family has equity in their home immediately when it is finished, making self-help a powerful way to generate solid assets for low- and very low-income people.

Because it involves groups working together, USDA's self-help method builds communities as well. A Housing Assistance Council survey in 2005 found that over 90 percent of self-help participants continued to visit and rely on their neighbors

Continued Page 4

even after their homes were completed. Their children clearly benefited from living in such stable communities. Fully 90 percent of the surveyed adult children of self-help families had graduated from high school, 55 percent went on to college, and almost 20 percent were homeowners.

USDA's Section 523 Mutual Self-Help program enables local nonprofits and local government agencies to provide experienced oversight and support to families in the program. Currently over 100 organizations in 37 states, Puerto Rico, and the Western Pacific Islands participate.

More than 36,000 low-income rural families have participated in the self-help program since its inception in 1963. A high proportion of these families obtain affordable mortgages through USDA's direct mortgage loan program, Section 502. The median income of those with outstanding loans at the end of 2004 was \$22,048, about half the national median income for all homeowners.

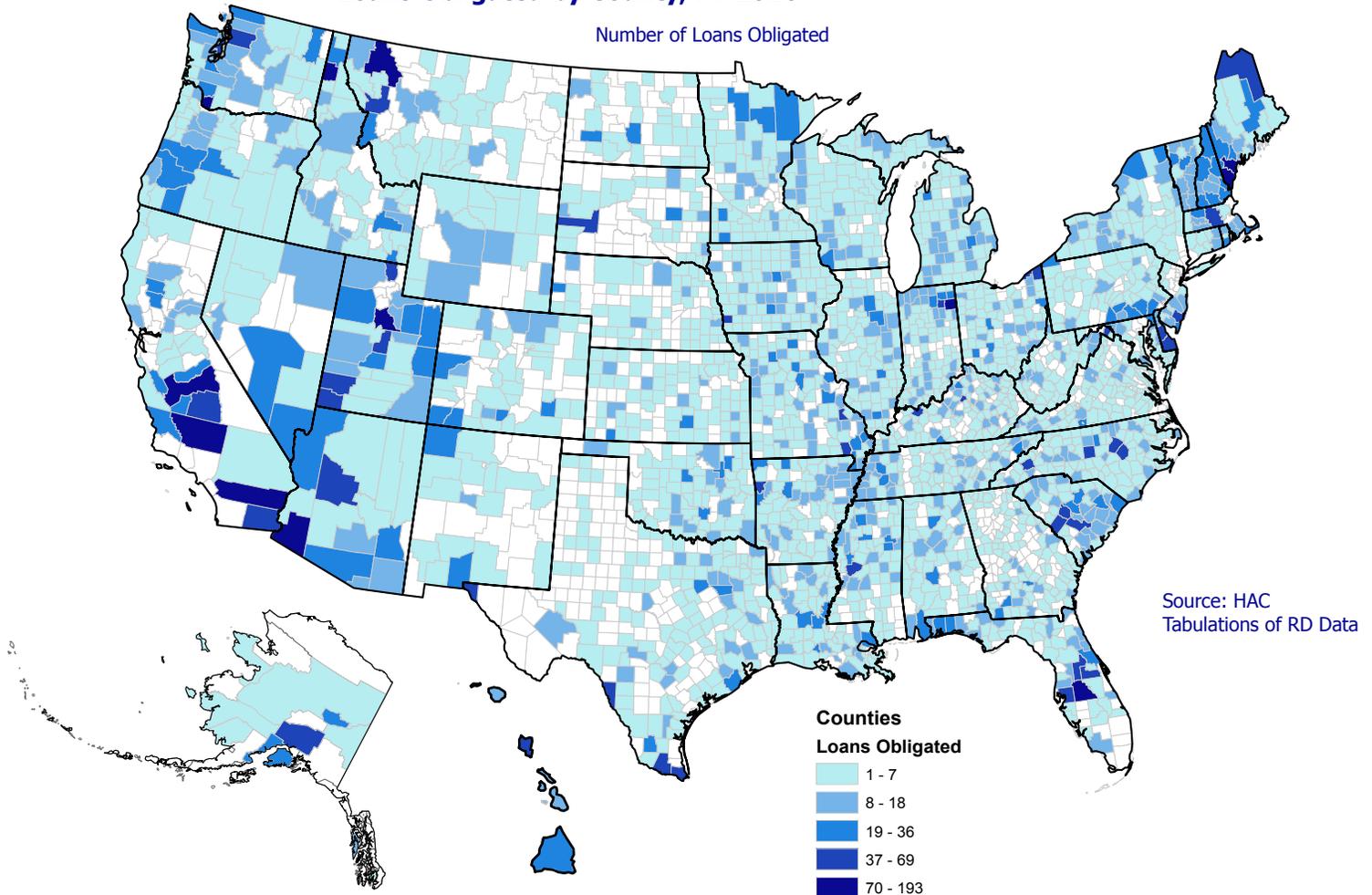
Going Forward

With comparatively small budgets, the Section 502 and 523 programs have had an incredible impact on the lives of low-income rural residents. These programs have helped make the success stories in this edition of *Rural Voices* possible.

An OMB Assessment of USDA's Section 523 Mutual Self-Help program found that,

"No other program combines the unique features which make the Self-Help program a success. The Section 523 grants provide support to self-help sponsors who provide technical assistance, recruiting, training, and supervising families to earn 'sweat equity.' The Section 502 Direct Loans provide subsidized financing which provides affordability and minimizes loan costs. This unique construction method also promotes strong communities by building close bonds among future neighbors."

USDA Section 502 Direct Homeownership Loan Program Loans Obligated by County, FY 2010





Self-help housing programs help individuals, families, seniors and handicapped individuals move into homeownership.

USDA HOUSING PROGRAMS HAVE COUNTLESS BENEFITS

by Neal Gibson

Northwest Regional Housing Authority (NRHA) is a Public Housing Authority dedicated to promoting adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination. Headquartered in Harrison, NRHA serves the counties of Baxter, Boone, Carroll, Madison, Marion, Newton and Searcy in northern Arkansas. These are rural counties with a combined population of 155,757, of which 18.5 percent (28,815) are below the poverty level. Mutual self-help housing is the only homeownership program available for many of the region's low-income households.

Many low-income households struggle to find decent, affordable housing in the region. Most of the existing housing is not as energy efficient as today's new construction and many of these homes don't meet current building code. Most of the existing housing stock would require some repair in order to be purchased.

NRHA has administered a self-help program since 2004. To date, 65 single-family energy efficient homes have been completed for individuals and families, including single parents, seniors, and handicapped individuals. Three handicapped-accessible homes were designed and built for specific individuals to meet their needs. The last five self-help homes were Energy Star-certified, a trend to be continued. All of these families were able to afford their homes because of the Section 502 Direct Loan program.

Continued Page 15

USDA FUNDING HELPS PUT AN END TO THE CYCLE OF POVERTY IN RURAL COLORADO

by Brittnee Wood

Community Resources and Housing Development Corporation (CRHDC) has helped thousands of low- and moderate-income families throughout Colorado achieve homeownership since 1971. The mission has expanded over the years to encompass programs funded through USDA Rural Development (RD) that include self-help housing, which is a vital program that helps low-income families in rural Colorado achieve homeownership and put an end to the cycle of poverty.

In CRHDC's self-help program, participants contribute significant "sweat equity" towards the construction of their home, bringing down development costs and producing a more affordable home. Self-help participants work in collaboration with five to eight other families and build their homes under the supervision of a construction manager. Participants attend homebuyer education class and purchase the home with a Section 502 Direct Loan from RD that requires no down payment and has low interest. CRHDC has been able to develop over 1,500 homes across the state of Colorado because of the self-help housing program and Section 502 Direct Loan program. Without those two programs, many low-income families would never have been able to obtain homeownership.

The sweat equity model used by CRHDC is a necessary component to making a home more affordable. If a family contributes 1,000 hours of labor on their home, they can

Continued Page 15



"Would I participate in the self-help program again? Yes, I would and I would recommend the program to others," says Debra Martinez pictured with her daughter.

A CHANCE AT HOMEOWNERSHIP

by Tom Sommerville

The mission of Housing Resources of Western Colorado (HRWC), a private nonprofit corporation in Grand Junction, Colorado, is to provide affordable housing and to promote the wise and sustainable use of resources. HRWC also serves the development needs of the communities in non-entitlement areas. HRWC offers education and awareness programs, opportunities for community revitalization and the provision of decent, safe, and affordable housing for those with low and moderate incomes, in the counties of Delta, Gunnison, Hinsdale, Mesa, Montrose, Ouray, and San Miguel.

Over the past three years, the Grand Junction area has been adversely affected by the decline of oil and gas related jobs, which in turn led to Grand Junction's downward turn in the housing market. Changes in the economic structure of the area have directly resulted in the need for more affordable housing.

The mutual self-help housing loan program is one of many housing programs offered by HRWC and is used primarily to provide very low- and low-income households with the means to construct their own homes. The program targets families that are unable to purchase clean, safe housing through conventional methods and whose earnings do not exceed 80 percent of the area median income.

HRWC has sponsored the development of over 300 self-help homes in the Clifton, Grand Junction, Fruita and Palisade areas. Self-help participants hold respected positions in the community; they are our community's school teachers, firefighters, librarians, and pharmacy technicians.

BriAnne Jacobsen, a recent participant in the self-help program, has been a resident of Grand Valley her whole life. She works for Mesa Development services and is a full

time student at Mesa State College. She is a single mom with a six year old daughter. Prior to applying to the HRWC mutual self-help program, BriAnne applied for a conventional home mortgage loan with Fidelity Mortgage, where she only qualified for a loan of \$90,000. "I couldn't even get an existing home for \$90,000," said BriAnne. She had also applied through Habitat for Humanity, but did not meet their qualifications.

BriAnne was receiving rental vouchers from the Grand Junction Housing Authority when she was referred to the HRWC self-help program by a past participant, and was surprised to learn that this was available to her. She applied in February of 2009. "Without the self-help program, I would not have a chance at homeownership," said BriAnne.

The self-help housing program provides ongoing benefits to communities as a whole. Participating families have a pride of ownership and strong community bonds. These characteristics are reflected in lower crime rates, a less transient student population, and stable ownership and occupancy rates. Because of the pre- and post-purchase counseling available to homeowners, they also have very low foreclosure rates.

Currently, there are approximately 115 applications in various stages of credit counseling and pre-purchase education for the HRWC self-help program. If the mutual self-help program was eliminated, it would directly result in a much longer waiting list for Section 8 housing, local tax fees and revenues would be lost, schools may potentially be forced to close, and local business would lose patronage. 

Tom Sommerville is the director of self-help housing for Housing Resources of Western Colorado. For more information about the organization visit www.housingresourceswc.org.

BUILDING SUSTAINABLE ASSETS THROUGH HOMEOWNERSHIP

by Dana Cleary



This ribbon cutting was made possible through many federal programs including USDA 523 and 502.

Over the past three decades, more than 600 families have built their homes under the supervision of Community Housing Improvement Systems and Planning Association, Inc. (CHISPA), thanks to the USDA Section 523 Mutual Self-Help program. At least 30 others have purchased homes built by CHISPA using the USDA Section 502 Direct Loan program.

“It seemed like half the conventionally financed homes in Monterey County were going into foreclosure three years ago, and we were pleased to see that very few of our USDA-financed buyers were in trouble,” says CHISPA President, Alfred Diaz-Infante. “This was because the USDA mortgages were set at a rate and term the family could really afford as opposed to an adjustable rate mortgage that they only thought they could afford.”

As the real estate market collapsed, CHISPA had just completed a subdivision with 25 self-help homes and 33 conventionally built homes. Demand for the homes evaporated as property values dropped, yet many families with secure jobs and strong credit were unable to secure mortgage financing from conventional lenders. By using Section 502 financing, CHISPA was able to qualify families to purchase the homes, including Karina Ramirez, a college student with a young child.

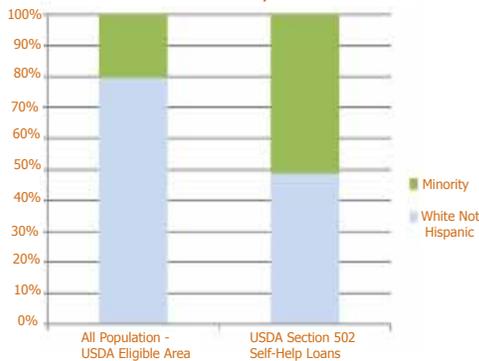
At the time, Karina was living in one of CHISPA’s apartment buildings with her boyfriend and child, working and attending college. She and her partner examined their situation and realized that with the affordable USDA Section 502 loan, they could afford one of CHISPA’s new homes in her hometown of Greenfield, California.

“Not many people in their early twenties can be homeowners in this day and age. We feel very lucky this worked out for us,” says Karina. After graduating from college with a bachelor’s degree in Collaborative Health and Human Services with an emphasis in social work, Karina works part-time for CHISPA organizing Neighborhood Watch programs at the organization’s apartment buildings. She is seeking full-time employment in social work, and hoping to pursue a master’s degree in the field.

Without the Section 502 and 523 programs, Karina and many other families would still be renting instead of investing that money into their own futures. Agricultural workers who had tended to the local fields for years without ever being able to afford a home of their own were able to become homeowners by combining the USDA Section 502 mortgage program with their own self-help labor. Many of these self-help families have remained in their homes for over twenty years, eventually passing their homes on to a second generation of the family and furthering the investment of USDA dollars in the community.

Dana Cleary is the director of real estate development of CHISPA. For more information about the organization visit www.chispahousing.org.

**USDA SECTION 502 SELF HELP LOANS
BY RACE & ETHNICITY, FY 2010**



INCREASING MINORITY HOMEOWNERSHIP

Minorities in rural areas are among the poorest and worst housed groups in the entire nation. Through the USDA Section 502 Direct Loan and the Section 523 Mutual Self-Help programs, rural minorities have had the opportunity to become homeowners. Just over 30 percent of the USDA’s Direct Loans went to non-whites and Hispanics in FY 2010 and over half of all Section 502 self-help loans in FY 2010 were made to non-whites and Hispanics. 🏡

BRINGING DOWN HOUSING COSTS IN HAWAII

by Claudia Shay

As a result of a grassroots effort in response to the housing crisis in Hawaii, the Self-Help Housing Corporation of Hawaii (SHHCH) was founded 27 years ago to improve the living conditions of low-income families. Conditions continue to be challenging in the current environment where the average sales price for a single-family house is still \$550,000 to \$600,000. Low-income families, single parents, native Hawaiians, and moderate-income workers are effectively shut out of the conventional homeownership market. The cost of living in Hawaii is 30 percent higher than in the mainland U.S., leaving low-income families with little to no savings. Through the self-help method, low- and very low-income families in Hawaii have been able to attain homeownership.

Since 1984, SHHCH, a private nonprofit corporation, has completed 45 projects in which 559 low-income families on Oahu, Maui, Kauai, and Molokai have built their own homes. The self-help families have built three- and four-bedroom homes for approximately \$65,000 to \$85,000 per unit, that appraise at more than twice the value. By utilizing sweat equity as the down payment, SHHCH has enabled low- and very low-income families to attain homeownership opportunities not otherwise available to them.

These families have incomes ranging from \$24,000 to \$50,000 per year. Participants range in age from 18 to 76 years old, represent a mix of ethnicities, and have various occupations including truck drivers, teacher's aides, secretaries, laborers, clerks, nurses, roofers, and policemen. By building their own homes, individuals have gained a tremendous sense of self-esteem and learned invaluable skills in home maintenance, leadership and group problem-solving. Communities have benefited by the establishment of stable communities with well-maintained homes, increased property values, and a broadening of the tax base. 

Claudia Shay is the executive director for the Self-Help Housing Corporation of Hawaii. For more information about the organization call (808) 842-7111.

INNOVATING TO AFFORDABILITY

by Mark Kvammen

Northeast Iowa Community Action Corporation (NEICAC) develops affordable housing for low- and moderate-income households in a seven county area in northeast Iowa. NEICAC is the only affordable housing developer in this entirely rural part of Iowa. NEICAC works with families that earn less than 80 percent of the local area median income (AMI), but the organization focuses on assisting families earning less than 50 percent AMI. It is this income group that is most in need of the Section 502 Direct Loan mortgage products, which are the basis for NEICAC's Rent to Own Housing Program.

An average very low-income family of four in northeast Iowa earns less than \$29,550 and can only afford a home payment of \$714 per month. With property taxes and insurance, a very low-income family could only afford a home valued at \$50-\$60,000. This prices them out of any new, safe, clean housing. This is why NEICAC has focused on new, single-family construction as the best means for keeping participating families in their homes.

NEICAC has solely used the USDA Section 502 Direct Loan mortgage product for seven of the 12 rent-to-own homes completed to date. These seven homes have been sold to families earning less than 50 percent of AMI. In 2011, NEICAC has five more affordable housing units funded; two are under construction and three more ready to start in the next week. These are green, ENERGY STAR-rated homes, which keeps utility costs low.

Without the USDA Section 502 Direct Loan program, which provides the best mortgage interest rates for this income level by subsidizing their interest level down to 1 percent based on their income, the Rent to Own program would not have survived. Without the direct loan product, many families would not have been able to secure an affordable mortgage rate and become homeowners. 

Mark Kvammen is the director of housing for the Northeast Iowa Community Action Corporation. For more information about the organization visit www.neicac.org.

SUPPORTING LOCAL BUSINESSES IN KENTUCKY

by Wilma Kelley

The Economic Impact of USDA Programs

In addition to the actual homes that are built, housing development can have a financial impact on the larger community. Affordable housing development, and self-help development in particular, help build community economic resources in a number of ways.

- ◆ Leveraging private funding
- ◆ Creating wealth for low-income residents
- ◆ Creating jobs and strengthening local economies

Wealth Creation

Assuming an appreciation of \$20,000 per home, the Section 502 program has created over \$40 billion in wealth for low-income, rural families.

Jobs Created

Over the past 5 years, homes developed or purchased using the Section 502 program have helped to create 88,255 jobs across the nation.

Beattyville Housing and Development Corporation, Inc. (BHDC), located in Beattyville, Kentucky, works to provide affordable housing opportunities in Lee, Owsley, and Wolfe counties in eastern Kentucky. Through homebuyer programs, rental assistance, rehab, and new construction programs, BHDC assists low-income families, homeless populations, and homebuyers obtain affordable housing.

Since 1995, the Section 502 program has made a big difference in BHDC's service area. Nearly 70 loans have been obligated, totaling more than \$4 million to produce 65 units. In 2010 alone, BHDC utilized Section 502 funding to construct six new homes for low-income families in Kentucky. None of those six families would have been eligible for homeownership without USDA funding.

The money that the federal government spends on these housing programs reaches far beyond a family obtaining a house. In the small town of Beattyville, the mortgage capital provided by USDA is very important to the local economy. The construction of these homes creates work for local contractors and enables them to hire additional employees. Furthermore, materials are purchased locally and the workers eat lunch at nearby restaurants while on the job, broadening the reach of federal dollars throughout the community.

BHDC estimates that at least 40 subcontractors are employed thanks to USDA Section 502 funds coming into the area, and an additional 10 employees at local suppliers benefit as well. The owner of the local building supply company estimates that the Section 502 money spent at his business makes up between 18 and 19 percent of his yearly revenue. The loss of Section 502 would be devastating for his and other area hardware stores and contractors, resulting in job-loss and potentially the shuttering of locally-owned businesses.

The USDA housing programs have been the bedrock of the long-time effort to improve housing conditions in rural America, and have been very important to the Beattyville community. In an area with little private investment, government dollars go a long way toward putting families in decent, affordable homes and keeping area businesses going. 

Wilma Kelley is the executive director for the Beattyville Housing and Development Corporation. For more information about the organization visit www.cchousing.org.

RECOGNIZING THE BENEFITS OF USDA HOUSING PROGRAMS

by Jill Lordan

National Council on Agricultural Life and Labor Research Fund (NCALL) works to promote affordable housing and improved communities for low- and moderate-income people, primarily in rural areas. NCALL is based in Dover, Delaware with offices in each of Delaware's three counties. NCALL's programs include Section 502 mortgage packaging, regional self-help housing technical and management assistance, homeownership counseling, financial literacy classes, foreclosure prevention counseling, apartment development and preservation, and community development lending.

In Delaware, there are major affordability challenges; a full-time worker must earn \$19.31 an hour to afford a two-bedroom apartment, which results in few housing opportunities and choices for those working in agriculture, the service sector, or poultry processing. In rural areas, both affordability and quality are an issue. Median incomes are 30 percent lower in the rural counties served, but it is also more expensive to build there. Furthermore, substandard conditions are more prevalent in rural communities.



In 2010, 63 families in Delaware became homeowners with help from NCALL and USDA's Section 502 program.

Since 1986, NCALL has been using the Section 502 loan packaging program as a significant line of business. In 1989, the Delaware State Housing Authority began granting NCALL half of the budget needed to employ two skilled and certified Section 502 loan packagers each year, realizing that this attractive mortgage program was essential to rural Delaware and that aggressive packaging made sure the allocation was fully spent for low- and very low-income households.

NCALL's packagers help families improve their finances to ensure eligibility, creating a pipeline of demand for the Section 502 Direct Loan program. The packagers counsel families, develop work plans, track progress on savings, reducing debt, improve credit, and assist with the actual loan packaging and submission. This assistance has been a great help to Rural Development as applications are feasible, complete, and ready for funding. There is a lot of interest by nonprofit organizations throughout the 21-state northeast region in becoming self-help housing grantees in order to offer this excellent program to their communities.

NCALL's Section 502 work typically results in 30 to 40 closings a year. In 2010, due to stimulus funds, NCALL closed 63 first-time homebuyer Section 502 Direct mortgages, leveraging \$12 million in Section 502 funding. To date, NCALL has been responsible for a total of 870 Section 502 closings valued at \$80 million just in Delaware. Using Delaware's seven-to-one economic impact ratio for affordable housing, this Section 502 investment has yielded \$560 million in economic impact.

The Section 502 program is truly affordable and perfectly designed for rural America. Without this program, low- and very low-income households in Delaware would never have the opportunity for homeownership. 🏠

Jill Lordan is a self-help housing specialist for NCALL. For more information about the organization visit www.ncall.org.

GETTING THE ECONOMIC BALL ROLLING

by Kimberly Miller

Universal Housing Development Corporation (UHDC) is a nonprofit housing development agency that provides housing-related services in a nine-county area of west central Arkansas. The area is mostly rural, with high percentages of low- and very-low income families, elderly, and disabled. The demand for affordable housing in this region far exceeds the local supply, and the gap has grown wider since the recession.

Decent, affordable homes are hard to find, and financing for these homes is even harder for UHDC clients to obtain. Many of the available homes are old and dilapidated, approximately 20 percent were constructed more than 50 years ago. The upkeep and utility costs for these “affordable” homes endanger homeownership for low-income clients. At the income levels UHDC deals with, clients can’t qualify for loan amounts that will buy anything better and their debt-to-income ratios make conventional financing impossible to obtain. Rents in the region are such that many households are likely to spend more than one-third of their meager incomes for rent. UHDC operates a housing choice voucher program (formerly Section 8 Rental Assistance) for three counties



A UHDC self-help family puts in the floor for their new home. Families spend long hours working on their houses contributing as much as 1,500 hours of “sweat equity.” Photo by Karen Segrave.

and the waiting lists for these programs are up to two years long. The same is true for subsidized place-based rental programs in our area.

USDA Section 502 loans have helped to bridge the gap for the rural poor in the area. UHDC works with local RD offices to help clients purchase homes and stabilize their housing situation. UHDC offers free homebuyer classes for RD clients, operates an individual development account (IDA) program to help low-income families with down payment costs, and builds homes for low- and very low-income clients.

Using Section 523 funds for program operation, UHDC has built 1,163 self-help homes in five counties since 1978. An additional 41 homes were built and purchased with Section 502 funds for families that were not able to meet all of the requirements for self-help. These homes are energy efficient and easy for the low-income families to maintain. The payment subsidies are a fraction of what it costs to house the same family through rental assistance.

Altogether, these homes have contributed more than \$91 million to the property tax base in the area. Maybe this wouldn’t be a lot in an urban area, but in west central Arkansas, the property taxes these new homeowners pay support schools and build up the rural communities. UHDC’s building programs and USDA direct loans often “get the ball rolling” by building new affordable homes for clients. Local contractors begin to follow suit and stable neighborhoods grow. The local schools are ranked among the best in the state and that’s due in large part to the effect of USDA in this area. 🏠

Kimberly Miller is the marketing and resource development manager for the Universal Housing Development Corporation. For more information about the organization call (479) 968-5001.

WITH DRIVE AND DETERMINATION

by Becky Reynolds

In November of 2007, a young single working mother of two went into a local agency based in Ardmore, Oklahoma to apply for a home through the self-help program. She had gone through a divorce, was very low-income and had several credit issues. Unfortunately, the agency decided to stop operations of their self-help program and the program ended in this county.

Two years later, Little Dixie Community Action Agency (CAA) was contacted by USDA RD about expanding its self-help program into this area (Carter County). Having operated a self-help program for more than 30 years, Little Dixie fully understood the need for housing and the barriers to homeownership for low-income families and agreed to the expansion.

One of the first applicants to walk through the doors was this same young lady, still single and working and going to college and still devoted to becoming a homeowner. Since her initial application in 2007, she had accumulated additional medical debt and had her work cut out for her. A self-help group worker began working with this young mother and together they were able to make arrangements with her creditors to reduce her debt and set up payment plans.



USDA's self help programs is a successful and innovative program to create affordable housing for deserving and determined families.

502 QUICK FACT

2.09 million low-income households have become homeowners through the 502 program

In a short period of time, her old past due debts were paid in full and six months later she was approved for a Section 502 loan and placed into the next group of self-help homes to be constructed.

While her home was in the construction phase, the apartment building where she lived in caught fire. More than a dozen units were destroyed and hers was one of them. She lost all of her belongings, had no insurance and no place to go. Her only choice was to move in with her mother. With the addition of her and her two children, there were eight people living in her mother's home. She and her children were sleeping on sofas and pallets on the floor. She was still working, going to college, and somehow managing to find the time to put in the required work on her home.

On March 7th of this year, Ms. Shanell Swindall and her two young children moved into their new home. It took four years from the time she initially applied, but she never gave up. She will graduate from college this May with her teaching degree and plans to teach in the Ardmore area.

Shanell's story exemplifies the need for the self-help program. Here was a young mother that was willing to work hard to achieve her dreams. The fact that she had not purchased a home through other means during the two years that the self-help program was not available shows that for so many people, there simply are no other options. Because of this young lady's drive and determination and the USDA programs that were available, she has become a homeowner. 

Becky Reynolds is the associate director for the Little Dixie Community Action Agency, For more information about the organization visit www.littledixie.org.

FINDING A WAY HOME

by David Ferrier



Ae K. Sappasith, SSgt, USAF, NCOIC

Community Housing Improvement Program (CHIP) was incorporated in 1973. CHIP provides healthy, sustainable, affordable housing and services to qualified residents in the northern Sacramento Valley of California and surrounding area. The primary service area is Butte, Glenn, Shasta, and Tehama counties, with services also provided in Lassen, Plumas, Sutter, and Yuba counties. CHIP serves low-income households, including farmworkers, seniors and the disabled, through mutual self-help housing, rental housing, and housing and credit counseling.

Since 1981, CHIP has developed more than 2,200 units of housing for low- and very low-income households. This number includes assisting more than 1,600 families build their own homes using the mutual self-help method. Nearly 1,200 of these homes were built using USDA Section 502 and



Mr. and Mrs. Sappasith work on their home.

523 funding. The Sappasith family's story truly reflects the meaning of this programs for so many of these families.

The Sappasith family immigrated to America from Laos in 1981. The family of 13 people shared a two bedroom apartment. They remained in a rented home for 15 years, encountering further difficulties. A social worker eventually put the family up in a rundown, dingy motel in Willows. The conditions were bad: black mold, no hot water, no air conditioning, and roaches.

According to Ae K., "I cried, my dad cried, my mom developed a drinking problem, and my dad would soon follow."

But Ae K. still managed to get to college. In June of 2007, the family's luck was about to change. One week before Ae K. moved on military orders to Texas, his father came to him with a self-help application from CHIP. The family cleared their debts and his parents were approved! Ae K. was in disbelief after his family's three decades of difficulty.

Much of the hard work and mitigation with creditors came through e-mails and phone calls with Ae K. from undisclosed areas of Baghdad where he was bravely serving his country. Ae K.'s father's dream was then built with his own hands.

"Redemption was showing on my mother's face. She is so excited about the opportunity they now have to pass down a big house, full of love, to her babies. They are satisfied. A huge burden has been lifted off their shoulders."

If the Section 502 and 523 programs are eliminated, families like the Sappasiths will likely have no other homeownership options. Because they never gave up hope, this family has finally found their way home. 🏠

David Ferrier is the executive director for CHIP. For more information about the organization visit www.chiphousing.org.

BUILDING HOMES AND COMMUNITIES IN AMERICA'S BREADBASKET

by Tom Collishaw

Self-Help Enterprises (SHE) is a private nonprofit corporation which works to improve the lives of low-income families in the San Joaquin Valley of California, primarily through affordable housing development and other community improvements. Incorporated in 1965, SHE is still best known for its self-help housing program, whereby families work collectively to build their own homes along with their neighbors. In fact, SHE pioneered this sweat equity program which has become an emulated model around the country.

The San Joaquin Valley has been especially hard hit by the recession and ensuing real estate meltdown, with unemployment figures above 16 percent, lost real estate values of over 40 percent, and some of the highest foreclosure rates in the country. As a real estate developer, SHE has not been immune to the devastation of the local housing market, yet was still able to serve 67 families in 2010 through the mutual self-help program. This achievement alone – in the midst of thousands of “distressed” sales – is testimony to the need and interest in the program.

Self-help housing has contributed greatly to the fabric of small towns around the Valley for 45 years, a period during which SHE has helped nearly 5,900 families to build their own home. In places like Goshen – where the first organized mutual self-help group was built in 1963 and where a project is planned for 2011 – over 10 percent of the homes are self-help homes. In Goshen, a town facing debilitating poverty, a self-help home continues to be the only shot at the brass ring.

Much has been written about the foreclosure crisis; its origins and horror stories. Low-income families who purchased homes through SHE's self-help housing efforts remain successful homeowners at a nearly 100 percent rate because they were provided good financing which they could afford through the Section 502 Direct Loan program, and received homeownership training from a Section 523 grantee organization (SHE) that prepared them to become a homeowner. Just as important, their hard work and sweat equity created a stake in their property and neighborhood that provided a basis for growing and thriving as a family. For many low-income families, the self-help program is an essential part of the American Dream, and must be preserved from short-sighted budget cutting mania. 🏠

Tom Collishaw is the vice president and director of development for Self-Help Enterprises. For more information about the organization visit www.selfhelpenterprises.org.



SHE hosted nonprofit staff from across the country, sharing their expertise on developing self-help communities.



In each year from 2008 through 2010 more than half the new self-help homeowners with Section 502 loans have been minorities, primarily Hispanics and African Americans.

NRHA, continued from page 5

There are countless benefits to the mutual self-help program. Families that have participated in this program have learned safety, good work habits, construction and maintenance skills that have increased their self-esteem. Through self-help, families are able to own their own new energy efficient home and their labor contribution allows them to have equity in their home the day they move in. Several participants have used these skills and resources to further their education.

The benefits also extend to the larger community. Self-help housing creates jobs, trains individuals to be homeowners, and increases tax revenue for the community. Since 2004, NRHA estimates that this program has put over \$7 million into the local economy.

Currently, there are 75 families on the NRHA's mutual self-help housing waiting list of 75 families and outreach in two new counties is just getting started. If the USDA Section 502 Direct Loan and 523 Mutual Self-Help programs are not available, it would eliminate the possibility of homeownership for these and future families. There is simply no replacement for these two programs. 

Neal Gibson is the assistant executive director for the Northwest Regional Housing Authority. For more information about the organization visit www.nwregionalhousing.org.

accumulate nearly \$15,000 in equity that can be used for down payment—an amount that would otherwise take years to save.

Self-help homes are modern, safe, well-built, have all appliances, and are energy efficient. These combined benefits create long-term affordability. Families move in knowing their home will be sustainable and also meet their needs. Several participants are very low-income earners with no hope of becoming a homeowner, and would end up living in substandard housing. This is not a sustainable use of a family's financial assets and investment dollars.

CRHDC gives people the tools—sometimes literally—to help them achieve their goals. Without USDA-funded programs, many families will never rise out of the cycle of poverty and build their financial assets. 

Brittnee Wood is the marketing and resource development coordinator for Community Resources and Housing Development. For more information about the organization visit www.crhdc.org.



Clifford Shaw



RURAL VOICES

ruralvoices@ruralhome.org

Statements made in *Rural Voices* are the opinions of the authors of the individual articles, not of the Housing Assistance Council. Subscriptions to *Rural Voices* are free, only one free copy per organization. Additional subscriptions cost \$16 per year. Single copies and back issues are \$4. Material may be reproduced without permission, but *Rural Voices* should be credited.

The Housing Assistance Council (HAC) is a national nonprofit corporation founded in 1971 and dedicated to increasing the availability of decent housing for low-income people in rural areas. HAC strives to accomplish its goals through providing loans, technical assistance, training, research and information to local producers of affordable rural housing. HAC maintains a revolving fund providing vital loans at below-market interest rates to rural housing developers. Developers can use these funds for site acquisition, development, rehabilitation, or new construction of rural, very low- and low-income housing. HAC has a highly qualified staff of housing specialists who provide valuable training and technical assistance, and research and information associates who provide program and policy analysis and evaluation plus research and information services to nonprofit, public, and for-profit organizations. HAC is an equal opportunity lender.

EDITORS: Theresa Singleton, and Jennifer Wichmann

DESIGNER: Janice Clark

ISSN: 1903-8044

HOUSING ASSISTANCE COUNCIL

NATIONAL OFFICE

1025 Vermont Avenue, NW, Ste. 606
Washington, DC 20005
TEL 202-842-8600
FAX 202-347-3441
E-MAIL hac@ruralhome.org

MIDWEST OFFICE

10100 Ambassador Drive, Ste. 310
Kansas City, MO 64153
TEL 816-880-0400
FAX 816-880-0500
E-MAIL midwest@ruralhome.org

SOUTHEAST OFFICE

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

SOUTHWEST OFFICE

3939 San Pedro, NE, Ste. 7-C
Albuquerque, NM 87110
TEL 505-883-1003
FAX 505-883-1005
E-MAIL southwest@ruralhome.org

WESTERN OFFICE

717 K Street, Suite 404
Sacramento, CA 95814
TEL 916-706-1836
FAX 916-706-1849
E-MAIL western@ruralhome.org

www.ruralhome.org

Support Rural Voices



Rural Voices SUBSCRIPTION FORM

NAME _____

ORGANIZATION _____

ADDRESS _____

CITY _____

STATE _____

ZIP _____

PHONE _____

Check or money order enclosed.

Please bill my credit card:

Visa MasterCard American Express

CREDIT CARD NUMBER _____

EXPIRATION DATE _____

AUTHORIZED SIGNATURE _____

Single copies and back issues are available for \$4 each.

Subscriptions Are Free

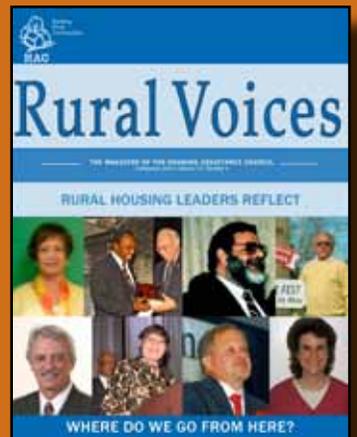
Only one free subscription per organization.

Each additional one-year subscription costs \$16.

Make your check or money order payable to:

Housing Assistance Council
1025 Vermont Avenue, NW
Suite 606
Washington, DC 20005

Or to order with a credit card call
202-842-8600.



HAC

HOUSING ASSISTANCE COUNCIL
1025 VERMONT AVENUE, NW
SUITE 606
WASHINGTON, DC 20005

DELIVER TO

