

OPENING DOORS TO RURAL HOMEOWNERSHIP:

Opportunities to Expand Homeownership, Build Wealth, and Strengthen Communities



National Rural Housing Coalition

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EXECUTIVE SUMMARY

The purpose of this report is to document successful federal strategies for providing affordable housing to low-income rural families. Because homeownership is the predominate form of housing in rural America, this report focuses on homeownership programs administered by the U.S. Department of Agriculture (USDA) through its Rural Housing Service (RHS). In particular, this report analyzes the impact of the Section 502 Direct Loan program and the Section 523 Mutual Self-Help Housing program. By examining the successful track records of these programs, and by adopting practical measures to expand and improve their performance, our nation can better address the unique housing challenges in rural America.

Housing options in rural America are too expensive, are of poor quality, or are inaccessible to low-income families. Although homeownership rates are higher in rural areas—74 percent compared to 67 percent nationwide¹—America’s rural families face severe barriers to clean, decent, and affordable housing. Because of higher, more persistent levels of poverty and limited access to affordable mortgage credit, rural communities often struggle to meet the housing needs of its residents.

The USDA Section 502 Direct Loan and Section 523 Mutual Self-Help Housing programs have been effective in meeting rural housing needs and overcoming these unique barriers. Over the past 60 years, Section 502 Direct Loans have provided more than 2.1 million low-income rural families—earning no more than 80 percent of the area median income—with access to affordable and sustainable homeownership opportunities that they simply would not have had otherwise. Section 502 Direct Loans are credited with building more than \$40 billion in wealth for our nation’s poorest families, while also being one of the most cost-effective federal housing programs.²

Likewise, the Section 523 Mutual Self-Help Housing program has proven to be remarkably successful in expanding sustainable homeownership opportunities for low-income rural families. It is celebrated as the only federal housing program that combines “sweat equity” with safe, affordable mortgages, and technical assistance. Under the program, small groups of six to twelve rural families join together on nights and weekends to build each other’s homes, reducing construction costs, earning equity in their homes, and making lasting investments in their communities.

Underlying this report is a simple truth: despite our recent foreclosure crisis, responsible homeownership continues to be the single best, long-term investment for most Americans, and the primary source of wealth and financial security for low-income rural families.³ Federal homeownership programs—like the Section 502 Direct Loan and Section 523 Mutual Self-Help Housing programs—which successfully respond to the unique rural landscape should serve as models for future rural housing policy. We simply cannot afford to overlook the well-documented benefits of these valuable rural homeownership programs.



Photo: Rural Community Assistance Corporation



Photo: Sen. Patty Murray (D-WA) visits an event hosted by Kitsap County Consolidated Housing Authority

INTRODUCTION

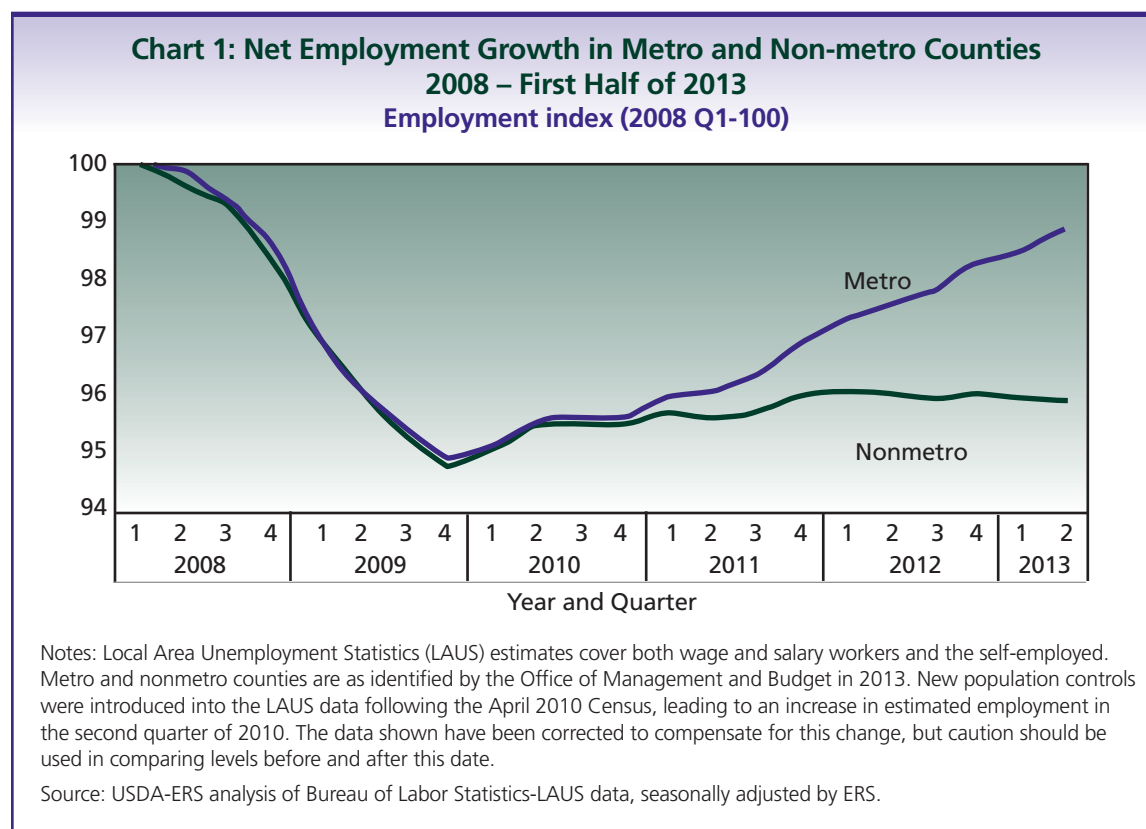
Overcoming Barriers to Affordable Rural Housing

Housing options in rural America are too expensive relative to household income, are of poor quality, or are inaccessible to low-income families.

Barriers to Affordability

For several decades, rural America has faced an affordable housing crisis. Although housing costs are generally lower in rural communities, lower incomes and higher poverty rates made housing options simply unaffordable for many rural residents. Since the Great Recession, however, the lack of affordable housing in rural America has become even more significant as rural economic recovery efforts have stalled.

While employment in both urban and rural areas fell by 5 percent between 2007 and 2009 and recovered at a similar rate in 2010, employment growth in rural communities has since lagged behind the rest of the nation. In fact, since 2011, net job growth in rural areas was near zero percent (Chart 1).⁴

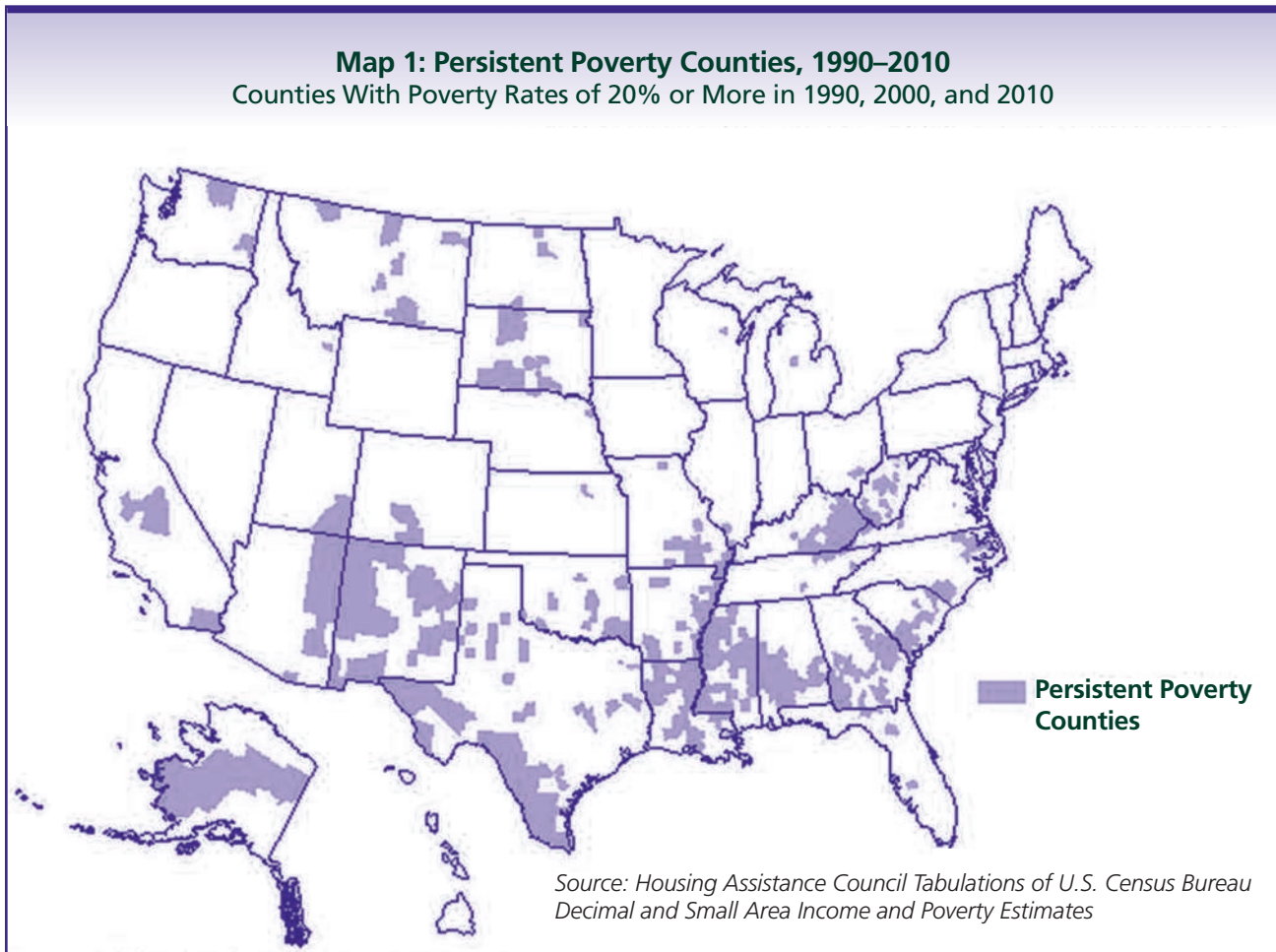


According to the U.S. Department of Agriculture (USDA) Economic Research Service (ERS), the recent decline in unemployment rates in rural communities—from 10 percent in 2010 to 7.8 percent in 2013—is primarily due to the large number of rural residents who have stopped looking for work, rather than any increase in employment.⁵

Overall, in 2012, rural median household incomes (\$41,198) were about 20 percent lower than national median household incomes (\$51,017) and 22 percent less than median urban household incomes (\$52,988).⁶

Likewise, poverty rates in rural America (17.7 percent) are higher and more concentrated than in urban areas (14.5 percent) and the nation as a whole (15.0 percent).⁷ In fact, 82 percent of high-poverty counties—or 571 of the 703 counties with at least a 20 percent poverty rate—are rural. The number of such high-poverty rural counties has grown by 30 percent since 2000.⁸

More than 86 percent of the nation’s “persistently poor” counties—defined as having at least a 20 percent poverty rate in the 1990, 2000, and 2010 Censuses—are rural.⁹ These counties are concentrated in high-need regions, including Central Appalachia, the Lower Mississippi Delta, the southern Black Belt, Colonias along the U.S./Mexico border, and Native American lands (Map 1).¹⁰



Many rural residents experience a particularly high risk of poverty (Table 1). Rural minorities, female-headed households, and children are significantly more likely to live in poverty than in urban areas. These individuals are more vulnerable to living in substandard and unaffordable housing.¹¹

Table 1: Comparing Rural and Urban Poverty Rates

At-Risk Poverty Rates, 2012 (in percent)					
	Race/Ethnicity			Age	Gender
	White	Black	Hispanic	Children	Female-Headed Households
Rural	13.5	40.6	29.2	26.7	43.5
Urban	8.8	25.4	25.4	20.9	32.2

More than 8 million families—or nearly 30 percent of all rural households—spend more than 30 percent of their monthly income on housing costs and therefore are considered “cost burdened.” Nearly half of these households pay more than 50 percent of their monthly income on housing costs. With excessively high housing costs, these low-income families often have difficulty affording food, clothing, transportation, and medical care. The lack of affordable housing prevents them from meeting other basic needs, such as nutrition and healthcare, or saving for their future and that of their families.¹²

Poor Quality Housing

Rural low-income families are often limited to poor quality housing. Homes that *are* available are often in need of extensive repair or improvements to just meet basic health and safety levels. Although rural homeownership rates are higher than the national average—74 percent compared to 67 percent, respectively¹³—rural homes are more likely to be in a substandard condition. In fact, nearly six percent of rural homes are either moderately or severely substandard, without hot water, or with leaking roofs, rodent problems, or inadequate heating or plumbing systems.¹⁴

In addition, many rural communities have severely limited access to a clean and affordable water supply and are considered to live in “water poverty.” Communities along the U.S./Mexico border—often called *colonias*—on Native American lands, and in the Appalachian region are at an especially high risk of water insecurity, as are communities with a high number of farm workers.¹⁵

Recent research confirms the broad health and economic impacts of substandard housing conditions. Poor housing conditions contribute to significant health problems, including infectious and chronic diseases, injuries, and poor childhood development.¹⁶ Children living in substandard housing conditions are more likely to develop serious illnesses like asthma and lead poisoning, negatively affecting their educational achievement.¹⁷ Estimates of the direct and indirect costs associated with these health risks are substantial; one study conservatively estimated the cost of illness, disease, and disability attributable to substandard housing at \$95 million *annually*.¹⁸

Because of disproportionately lower incomes and higher poverty rates, rural minorities are at an increased risk of living in substandard housing. Rural minorities are almost three times more likely to live in substandard housing than rural white residents. In fact, an alarming 16 percent of rural African Americans live in substandard housing.¹⁹

Lack of Access to Affordable Credit

The lack of access to mortgage credit severely limits options for decent, clean, and affordable rural housing. Rural communities have more limited access to credit than urban areas.²⁰ In addition, rural areas experience higher banking concentration than urban areas, resulting in less competition and consumer choice, higher prices, and ultimately, less access to affordable mortgage loans.²¹

There is a stark lack of data about how deep and pervasive rural credit needs are, especially when compared to the data that exists in regard to urban areas.²² The most recent U.S. Department of Agriculture report on rural

Substandard Housing

According to the U.S. Census Bureau’s American Housing Survey, substandard housing has inadequate:

Plumbing. Substandard housing lacks hot or cold piped water, an indoor flush toilet, or both a shower or bathtub;

Heating. Substandard housing lacks a safe and reliable heating source;

Electricity. Substandard housing has no electricity, or has exposed wiring or inadequate illumination;

Structure or Materials. Substandard housing has a leaking roof, windows, basement, or plumbing, holes in walls or ceilings, peeling paint or plaster, rodent problems, or lead-based paint; or

Access. Substandard housing has public areas without working lights, loose or missing steps or railings, or no working elevators.

access to credit was in 1997—more than 15 years ago. At that time, the agency found that more than 25 percent of rural counties had just one or two banks, and another 50 percent had between three and five banks.²³ In addition, many rural lenders are exempted from national mortgage reporting requirements.²⁴

Even in those rural communities that do have a bank presence, however, low-income rural families still struggle to access affordable mortgages. Compared to USDA's Rural Housing programs, local banks are often unable to provide low-income borrowers—who may not have enough savings to contribute a large down payment—with the low-cost mortgages they need.



Photo: Community Development Corporation of Brownsville

SECTION 502 DIRECT LOAN PROGRAM

Introduction

For 60 years, the U.S. Department of Agriculture's (USDA) Section 502 Direct Homeownership Loan program has been one of the most effective tools in helping low-income, rural families access clean, decent, and affordable housing and become sustainable homeowners. Not only has the Section 502 Direct Loan program served more than 2.1 million families, but—even by conservative estimates—it has helped these families build their wealth by more than \$40 billion.²⁵ In addition, while the Section 502 Direct Loan program serves some of our nation's poorest rural families, it is far less costly than other federal programs. With such compelling track record, the Section 502 Direct Loan program has proven to be one of the best ways to improve quality of life in rural communities.

The Section 502 Direct Loan program provides homeownership opportunities to rural families that other federal programs and private market simply cannot reach.²⁶ This is because it is only federal homeownership program that is *exclusively targeted* to very-low and low-income rural families. And, because the Section 502 Direct Loan program offers subsidized interest rates—as low as one percent—and longer loan terms—up to 38 years—rural families can access safe and sustainable fixed-rate mortgages that they would not be able to obtain otherwise.

For this reason, nearly three-fourths (74 percent) of all Section 502 Direct Loan families have incomes below 60 percent of the Area Median Income (AMI).²⁷ And, by law, at least 40 percent have incomes that do not exceed 50 percent of AMI.²⁸ In 2013, the average Section 502 Direct Loan borrower earned just \$28,275.²⁹

Despite serving families with such limited economic means, however, the Section 502 Direct Loan program is the single, most cost-effective federal housing program. In FY14, the average Section 502 Direct Loan had a total cost (ie. not annual cost) of \$3,000.³⁰ This is less than the annual cost of many other federal housing programs.

Demand for the Section 502 Direct Loan program continues to grow. Over the last five years, an average 12,500 loan applications—amounting to about \$1.5 billion—were on the program's waiting lists each year.³¹

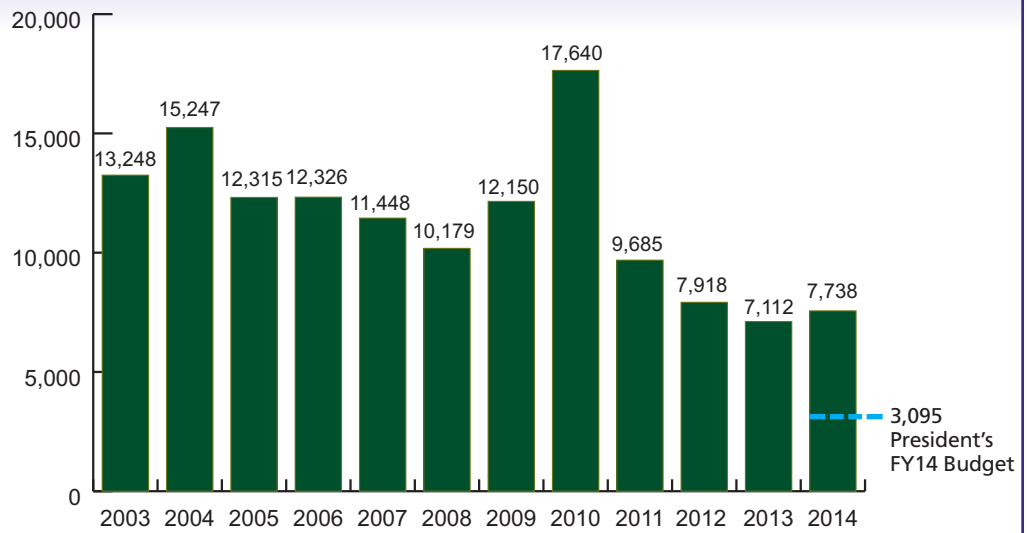
Despite such high demand, Congress has severely cut funding for the Section 502 Direct Loan program over the last decade. Between Fiscal Year 2003 (FY03) and FY14, the program's Budget Authority was cut by 88 percent from \$203 million to \$24.5 million.

The President's FY14 Budget proposed to limit the Budget Authority for Section 502 Direct Loans even further to just \$10 million. This would have represented a 95 percent decrease from 2003 and the program's lowest level of funding in more than 40 years.

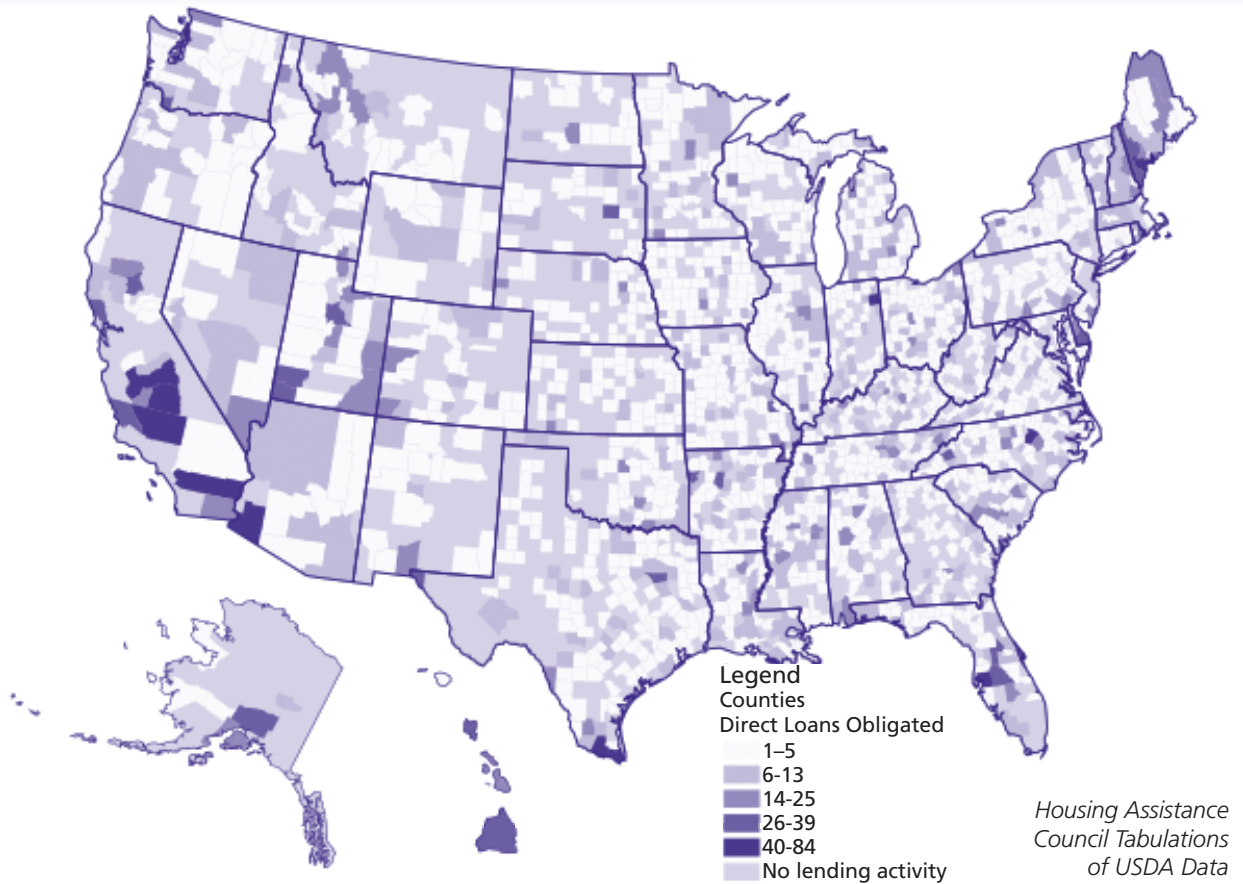
By The Numbers

2.1 million	The number of families who have become homeowners under the Section 502 Direct Loan program.
1%	The lowest interest rate for a Section 502 Direct Loan.
\$3,000	The total cost in FY14 to the federal government for each Section 502 Direct Loan, over its entire lifetime.
\$28,275	The average income of a Section 502 Direct Loan borrower.
35%	The percent of Section 502 Direct Loan borrowers that are minorities.
5.34%	The foreclosure rate for Section 502 Direct Loans, compared to 14.45 percent in the commercial market.
12,500	The number of families regularly on the Section 502 Direct Loan waiting list.
\$1.5 billion	The average value of loan applications on the Section 502 Direct Loan waiting list.

Chart 2: Section 502 Direct Loans Issued By Year, 2013



Map 2: USDA Section 502 Direct Loans, FY 2011



If the President’s FY14 Budget had been approved, the number of loans available under the program would have decreased dramatically, while the backlog for Section 502 Direct Loan applications continues to increase (Chart 2). Under the FY14 President’s Budget, more than 4,600 fewer families would have been able to access affordable and sustainable mortgages under the program compared to the enacted FY14 rate. This would have led to 8,125 fewer jobs and nearly \$408 million less in local income, representing a one-year reduction of 56 percent and an 82 percent decrease since FY10.

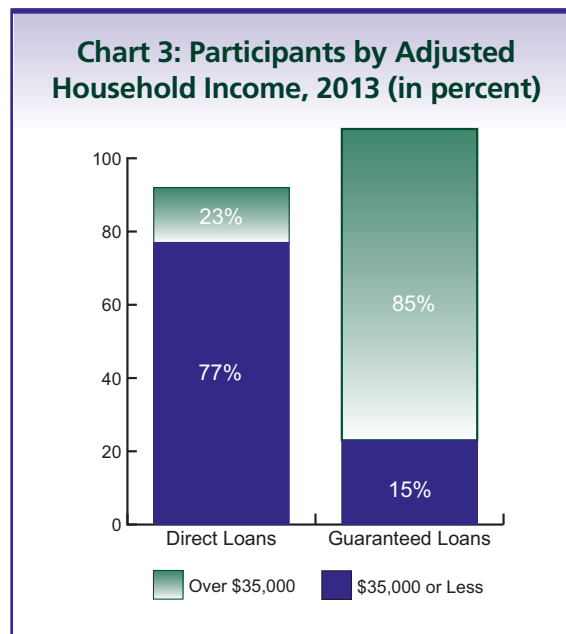
Comparing Direct and Guaranteed Loans

The Section 502 Direct Loan program serves a unique role in ensuring affordable homeownership opportunities for low-income rural families. Yet, in recent years, growing emphasis had been placed on USDA’s Section 502 Loan Guarantee program, often at the expense of the Section 502 Direct Loan program and the rural families it serves. Although the Section 502 Guaranteed Loan program is an important tool for increasing homeownership opportunities, it simply cannot replace or duplicate the success of the Section 502 Direct Loan program in reaching smaller, poorer, and more remote rural communities.

For example, the Section 502 Direct Loan program is exclusively targeted to low- and very low-income families who are unable to access affordable mortgage credit. Two-thirds of all borrowers have incomes below 60 percent of the area median income (AMI).³² And, by law, at least 40 percent have incomes that do not exceed either 50 percent of AMI or the statewide, non-metro median income, whichever is higher.³³ Section 502 Guaranteed Loan borrowers, on the other hand, tend to reside in larger, wealthier communities in closer proximity to metro areas and with better access to mortgage credit. In fact, the Section 502 Guaranteed Loan program primarily serves moderate-income families, earning 80 and 115 percent of AMI. The average Section 502 Guaranteed Loan borrower earned \$54,255 in 2013, nearly twice the average income of Section 502 Direct Loan borrowers (\$28,275).³⁴ The USDA Economic Research Service has held that the Section 502 Guaranteed Loan program is the “least-targeted rural development program.”³⁵

The Section 502 Direct Loan program’s success in reaching low-income families is largely due its ability to provide subsidized interest rates as low as just one percent. In doing so, the program provides credit to some of rural America’s poorest families. Under the Section 502 Guaranteed Loan program, however, interest rates are largely determined by the lender, but are capped at about 60 basis points more than the Fannie Mae 90-day delivery rate. Because the Section 502 Guarantee program does not subsidize interest rates, it is unable to reach the same profile of Direct Loan borrowers, in terms of income or geography.

Likewise, the program’s success cannot be matched by the private market. In fact, the Office of Management and Budget has found that the Section 502 Direct Loan program serves families that the private market is simply unlikely to reach. The OMB stated that “it is unlikely that a private or state program would be able to provide assistance similar to [the Section 502 Direct Loan program].”³⁶



An Unmatched Portfolio

While nearly 80 percent of all Section 502 Direct Loan borrowers earn less than \$35,000, more than 80 percent of Section 502 Guarantee Loan borrowers earn more than that amount (Chart 3).³⁷

The hallmark success of the Section 502 Direct program is that it exclusively serves rural families earning less than 80 percent of the area median income (AMI). By law, a substantial share—at least 40 percent—of Section 502 Direct Loans go to families earning less than either 50 percent of AMI or the statewide, non-metro median income, whichever is higher.³⁸ The Guarantee program, on the other hand, primarily serves families making between 100 and 115 percent of AMI (Chart 4).³⁹

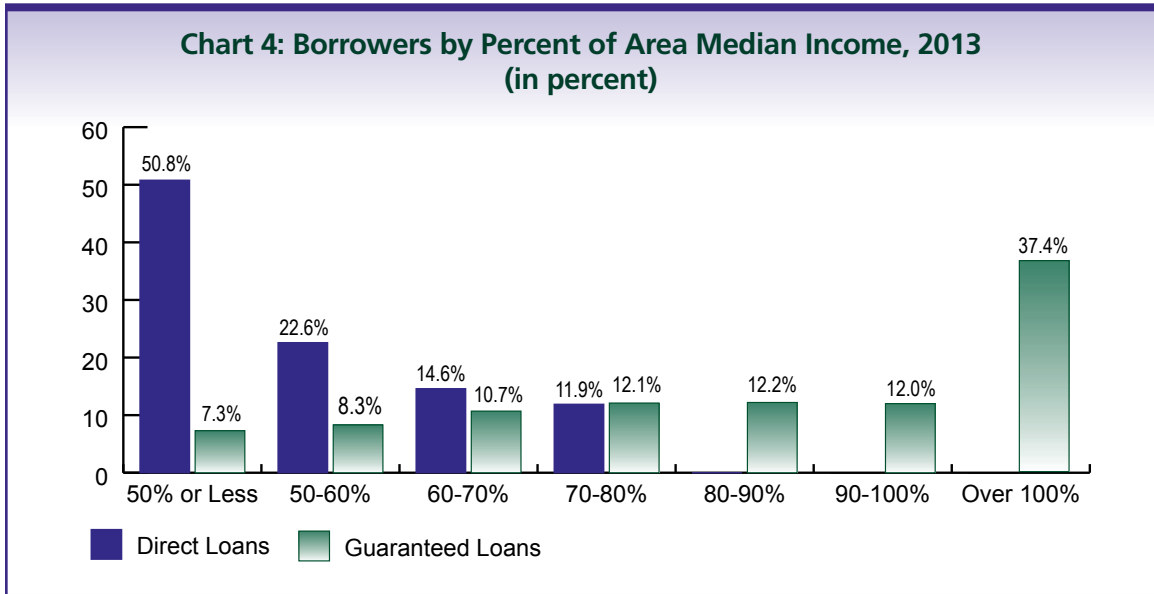


Photo: Community Development Corporation of Brownsville



Photo: Kitsap County Consolidated Housing Authority



Photo: Rep. Hal Rogers (R-KY) congratulates Self-Help Housing families as they move into their new homes, built with the help of Kentucky Highlands Investment Corporation.



Photo: Community Development Corporation of Brownsville

SECTION 523 MUTUAL SELF-HELP HOUSING

Introduction to Self-Help Housing

The U.S. Department of Agriculture (USDA) Section 523 Mutual Self-Help Housing program is truly one of the most remarkable and compelling homeownership programs available to low-income rural families. In nearly 50 years, the program has helped 48,825 families realize the American Dream by building their own homes, brick by brick. In the last five years, more than 5,000 families have become homeowners under the program. Today, nearly 100 state and local housing organizations in 40 states and territories participate in the program.

Section 523 Mutual Self-Help Housing is the *only* federal program that combines “sweat equity” homeownership opportunities with technical assistance and affordable loans for America’s rural families. Under the program, small groups of six to 12 families work together on nights and weekends to build their own and each other’s homes. Overall, each Self-Help Housing family provides at least 1,000 hours—or 65 percent—of the construction labor on their own and each other’s homes. Through hard work and long hours, Self-Help Housing families decrease construction costs, earn equity in their homes, and make lasting investments in their community.

Self-Help Housing organizations are supported by two USDA funding opportunities. First, Section 523 Mutual Self-Help Housing Technical Assistance Grants allow experienced, nonprofit developers to provide training, construction supervision, and technical assistance to participating families. Section 502 Direct Loans provide access to affordable, mortgages with subsidized interest rates as low as one percent. Together, these programs have been quite successful in addressing the lack of access to clean, decent, and affordable housing in rural communities.

The Self-Help Housing Program:

Encourages Self-Reliance and Hard Work. The program successfully builds on the barn-raising tradition of rural America. Participating families work nights and weekends to build their own and their neighbor’s homes;

Expands Affordable Homeownership. No other federal program creates homeownership opportunities like Self-Help Housing. By combining affordable mortgages with savings from “sweat equity” construction, families can become homeowners without high down payments; this sweat equity is a more significant contribution than a typical down payment;

Serves Those With The Greatest Needs. The program is *exclusively targeted* to very low- and low-income families who are otherwise unable to access decent, clean, and affordable housing. Over half of participants are minority households;

By The Numbers

1963	The year the first Self-Help Home was built.
48,825	The number of Self-Help Housing families that have been able to realize the American Dream.
40	The number of states and territories that participate.
1,000	The number of hours a Self-Help Housing family frequently provides in labor.
65%	The percent of construction labor provided by Self-Help Housing families on each home.
\$25,006	The average equity built into a Self-Help Home due to construction savings in 2013.
95%	The percent of Self-Help Housing families that are first-time homeowners.
\$63 million	The value of applications on the Self-Help Housing waiting list in 2013.
52%	The percent of Self-Help Housing families that are minorities.
59%	Percent of Self-Help Housing families that are single-headed households.
76%	Percent of Self-Help Housing families with children living at home.

Builds Wealth. Despite our recent economic crisis, homeownership remains the principal way families build wealth. Families move into Self-Help Homes with significant equity built in that they can use to meet educational, repair, and other family needs;

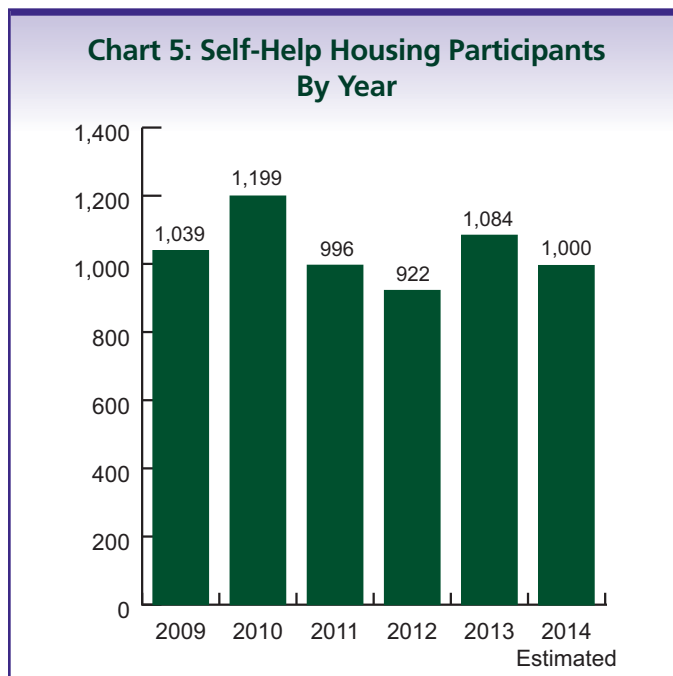
Strengthens Rural Communities. The Self-Help Housing program promotes stronger civic commitments and community ties. Lifetime relationships are forged, and neighbors share in the responsibility for their neighborhood. Self-Help Housing children are more likely to graduate from high school, attend college, and become homeowners themselves;⁴⁰

Stimulates Local Economies. Every 100 homes built under this program results in 324 jobs, \$21.1 million in local income, and \$2.2 million in tax revenue;⁴¹ and

Is In High Demand. The waiting lists for the Self-Help Housing program continues to grow each year; in 2012, these applications amounted to more than \$63 million.⁴² According to USDA Regional Contractors, 50,000 families are currently on the Self-Help Housing waiting list.

Profiles of Self-Help Housing Families

Since 1968, 48,825 families have participated in the Self-Help Housing program. In the past five years, more than 5,000 families have built their own home under the program (Chart 5).



Single-Parent Families

Driven to provide a stable home for their children, single-headed households account for 59 percent of Self-Help Housing families. In addition, more than 76 percent of all Self-Help Housing families have children living in the homes they help build.⁴³

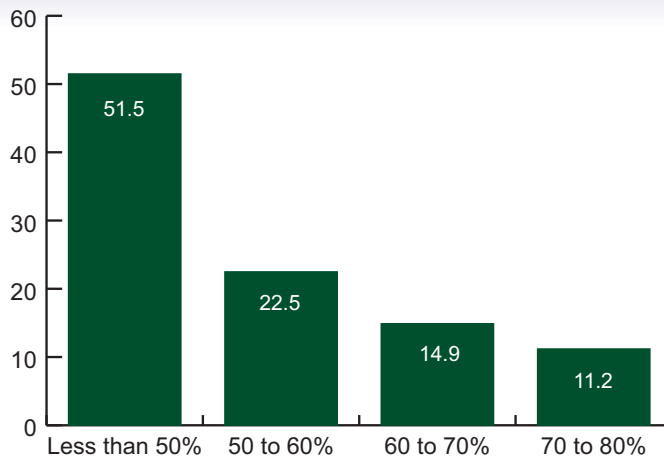
Very Low- and Low-Income Families

The Self-Help Housing program is one of the best ways to expand affordable homeownership opportunities to limited-income rural families. The program is exclusively targeted to low-income families, earning less than 80 percent of the Area Median Income. By building

their own homes on nights and weekends, Self-Help Housing families provide “sweat equity” to significantly reduce the cost of the home. Combining these savings with safe and sustainable Section 502 Direct Loans—at subsidized rates as low as one percent—these families can become long-term, stable homeowners.

Self-Help Housing serves families with the greatest needs. Fully half (51.5 percent) of participants have very-low incomes, making less than 50 percent of the Area Median Income (AMI).⁴⁴ The remaining 48.5 percent have low-incomes, earning between 50 and 80 percent of AMI (Chart 6).⁴⁵ On average, each Self-Help family earns just \$29,122, nearly 43 percent less than the national median household income and 29 percent less than the median rural household income (Table 2).⁴⁶

Chart 6: Self-Help Housing Participants by Percent of Area Median Income, 2013 (in percent)



**Table 2: Serving Low-Income Families
Median Income Levels, 2013**

Median Self-Help Participant Income	\$29,122
Median National Household Income	\$51,017
Median Rural Household Income	\$41,198

Minority Households

A key success of the Self-Help Housing program has been in reaching rural minorities; over half (52 percent) of the participants in the program are minorities (Chart 7).⁴⁷ This is significant because rural minorities tend to face greater obstacles to safe and affordable housing.

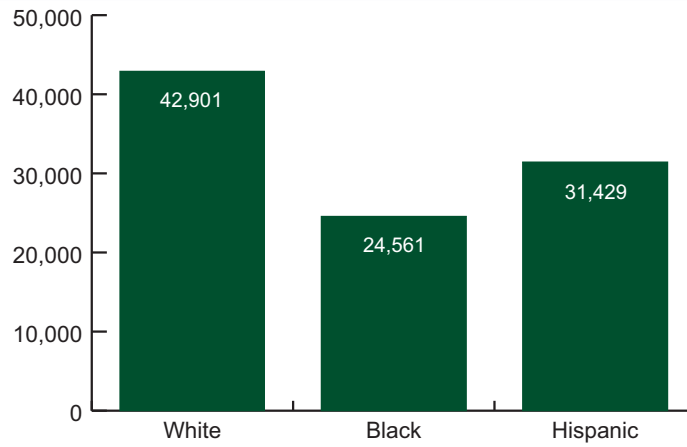
On the whole, rural African American and Hispanic families have substantially lower incomes and higher poverty rates. At \$24,561 and \$31,429, the median incomes for rural African Americans and Hispanics are significantly lower than the \$42,901 median income for rural whites (Chart 8).⁴⁸ Likewise, rural African Americans and Hispanics experience higher poverty rates—32.8 and 29.1 percent, respectively—than rural whites at 13.3 percent (Chart 9).⁴⁹

Rural African American and Hispanic residents are three times more likely to live in substandard housing. They are 28 and 25 percent less likely to own their own home (Chart 10).⁵⁰

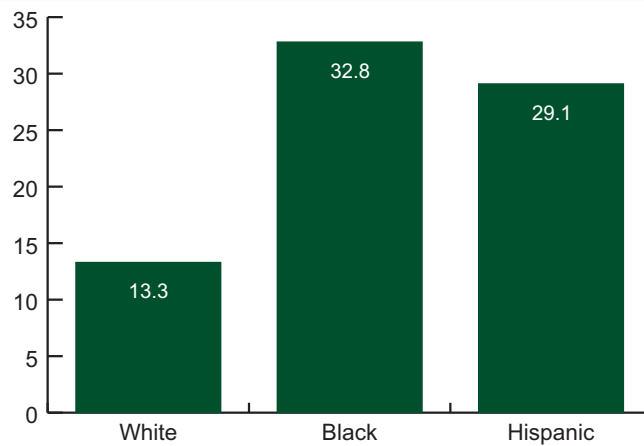
Chart 7: Self-Help Housing Participants by Race and Ethnicity, 2013 (in percent)



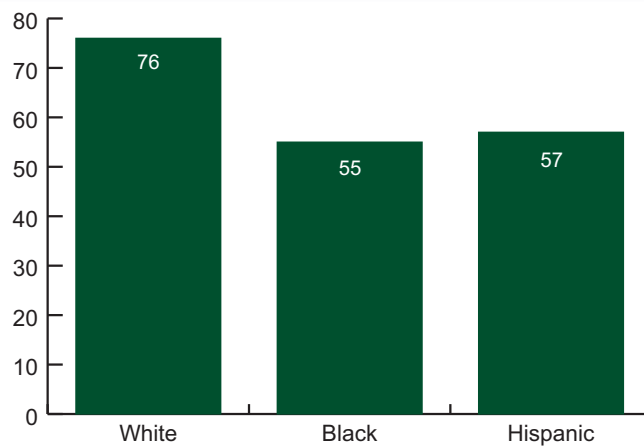
**Chart 8: Rural Median Income by Race and Ethnicity, 2010
(\$ in dollars)**



**Chart 9: Rural Poverty Rates by Race and Ethnicity, 2010
(in percent)**



**Chart 10: Rural Homeownership Rates by Race and Ethnicity, 2010
(in percent)**



Building Wealth

The Self-Help Housing program helps break the cycle of poverty by helping limited-income families become homeowners, building generational wealth with broad impacts on health and education. Self-Help Housing ensures:

- **Lower Costs.** Self-Help Housing families frequently contribute more than 1,000 hours to build their own homes. This “sweat equity” decreases construction costs, allowing families to buy their home at a lower price. To participating families, this sweat equity is a more significant contribution than a typical down payment.
- **Built-In Equity.** Despite a weak housing market in recent years, Self-Help Housing families have moved into their homes with an average of \$25,006 in initial home equity. When the housing market stabilizes, equity may return to historic levels of more than \$50,000.⁵¹
- **Green Savings.** Many Self-Help Homes are built with the latest green technology, not only to help our planet, but to help families save money on their monthly utilities. With tight household budgets, high utility costs can put excessive financial burdens on rural families.

The Self-Help Housing Program strengthens families by helping them develop the skills necessary to maintain their economic security. Self-Help Housing families learn:

- **Home Maintenance.** Self-Help Housing families learn critical home repair skills to help maintain or add value to their home. These Do-It-Yourself skills help families save money throughout the years as homeowners.
- **Financial Literacy.** To ensure sustainable homeownership, all Self-Help Housing families participate in comprehensive housing counseling education courses before purchasing and building their homes. Ongoing support helps families identify and overcome challenges before they threaten to derail homeownership.
- **Marketable Job Skills.** Some Self-Help Housing participants use the construction skills they gain to find better employment opportunities.

Providing a Stable Environment for Children

The Self-Help Housing program provides a stable, nurturing environment for children, with broad educational and health benefits. A key study of children living in Self-Help Housing found that they:

A Future of Success

Before building their own home under the Coachella Valley Housing Coalition's Self-Help Housing program, Jose and Maria Garcia lived in desperate conditions with their four children for more than 14 years. As farm laborers in Mecca, California, a colonia in the Coachella Valley, the Garcias simply could not afford to live in decent housing. More like a shed than a house, their home was a single room, 12 x 25 feet wide and six feet high. It consisted of a two-by-four frame, plywood walls, and a concrete slab floor. The openings that served as windows were covered not with glass, but with only mosquito netting. There was no bathroom in their home, and electricity was supplied by a single extension cord running from another house nearby.

With the added assistance of a low-cost Section 502 Direct Loan, the Garcias were able to move into a four-bedroom, two-bath ranch style home that they built themselves. When their 14-year old son, Armando, was asked by USDA officials about his experiences, Armando proudly told them that one of the reasons why he loved his new home was because he now had his own bedroom and a quiet space to do homework for the first time in his life. To Armando—and thousands of other Self-Help Housing children—living in a Self-Help home is the first step towards a future of success.

- **Are Active in Their Communities.** Two-thirds (67 percent) of Self-Help Housing children were involved in at least one afterschool extracurricular activity, including band, sports, or church groups.⁵²
- **Set High Goals.** Self-Help Housing parents are engaged in their children's education. Nearly 82 percent expected their children to attend college after graduating from high school. More than 58 percent had spoken with their children about the academic requirements for college, and 38 percent had discussed a specific school.⁵³
- **Reach Higher Levels of Education.** Self-Help Housing children have a high school graduation rate of 90 percent.⁵⁴ This is well above the national average of 75 percent,⁵⁵ and far surpasses far surpasses the rates for rural minorities; only 54 percent of rural African American students and 61 percent of rural Hispanic students graduate from high school.⁵⁶ More than half of Self-Help Housing kids (55 percent) attended some college.⁵⁷



The Garcia Family in front of their home. Armando is fourth from the left.

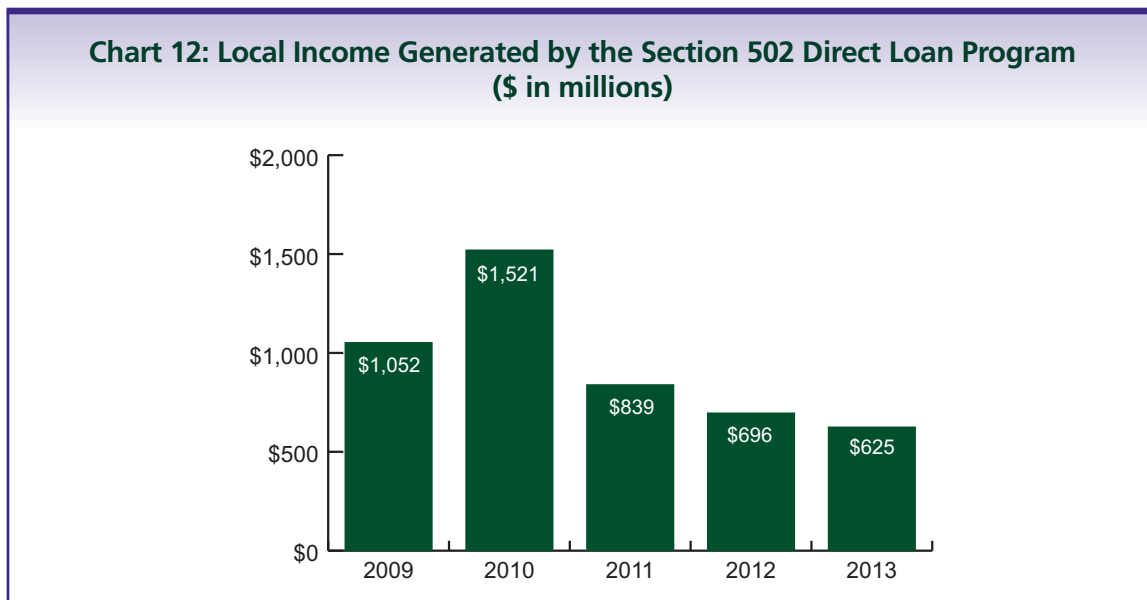
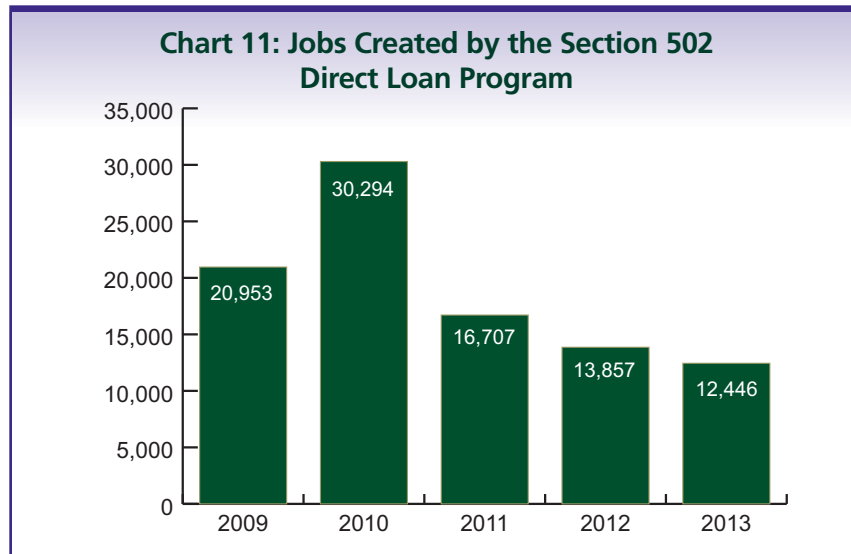
RURAL HOMEOWNERSHIP AND THE PATH TO ECONOMIC RECOVERY

Benefits of the U.S. Department of Agriculture (USDA) Section 502 Direct Loan program and the Section 523 Mutual Self-Help Housing program extend beyond the participating families to surrounding rural communities and the country as a whole. These programs help strengthen our nation's economic recovery by creating jobs, increasing local income, generating local tax revenues, creating stable neighborhoods, and improving infrastructure.

Section 502 Direct Loans

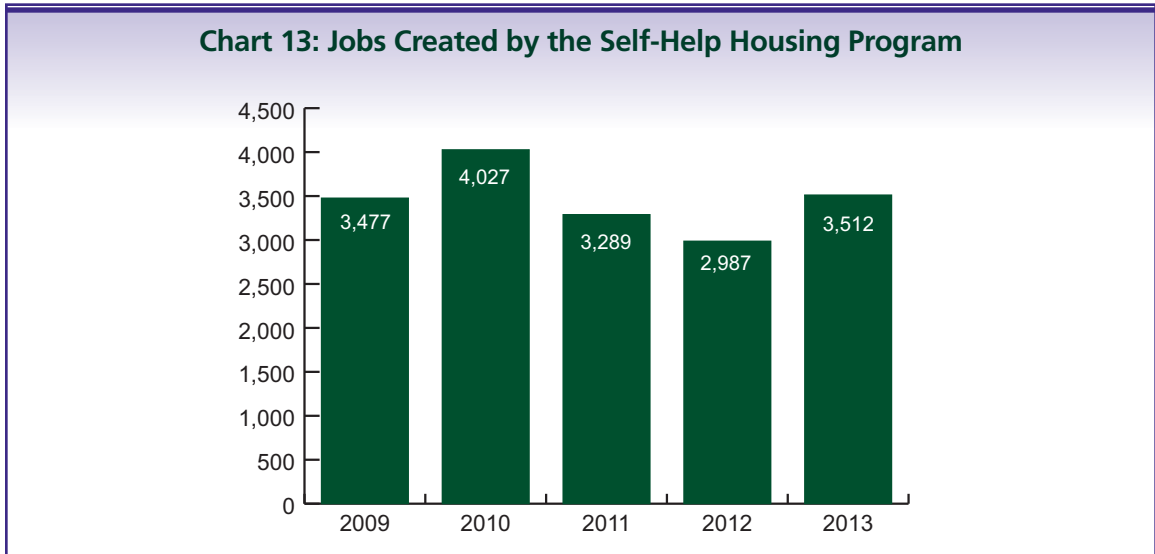
USDA estimates that each single-family home financed by the Section 502 Direct Loan program generates 1.75 jobs.⁵⁸ This means that in 2013 alone, the Section 502 Direct Loan program led to the creation of 12,446 jobs. In the past five years, the program created 94,257 jobs (Chart 11).

In addition, each single-family home financed by the Section 502 Direct Loan program generates \$50,201 in local wages. In 2013 alone, the program generated nearly \$625 million in wages.⁵⁹ Over the past 5 years, the program created about \$4.73 billion in wages (Chart 12).

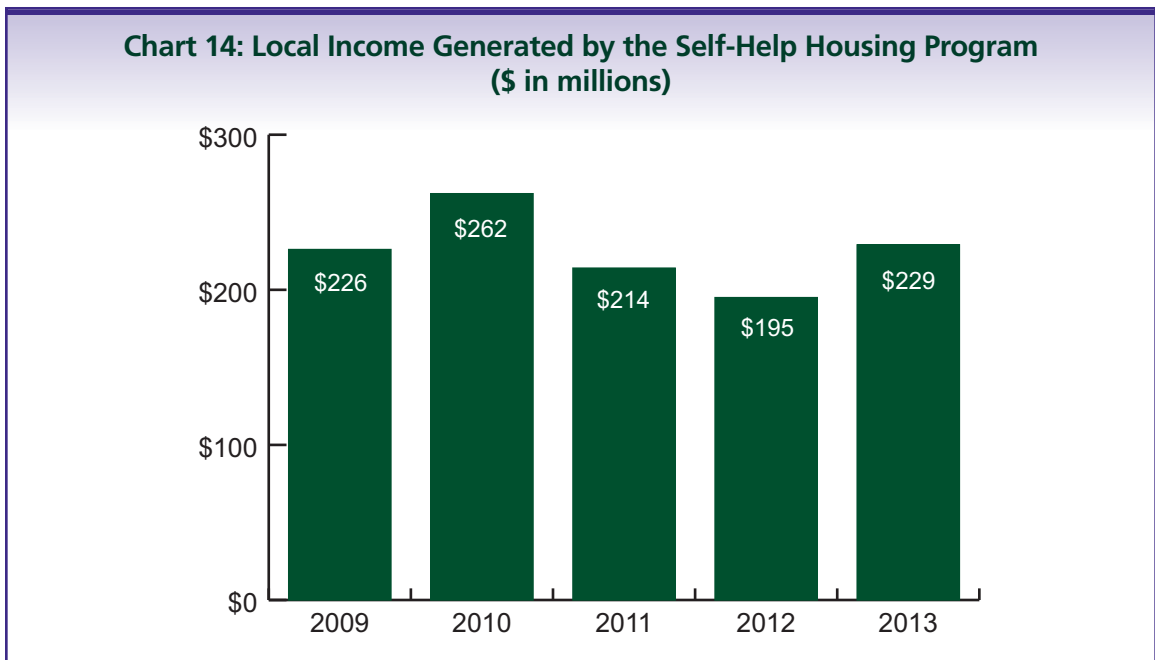


Self-Help Housing

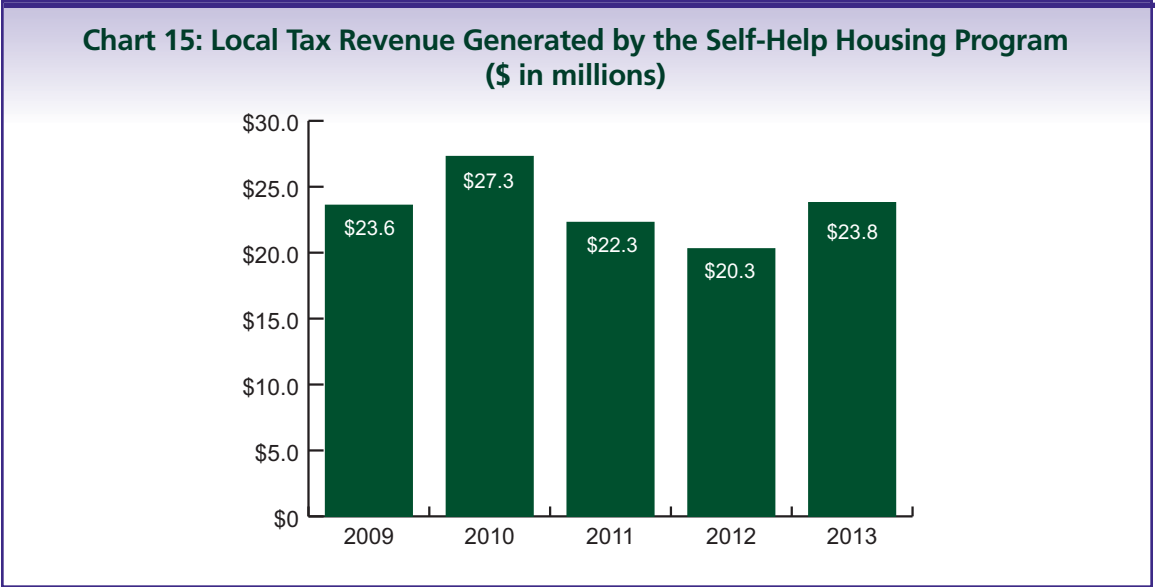
Rural housing programs—including Self-Help Housing—create jobs for rural families. In fact, every 100 Self-Help Homes creates an estimated 324 jobs.⁶⁰ In 2013 alone, the Self-Help Housing program led to the creation of 3,512 jobs, and in the last five years, it has created 17,292 jobs (Chart 13).



Every 100 Self-Help Homes increases local income by \$21.1 million,⁶¹ helping raise rural families out of poverty. In the past 5 years, the Self-Help Housing program has generated more than \$1.13 billion in local income (Chart 14).



Local rural communities also benefit from increased tax revenues. Every 100 Self-Help Homes increases local tax revenue by \$2.2 million.⁶² In the past five years, the Self-Help Housing program has generated nearly \$117 million in local taxes (Chart 15). In some communities, the economic growth can be even greater. For example, in the Mississippi Delta, every 20 homes results in \$1 million of local tax revenue.⁶³



Beyond Job Creation

Beyond job creation, rural homeownership programs stabilize neighborhoods and often lead to improved infrastructure. Under both the Self-Help Housing and Section 502 Direct Loan program, homeowners continue to care for their homes, encouraging neighbors to maintain their property and common areas. This can stabilize communities and increase home values.⁶⁴

Likewise, housing construction in rural areas is often accompanied by other infrastructure improvements like paved roads, electrification, and water/sewer lines. By encouraging further housing development, this can lower the cost of living and make rural communities more attractive to new residents and industries.⁶⁵





Photo: Community Development Corporation of Brownsville



Photo: Community Development Corporation of Brownsville

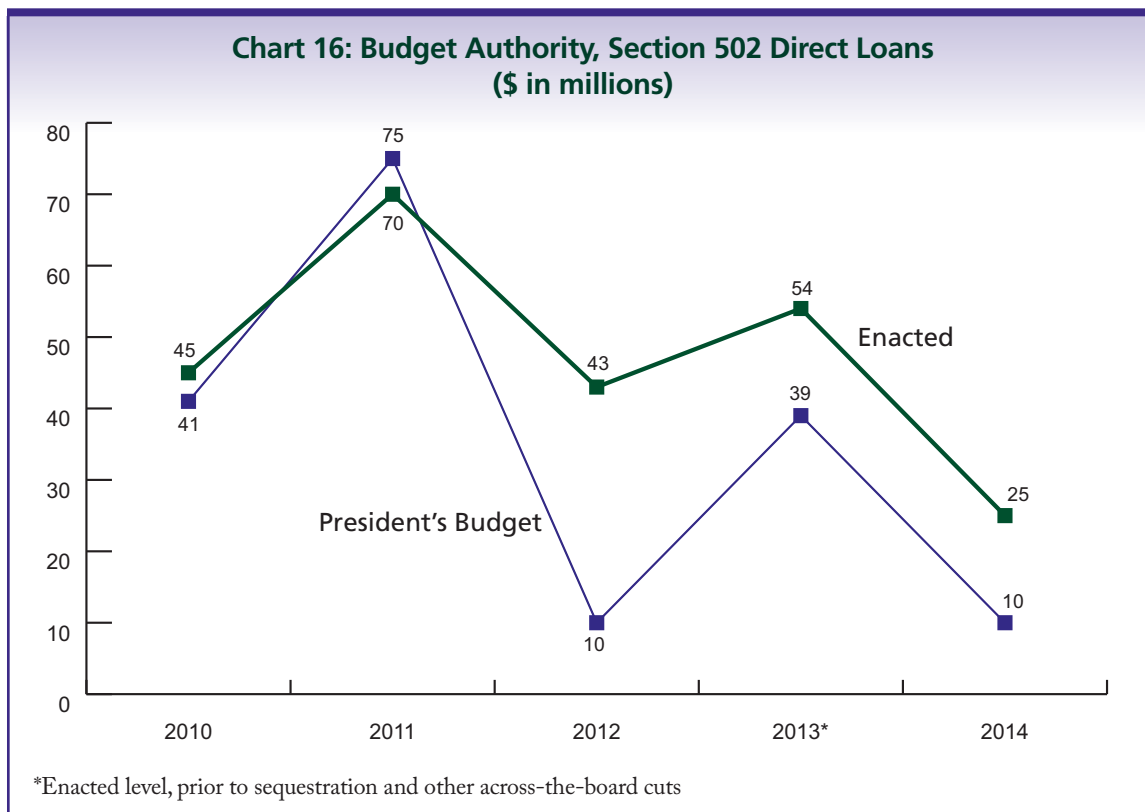
FEDERAL CHALLENGES

Recent shifts in federal housing policy have reduced access to affordable and sustainable housing for low-income rural families. To strengthen rural homeownership, we must reverse the trend of declining levels of federal support, reprioritize direct homeownership loan programs, modernize and streamline the direct loan delivery system, and build on successful nonprofit models. In addition, despite the recent foreclosure crisis, rural housing policy must reflect the fact that homeownership still matters.

Reverse Declining Levels of Federal Support

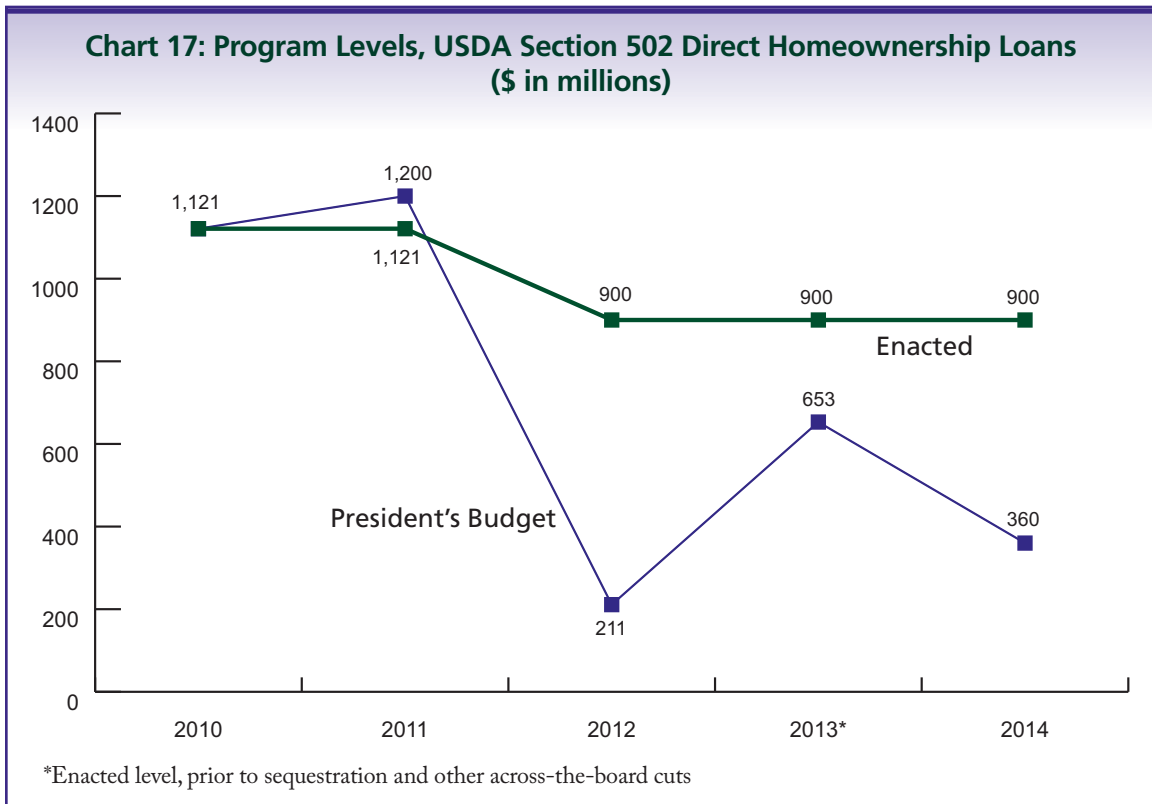
Over several decades, significant cuts in funding for USDA Rural Housing Programs have had a direct and negative impact on the ability of low-income rural families to access to affordable housing. Although many federal programs have seen declines in funding in recent years, the impact on Rural Housing programs has been disproportionately worse. Between FY10 and FY14, the Budget Authority for USDA Rural Housing programs fell by 65 percent or \$252 million, from \$389 million to \$137 million. The President’s FY14 Budget was \$37 million below the final enacted level.

Between FY03 and FY14, the Section 502 Direct Loan program’s Budget Authority was cut by 88 percent, from \$203 million to \$24.5 million. The President’s FY14 Budget had proposed to limit the Budget Authority for Section 502 Direct Loans even further to only \$10 million (Chart 16).



Likewise, between FY10 and FY14, program levels for Section 502 Direct Loans were reduced by nearly \$222 million—or 20 percent—from \$1.12 billion to \$900 million.

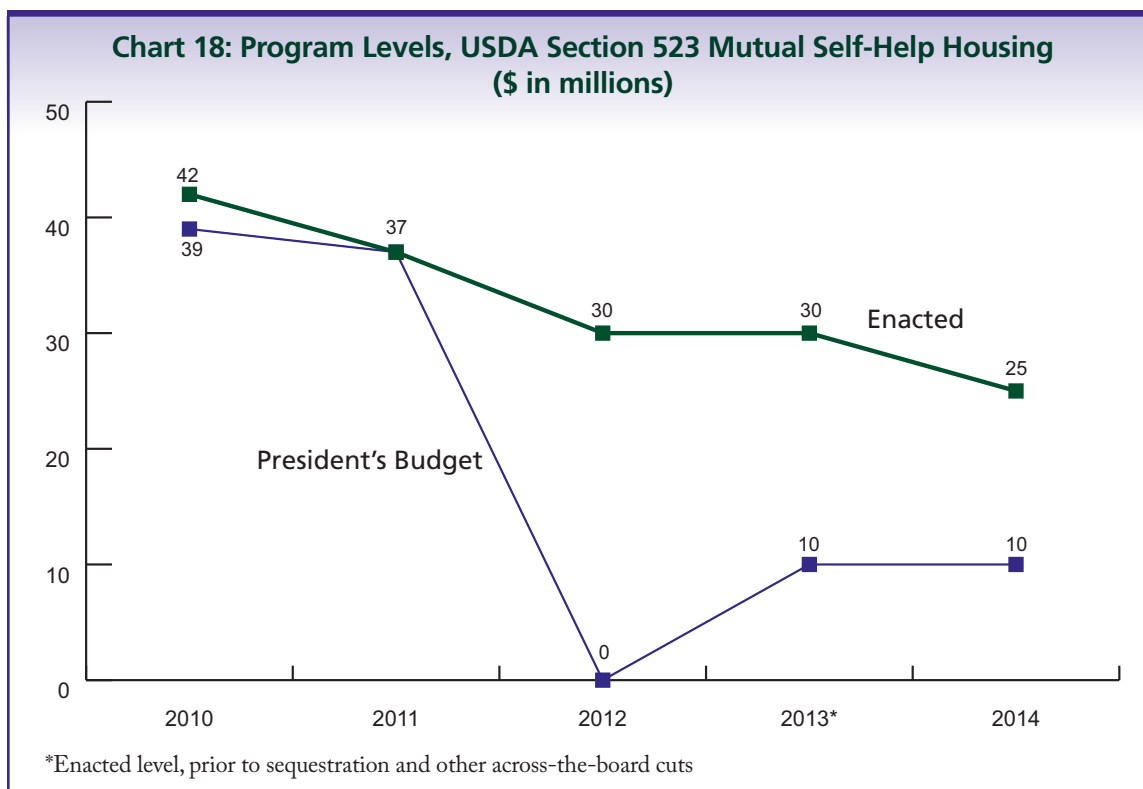
The President's FY14 Budget, however, had proposed to cut program levels by an additional \$540 million. At only \$360 million, the Section 502 Direct loan program would have been at its lowest program level in more than 40 years (Chart 17).



As a result, the President's proposal would have drastically reduced the number of direct loans available to rural families. In fact, more than 4,600 fewer families would have been able to access affordable and sustainable mortgages under the program compared to the enacted FY14 rate. This would have led to 8,125 fewer jobs and nearly \$408 million less in local income, representing a one-year reduction of 60 percent and an 82 percent decrease since FY10.

Likewise, the Section 523 Mutual Self-Help Housing program has faced significant cuts in funding in recent years (Chart 18). Between FY10 and FY14, the program was cut from \$42 million to \$25 million, representing a 40 percent decrease.

The President's FY14 Budget, however, proposed an additional \$15 million cut to reduce funding to only \$10 million—76 percent less than in FY10. Under the President's FY14 Budget, 50 rural organizations that currently provide Self-Help Housing assistance would have been forced to close down. More than 600 fewer families would have been able to build their own home under the program, resulting in 1,973 fewer jobs, \$128.5 million less in local income, and \$13.4 million less in local tax revenue.



On top of nearly a decade of these budget cuts, rural communities already receive disproportionately less federal funding. In 2010, rural communities received \$683 less in federal funding per capita than urban areas, amounting to a difference of \$34.4 billion dollars. This gap has more than doubled since 2009.⁶⁶

Rural communities have difficulty accessing federal housing programs at the Department of Housing and Urban Development (HUD) and other key departments. Although more than 16 percent of the U.S. population lives in rural areas,⁶⁷ rural families receive less than their fair share in federal housing dollars. Caught in a donut hole, rural communities are often too small to attract other agencies' attention. Rural communities receive:

- Only 13 percent of affordable housing units financed with the Low-Income Housing Tax Credit. Because 30 percent of these units also leveraged rural housing funding, recent budget cuts magnify the enormous obstacles before rural communities in accessing LIHTC funds.⁶⁸
- Only 11 percent of the federal government's largest rental assistance program—Section 8 Housing Choice Vouchers⁶⁹

Reprioritize Direct Loan Programs

The recent shift in focus to loan guarantee programs comes at the expense of low-income rural families. Since 2010, the USDA Section 502 Guaranteed Loan program has doubled, with funding jumping from \$12 billion to \$24 billion today.

Yet, guarantee programs have very limited utility in rural areas where residents have inadequate access to initial mortgage credit. Ultimately, guarantee programs fail to serve smaller, more remote rural communities, and low-income families who cannot directly access affordable mortgages.

Unlike federal loan guarantee programs—including the USDA Section 502 Guaranteed Loan program and those administered by the Federal Housing Administration and U.S. Department of Veterans Affairs—the

Section 502 Direct Loan program provides the nation's poorest rural families with access to affordable mortgage credit. This is because the Section 502 Direct Loan program is the only federal homeownership program that is exclusively targeted to very-low and low-income rural families, offers subsidized loans, and does not require a large down payment.

Modernize and Streamline Delivery

Today's Section 502 Direct Loan delivery system is a relic of the past and is in desperate need of a 21st century makeover. The future success of the program depends on a renewed commitment by USDA to modernize and streamline the rural housing loan delivery system.

Over the past few decades, USDA has failed to adapt the Section 502 Direct Loan program to technological and commercial changes in the mortgage industry. For example, USDA has failed to update its delivery system in light of the availability of instant credit reports, high-speed internet, the ability to share documents electronically, the creation of the home inspection industry, and the rise of the real estate appraisal industry. While the rest of the mortgage industry has embraced these advances in order to better serve borrowers, the Section 502 Direct Loan program has been left behind. Local and regional USDA staff still process loan applications by hand and little has been done to make processing requirements and procedures more consistent. Currently, these vary among states, and even between offices in the same state.

While there is widespread agreement that the Section 502 Direct Loan processing system is out-of-date and must be reformed, USDA has failed to take even simple steps to move in that direction. Few of the measures adopted by the agency to improve its review and processing of Section 502 Guarantee Loans have been carried over to the Direct Loan program, including modernizing the underwriting system, shifting to electronic processing, and allowing private lenders to easily package loans. USDA Guaranteed Loans can be approved in as little as 24 hours, while Section 502 Direct Loan borrowers often wait six months or more.

This problem has only been made worse by dramatic cuts in federal funding, reductions in staff, and the closure of local and regional USDA offices. Twenty years ago, Section 502 Direct Loans were processed at over 2,800 regional and state USDA offices. Today, with about 400 local offices left to process rural housing loans, it is even more important that USDA update the way it does business by modernizing and streamlining its loan review and processing procedures.

Building on Successful Nonprofit Models

In recent years, nonprofit organizations have become an increasingly important vehicle to deliver housing assistance. These organizations recruit eligible families and shepherd them throughout the loan process. By successfully melding federal, state, local, and private resources, nonprofit organizations can facilitate affordable financing packages that low-income rural families need.

Without a dedicated source of federal support, however, this nonprofit delivery system is uneven, complex, and time-consuming. Because local housing organizations have varying levels of capacity, sophistication, and experience, quality of service differs wildly from community to community. Low-income rural families living in communities without such organizations often have no help accessing assistance.

Given this reality, USDA should look to those nonprofit organizations that have successfully overcome these challenges as models for improving the delivery of Section 502 Direct Loans. Two of these organizations—PathStone Corporation, headquartered in New York, and the Federation of Appalachian Housing Enterprises (FAHE), headquartered in Kentucky—have developed innovative methods to streamline loan processing.

With a footprint throughout the Northeast, PathStone works directly with families to determine their eligibility, counsel them on what they can afford, obtain credit reports, and schedule appraisals. And, by layering other public and private resources, PathStone helps ensure affordability and sustainability.

PathStone and its highly-motivated local USDA partners have been able to improve the time families must wait before their loan is approved. By taking on duties typically conducted by USDA staff, PathStone can work around some of the agency's inefficiencies and bureaucracy, reducing the typical processing time in half. While families frequently wait up to six months to have their loan approved in other USDA offices, those working with PathStone typically wait just 2-3 months. While this time frame is far from adequate, PathStone has been able to show that progress can be made.

In 2010, USDA launched a demonstration program—the first of its kind—with FAHE and four other regional nonprofit intermediaries to explore new ways to expedite and streamline the processing of Section 502 Direct Loans. Together, trained packagers and intermediaries help low-income, rural families navigate the loan processing system by gathering all of the necessary financial information and reviewing these documents for accuracy before submitting complete loan packages to USDA.

This pilot program has proven that collaboration between USDA and its nonprofit partners can help the agency better serve rural families. According to USDA, the demonstration program has helped reduce the time required to process Section 502 Direct Loans by 34 percent.⁷⁰ One intermediary, FAHE, successfully reduced the loan processing time in its seven-state footprint by 72 percent, from an average 188 days to 52 days. Because USDA staff no longer needs to engage in the very time-consuming process of working with individual loan applicants to ensure that their applications were complete, USDA is better able to focus limited staff resources on the underwriting process and other key responsibilities.

To build on this success, Congress included a provision in its Fiscal Year 2014 (FY14) Consolidated Appropriations bill directing the agency to expand the demonstration program to include five additional nonprofit intermediaries.

Despite the progress that has been made, FAHE and other intermediaries have been hamstrung by USDA's antiquated underwriting process and slow pace in modernizing and streamlining loan processes. At a minimum, USDA should invest in a modern underwriting system similar to the Section 502 Guaranteed Loan program. Above all, however, USDA must demonstrate a real commitment to expanding these nonprofit models. Top-level agency officials must show a strong political will to support nonprofit organizations as they serve low-income families. Without this, the ability of nonprofit organizations to deliver housing assistance will remain inconsistent.

Homeownership Still Matters

Homeownership still matters. Despite our recent economic crisis, homeownership continues to be the single best long-term investment for most Americans.⁷¹ And, because homeownership is the predominate form of housing in rural America, it remains the primary source of wealth and financial security for rural families. As such, we simply cannot afford to overlook the well-documented benefits of rural homeownership programs:

- **Appreciation of Home Value.** Studies have found that homeowners spend more time and money maintaining their home than landlords, contributing to the overall quality of a community. Areas with higher homeownership rates also experience greater rates of property value appreciation.⁷²
- **Positive Impacts on Children.** Several researchers have found a strong correlation between the stability created by homeownership and higher educational success, fewer behavioral problems, greater

participation in organized activities, and increased lifetime earnings for children raised in an owned home. These children have a 25 percent higher high school graduation rate, are twice as likely to acquire some post-secondary education, are 116 percent more likely to graduate from college, 40 percent less likely to have a teen pregnancy, 50 percent less likely to be on welfare, and 59 percent more likely to become homeowners as adults.⁷³

- **More Civic Involvement.** Homeowners tend to be more involved their communities and local governments than renters. These families have a 25 percent higher rate of participating in elections, and they are more likely to be involved in volunteer organizations, attend church, and recycle.⁷⁴ Likewise, homeowners tend to remain in their homes longer—8.2 years on average, compared to 2.1 years for renters—adding stability to a neighborhood.⁷⁵
- **Better Health Outcomes.** Homeowners tend to be healthier and happier than renters. Low-income homeowners report higher life satisfaction, higher self-esteem, and higher perceived control over their lives.⁷⁶
- **Lower Crime Rates.** To protect against declining home values, homeowners have more incentive to deter crime. A stable neighborhood is likely to reduce crime.⁷⁷
- **Increased Entrepreneurship and Independence.** Home equity, as one of the largest sources of collateral, allows new business owners to gain much-needed access to credit. Homeowners are almost three times more likely to be a business owner than renters.⁷⁸ In addition, because home equity can help families endure economic hardships, homeowners are better able to remain independent after job loss, lessening their need for public assistance.⁷⁹
- **Stronger Economies.** The benefits of homeownership do not end with the homeowner. Building 100 homes creates more than 300 full-time jobs and generates \$8.9 million in federal, state and local tax revenues.⁸⁰



Photo: Community Development Corporation of Brownsville



CASE STUDIES

CASE STUDY

PRIDE FOR GENERATIONS

By Nadia Villagran



Amelia and her two children, Edgar and Hector, stand in front of their new home.

The **Coachella Valley Housing Coalition (CVHC)** is an award-winning non-profit housing development corporation dedicated to helping low-income families improve their living conditions through advocacy, research, construction, and operation of housing and community development projects. Celebrating its 30th year, CVHC has built nearly 4,000 homes and apartments for low-income households in the Riverside and Imperial counties of southern California. In addition, CVHC has developed childcare centers, after-school programs, and medical clinics.

Amelia Magaña has great pride in what she has accomplished for her two sons, Edgar and Hector, with the assistance of the Coachella Valley Housing Coalition's (CVHC) Mutual Self Help Housing program, located in Coachella Valley, California. "Building my house was not easy. What kept me going everyday were my kids," Amelia said. "I wanted them to take pride in our home. I want them to say one day when they grew up, 'My mom built this home for us.'"

Before becoming a homeowner, Amelia and her sons lived in an apartment complex in the Riverside County community of Mecca, California. "My kids could not go outside or have a pet," she explains. "Now they enjoy being outside and playing with their dog. I enjoy coming home every day from work. My kids and I love being at home."

Many families in the Coachella Valley struggle to find clean, decent, and affordable housing. The lack of affordable housing in the area is evident by the number of very low- and low-income families living in overcrowded and unsanitary conditions.

About 62 percent of the households in the City of Coachella earn less than 80 percent of the Area Median Income (AMI), according to the 2010 U.S. Census. Moreover, more than 50 percent of renters in the City of Coachella pay 35 percent or more of their monthly income towards rent, and nearly 16 percent of rental units are overcrowded.

To provide a safe environment for her children, Amelia and 12 of her future neighbors, contributed approximately 1,600 hours per family to build each other's homes from the ground up. They built their homes in CVHC's Los Jardines 205-home subdivision in the City of Coachella, California, joining more than 1,500 other families who built their homes and communities, house by house, over CVHC's 30-year history.

Under CVHC's Self-Help Housing program and with the help of a 502 Direct Loan, Amelia could finally afford to become a homeowner. Within a year of building her own home, Amelia had earned \$15,000 in "sweat" equity. And, because the interest rate on her Section 502 Direct Loan was subsidized to 1 percent, Amelia's monthly mortgage payment was only \$75 more than renting her cramped apartment.

"The Self Help Program is a great program and was an opportunity for me as a single mother to become a homeowner," Amelia says. "Thanks to the Self Help program and CVHC, I'm able to make my dream come true of giving my kids a better place to live."

CASE STUDY

BUILDING A STRONGER FUTURE

By Michele Webb

Shunette Banks, a single mother of two children, had been renting for nearly 20 years before becoming a homeowner. While she dreamt of homeownership, she was not sure how to make her dream a reality. One afternoon, however, a local store owner in Lincoln, Delaware told Shunette about a customer who had built their own home under the Milford Housing Development Corporation's (MHDC) Mutual Self-Help Housing program. When Shunette left the store that day, she was excited by the possibility of providing a decent, healthy, and affordable home for her children.

With MHDC's help, Shunette dedicated 30 hours a week for over ten months—in addition to working full-time in the hospitality industry and caring for her two young children—to attain the American Dream of owning her own home.

In the end, thanks to providing over 1,300 hours in construction labor, Shunette moved into her home with over \$45,000 of equity. With the help of a Section 502 Direct Loan, her monthly mortgage payment—including taxes and insurance—costs about \$100 less than renting.

In addition to the sweat equity in her home, Shunette also saves money on her monthly utility bills. That's because her new home is Energy Star-approved. Now, with the extra money she saves each month, Shunette is better able to meet unexpected expenses and plan for the future.

By participating in the program, however, Shunette has gained more than a home for herself and her children. She has gained confidence and a new appreciation for her own abilities. "This process has given me the strength to no longer see obstacles the same way. I have an inner strength which allows me to tackle things and see them as manageable."



(Left to right) Shunette Banks; U.S. Senator Tom Carper (D-DE); Dupree Johnson, Self-Help Homeowner; Jane Vincent, HUD Regional Administrator.

Milford Housing Development Corporation's (MHDC) is a mission-driven non-profit housing developer with a sensible approach and a caring environment for people of modest means first formed in 1977 by local residents who saw a need for affordable housing solutions. MHDC is known for their open-minded approach, commitment to quality, and a caring and sound passion for client and staff alike. MHDC provides transitional housing, homeownership opportunities, emergency home repairs, and home rehabilitation services as well as credit and financial counseling.

CASE STUDY

A ROUGH ROAD MADE EASIER

By Jason Meyer and Natalie Fisher

Mike and Kim Overholser remember a time when they seemed to have it all. In addition to owning their own home and working stable jobs, the Overholser family had a son, Matthew, and daughter, Makenzie on the way. But when



Mike and Kim Overholser with their son, Matthew and daughter Makenzie in front of their new home.

Pathfinder Community Connections, the community development division of Pathfinder Services, was created in 1997. Pathfinder Community Connections is a comprehensive housing development organization providing home buyer education courses, forgivable down payment assistance loans, credit rebuilding services, free tax preparation, foreclosure prevention counseling, Individual Development Accounts, and other critical services for lower-income families in Northeast Indiana.

Makenzie was born with a severe heart condition, everything changed. To care for their daughter, the Overholser family had to spend a lot of time at a children's hospital, more than two hours away from their home in Huntington, IN. "Basically, we were living in two different places at one time, and what little money we had saved up went fast," Mike said. Eventually, Makenzie's expensive medical bills caused the Overholser family to declare bankruptcy and lose their home.

Before finding Pathfinder Community Connections, headquartered in Huntington, IN, the Overholser family did not think that they would become homeowners again. Declaring bankruptcy had badly damaged their otherwise strong credit history, and they simply could not find a bank that was willing to lend to them.

Instead, the Overholser family rented a small apartment, causing their family a lot of stress. Because the walls were thin, they frequently overheard neighbors fighting and yelling at all hours. In addition, a series of thefts at their apartment complex made it difficult for them to enjoy spending time at home.

With the help of Pathfinder Community Connections and a USDA Section 502 Direct Loan, the Overholser family was able to secure a low-cost, affordable mortgage and buy a new home in a safe neighborhood. "If this program didn't exist, we would have never been able to achieve what we

did," Mike said. Pathfinder staff also helped the Overholser family identify their housing needs, set up a savings account, and even prepare their taxes.

Because the Overholser family's mortgage payments are capped at 24 percent of their monthly income, their Section 502 Direct Loan is affordable and sustainable. In fact, the mortgage payments are only \$62 more a month than what they paid to rent their apartment. And, because the home is energy-efficient, their monthly utility costs are significantly lower.

"Being approved to buy a new house is a great feeling. It makes you want to get up the next day and do something. It makes you want to build that house, go to work to pay for it, and it gives you something to look forward to."

CASE STUDY

A NEW START AFTER HURRICANE GUSTAV

By Alyssa Pillars

Yvonne Williams is a disabled retiree, living in St. Charles Parish, Louisiana. Like so many others, Yvonne lives on a fixed retirement income. Despite her age and very low income, Ms. Williams has always insisted on maintaining her independence and providing for herself. With the help of Family Resources of New Orleans, a non-profit organization dedicated to helping low-income families obtain homeownership through its Self-Help Housing Program, Yvonne has been able to realize her dream.

In 2008, Yvonne owned a home in Boutte, Louisiana. However, things took a drastic turn when Hurricane Gustav hit the southern shores of Louisiana and began to destroy thousands of homes and businesses. Yvonne's home was no exception.

Hurricane Gustave caused an estimated \$4.3 billion in damage, including the destruction of thousands of homes. After the storm, Yvonne had very few options: she couldn't return to her home because of the extensive damage caused by the hurricane, and she couldn't afford the massive repairs that were needed. So, Yvonne found herself living with family members for the first time in decades.

Because of her insistence not to have others provide for her, Yvonne began to search for ways to regain her independence.

With the help of Family Resources of New Orleans's Self Help Housing program and a Section 502 Direct Loan, Yvonne was able to build her new home. By contributing over 560 hours of labor, along with the help of four other families in the program, Yvonne was able to build \$32,000 in equity in her new three-bedroom two-bath home. Now, Yvonne pays only \$260 a month for her mortgage, including taxes and insurance. This is significantly less than the average mortgage payment for a modest house in the St. Charles Parish area.

"Without the Self-Help Program, my housing choices were limited to living with my children, living in a senior living facility, or living in an environmentally unsafe FEMA trailer," said Ms. Williams. With the new home she has built, Ms. Williams has been able to preserve the independence for which she has worked so hard to keep.



Yvonne with John Audibert, Single Family Housing Specialist with USDA Rural Development, at the Ribbon Cutting & Key Ceremony for her new home.

Family Resources of New Orleans enables and empowers low-income families to become self-sufficient by building wealth through homeownership, employment, and self-employment. FRNO was recognized in 2011 as the nation's top affordable housing organization by the National Development Council (NDC) for its excellent work in New Orleans.

CASE STUDY

BUILDING MY FAMILY'S FUTURE

By Nadia Villagran

When Rigo Ramirez is asked to tell how his life changed by building his own home under the Coachella Valley Housing Coalition's first-ever Mutual Self-Help Housing program, his eyes get misty. When Rigo first heard about the possibility that he might qualify to own a home for his family—including his wife and six children—he never dreamt it could be true. “I didn't believe I would qualify because I was earning \$2.10 per hour working in the fields.”



Rigo Ramirez (center with baseball cap) stands with his Self-Help Housing group in front of a completed home in 1988.

The Coachella Valley Housing Coalition (CVHC) is an award-winning non-profit housing development corporation dedicated to helping low-income families improve their living conditions through advocacy, research, construction, and operation of housing and community development projects. Celebrating its 30th year, CVHC has built nearly 4,000 homes and apartments for low-income households in the Riverside and Imperial counties of Southern California. In addition, CVHC has developed childcare centers, after-school programs, and medical clinics.

Prior to moving into their new home in Coachella, California, the Ramirez family “lived in very bad conditions,” Rigo explained. “We were in an eight-foot-by-eight-foot trailer, with no hot or cold water and no toilet.”

Under the program, Rigo and his wife joined forces with their future neighbors to build their community. Each family contributed more than 1,000 hours toward the construction of their home. As a result, the Ramirez's earned more than \$10,000 in sweat equity. And, with a Section 502 Direct Loan—and an interest rate subsidized to only one percent—the Ramirez's knew their homeownership was sustainable.

While obtaining his own home was truly a dream come true, it got even better for Rigo. “On the day I finished my house, the Housing Coalition called me and offered to train me more in construction, and soon I became the building superintendent. Now I can build any kind of house and I teach the supervisors how to instruct the families they build with.”

Rigo says, “Because CVHC gave me the opportunity to learn carpentry, I was able to afford putting my kids

through school and they have had the opportunity to do even better...Because of this house, most of my children have gone on to college because they had a relaxing, safe environment where they could study.”

Years later, Rigo is still amazed at what the program has done for his family. “I don't know how to say thank you to CVHC, to God, and to the government for their support in helping us build our homes and live the American Dream,” said Rigo. “I have my house, my job, and I am very, very grateful to CVHC for the beautiful lives my family and I now live.”

CASE STUDY

THE PRIDE OF HARD WORK

By Tom Manning-Beavin

Yvonne and Jose Garcia-Hernandez's pride in their new home in Monticello, Kentucky is obvious to everyone who talks with them. Yvonne believes their new home symbolizes what you can accomplish if you work hard and keep striving. For her, it reflects the hope and promise of a brighter tomorrow for her six children.

Yvonne and Jose built their home through Kentucky Highlands Community Development Corporation's Mutual Self-Help Housing program along with four other families. Each family contributed over 1,000 hours over 10 months to the construction of their homes, from laying the block and framing the walls to painting and installing the last trim boards.

Monticello is an Appalachian town of about 6,000 people in Wayne County, Kentucky. Despite being the county's major manufacturing and agriculture engine, Monticello was hard-hit by the recent recession, putting further strain on its residents. Housing options for working families with low incomes in Wayne County are meager, and safe, affordable mortgages are equally difficult to find.

Before building their new home, Yvonne and Jose rented a single-wide trailer in a trailer park for seven years. This is typical in Monticello, where most of the available housing stock—including many pre-1976 single-wide manufactured homes—is aging and comes with expensive utility costs.

Thanks to the Self-Help Housing program at Kentucky Highlands, and the assistance of a low-cost Section 502 Direct Loan, Yvonne and Jose now live in a clean, decent, and affordable home. Under the program, they earned about \$35,000 through sweat equity construction. Their monthly mortgage payment, including taxes and insurance, costs Yvonne and Jose only \$25 more than what they were paying to rent a trailer. In addition, because the home is Energy Star-approved, they will save an additional \$200 a month in utilities.

Throughout the construction of their home, Jose arrived at the job site early in the morning so that he could work for several hours before reporting to his job at a hardwood flooring manufacturer in Somerset. Yvonne worked each afternoon after her shift ended at Patriot Industries, a sewing factory that manufactures rucksacks and other equipment for the United States Armed Forces.

When USDA Rural Housing Administrator Tammye Trevino visited them in their new home in 2012, Yvonne told her, "I am so proud of my home. It is such a blessing."



Yvonne and Jose's family celebrate their new home with Kentucky Highlands staff, USDA officials, and community leaders.

For over 40 years **Kentucky Highlands** has made loans, invested equity, and provided technical expertise in rural southeast Kentucky to support community development through business development, entrepreneurial growth, and the development of affordable housing. Currently, there are over 11,000 jobs in companies in which Kentucky Highlands have active loans and investments. Kentucky Highlands has operated its Self-Help Housing program since 2008.

CASE STUDY

BUILDING STRONG COMMUNITIES, ONE HOME AT A TIME

By Jill Quezada

Felicia Roe struggled for nearly ten years to purchase a home in the small, rural community of Willows, California, located in Glenn County. Despite stable, long-term employment and excellent credit, she lacked sufficient income and the necessary down payment to qualify for any loan product in her community. Felicia was ecstatic to learn that she was eligible for Community Housing Improvement Program's (CHIP) Mutual Self-Help Housing Program.



Felicia's new home, built under the Mutual Self-Help Housing program.

Since 1973, the **Community Housing Improvement Program, Inc.** (CHIP) has provided housing services to thousands of low-income families in a 9-county region in the northern Sacramento Valley. Current services include Mutual Self-Help Housing, affordable rental housing development and property management, resident services, and housing counseling. CHIP, Inc. has helped build over 1,600 homes through its Mutual Self-Help Housing program.

Despite her excitement about being a homeowner, Felicia worried that she wouldn't be able to complete the program's requirement that families contribute at least 65 percent of all construction labor. As a single mother of a ten-year old son, working full-time, and with few relatives in the area, she had her doubts.

The 6 other Self-Help Housing families working with Felicia came to her rescue. "Many various people from our group contributed many hours on my behalf, and I am eternally grateful to them." With the help of others, Felicia worked on her home every weekend for nine months and contributed about 1,000 hours toward the construction of her home.

Before building her own home, Felicia and other families struggled with Willow's older housing stock which was often substandard or unsafe. Over half of all low-income households in Willow are "cost-burdened," paying more than 30 percent of their monthly income on housing costs.

Now, Felicia and her son live in a safe, decent, and affordable home. With the help of a USDA Section 502 Direct Homeownership Loan, Felicia's mortgage payment is

actually \$26 less than what she was paying in rent. And, having fixed housing costs helps her plan for the future. "I have started employment with a terrific new company that can actually provide a great future for my son and me. It also enables me to dream about the improvements that I want to make and to provide the means to eventually complete them."

Above all, Felicia is proud to be able to raise her son in a safe, caring community. "The opportunity to build with others has made some steadfast friendships and family ties that are unparalleled. My son and his friends are a close knit group and they come and go to all of our houses. As parents, we do not worry because we all know each other and we know that our children are in a safe environment."

CASE STUDY

BUILDING A LEADER

By Sheryl Flores

After a divorce wreaked havoc on her financial position and credit, Angela McCormick was forced to move her son, “Shorty,” and young daughter, Angelina, into her parents’ home. Because they also shared the home with her sister and nephew, Angela slept on the couch for two years. Before she learned about Peoples’ Self-Help Housing Corporation in San Luis Obispo, California, and its Mutual Self-Help Housing program, Angela worried that she would never have a home to call her own.

With the help of a USDA Section 502 Direct Homeownership Loan and PSHHC’s Self-Help Housing program, Angela was able to build her own three-bedroom, two-bath home in Guadalupe, California. This small community of roughly 3,600 is located in San Luis Obispo County, where housing costs have risen due to the lack of diverse, affordable housing options.

On the construction site, Angela was seen as a leader by the 10 other families participating in the Self-Help Housing program with her. She always challenged herself and others to push themselves a little harder. For example, Angela worked at the construction site in the evenings, despite the long commute from her parent’s home and having worked a full day at her job. She even used all her vacation days to work on the homes. “I look at my house and can still see the bare lot that was there. It’s incredible that we did all this ourselves.”

Between Angela and her son, the McCormicks contributed about 2,700 hours in construction labor for their new home. As a result, Angela was able to move into her home with over \$60,000 in equity.

In addition, Angela gained the skills she needed to become a builder. “I had no experience at all coming into this. Joe [a PSHHC construction supervisor] taught me everything I know and in a way that I would understand...He laughed with us, lectured us, and sometimes pushed us to realize our full potential. Joe, I am forever in your debt for making me the builder that I am today.”

Angela was so inspired by her work with PSHHC that she created a blog, *Ang The Builder* (<http://angthebuilder.blogspot.com>) to document her experiences in the program. Between her job at the County Recorder’s office and working nights and weekends at the construction site, Angela shared her progress, hopes, and challenges to help other families learn more about the Self-Help Housing program.



Angela McCormick and Nora Gutierrez take a quick break from work.

Peoples’ Self-Help Housing (PSHHC) was formed in 1970 to encourage the development of safe, affordable housing along the high-cost coastal areas of central California. PSHHC has developed over 1,100 homes for low-income families and it has built, rehabilitated and managed over 1,300 affordable rental units. PSHHC also provides critical Home Buyer Education and Counseling, Youth Educational Enhancement Programs, and Supported Health Services.

CASE STUDY

LIVING THE AMERICAN DREAM

By Jessica Medina Castro

With the new arrival of their first child, Crystal and Francisco Peralta realized that they wanted more for their growing family. Although they dreamed of having a place to call home, they never imagined that it would come true.



The Peraltas, and their two children, stand proudly in front of the home they built under the Self-Help Housing program.

Founded in 1976, **Housing America Corporation** is a non-profit organization located in Somerton, Arizona. The organization is dedicated to improving communities in the area it serves by providing decent, safe and affordable housing through education and economic opportunity to very low-, low- and moderate-income individuals and families.

Direct Loan, the Peraltas saved more than \$11,000 through a combination of sweat equity and down payment assistance. “We were working in the heat of summer; it was literally ‘sweat’ equity,” the Peraltas joke.

The lessons the Peraltas learned have stayed with them. Along the way, Francisco gained construction knowledge, learned teamwork, and garnered a greater appreciation for the house they now call “home.” “I learned about housing codes, all the details that go into a house, and about hard work,” Francisco said. “It makes you feel like you earned it—and because of all that, you cherish it more.”

Crystal was so moved by her experience that she now works for Housing America Corporation, promoting the program and sharing her American Dream story first-hand with others.

That is, until they learned about Housing America Corporation’s Mutual Self-Help Housing program. Now that they’ve built their home in Somerton, Arizona, a small town of 13,000 in the County of Yuma, their dream has become a reality.

To the Peraltas, all of the hard work was worth the struggle. While building their home, they lived in a small room in a house they shared with Crystal’s mother and four siblings. Crystal worked a minimum-wage clerical job while Francisco worked in a maintenance department. In addition to working full-time, the Peraltas each worked 40 hours every weekend on the construction of their home, leaving them with little time to spend with their newborn child.

“We never thought that we would be able to purchase a home with our income and in today’s economy,” said Crystal. “If we were ever going to have a chance, now was the time.”

With the assistance of Housing America’s skilled staff, a small group of 10 families worked together to provide 65 percent of the construction labor—amounting to more than 2,000 hours each—to build their homes.

Under the Self-Help Housing program at Housing America Corporation and the assistance of a Section 502

CASE STUDY

MILESTONE ON A LONG ROAD TO SUCCESS

By Kathy Heinrichs Wiest

Edith Arreguis can already picture herself and her son, Leixander, enjoying their new home in Goshen, California, a small unincorporated community of 3,000 in Tulare County in the San Joaquin Valley. Because options for safe, decent, and affordable housing are limited in Goshen, Edith turned to Self-Help Enterprises and its Mutual Self-Help Housing program to help her give a better life to her son. Self-Help Enterprises provided construction supervision and financial counseling to support Edith and 9 other families as they built their own homes.

Edith's search for suitable housing for her son was a challenge. The waiting list was long for government subsidized housing. The cost of a conventional mortgage on a house in a safe neighborhood was out of the question. So Edith and Leixander lived in a small room in an apartment shared with Edith's mom, stepdad, and three siblings.

The dream of providing a better life for her son carried Edith through the hard work required to build a Self-Help Home. Despite the struggles of being a single mother, Edith contributed over 1,300 hours to help build her home and the homes of nine other families in the program. "Sometimes I'm here [working on the house] from 7 to 11 and then I run home and shower and get to my job. I might not see my baby till ten at night. It's hard, but it's worth it."

For Edith, finishing and moving into her house is more of a milestone on her journey than an end goal in and of itself. She is eager to get settled because it means there will be time again to pursue her education. Her goal: to become a surgical nurse.

Building her own house allows Edith to provide a secure home for her son, and continue toward her career goals. "If I'd get a normal house, I wouldn't be able to go to school because it would be too expensive," she reflects. "There are a lot of people like me who can't afford going to school, having a job, and paying their mortgage." By building her own home under Self-Help Enterprise's program and with the help of a Section 502 Direct Loan, Edith was able to use her sweat equity as a down payment and save 10 percent on her mortgage loan. This translates into \$100 less in bills each month that she can use to save for her son's education or for a rainy day.

With these ambitious goals, Edith is well on the way to fulfilling her dream of providing a good life for her son. "Even though I am so tired," she says, "I will never regret this opportunity."



Edith and Leixander Arreguis in front of their new home.

Self-Help Enterprises is largely credited with pioneering the concept of organized Mutual Self-Help Housing in the United States. Since 1965, SHE has served thousands of low-income, rural families in San Joaquin Valley, California and has served as the model for similar organizations around the world. Over 45 years, SHE has assisted over 5,779 families build their own homes in over 90 communities.

CASE STUDY

BUILDING A HOME, BUILDING A LIFE

By Nick Longfellow

Esmeralda Canles decided to participate in the Community Development Corporation of Brownsville's (CDCB) Mutual Self-Help Housing program because she was attracted to the prospect of stability for her family and the chance for a better life for her children.



Esmeralda Canles paints the walls of her new home in Brownsville, Texas.

Since 1974, the **Community Development Corporation of Brownsville** has assisted low-income families in Brownsville,

Texas attain homeownership through below-market financing, quality construction, efficient home designs, and targeted outreach. As the largest nonprofit producer of single-family housing for homeownership in Texas, CDCB is able to provide homeownership opportunities to families earning as little as \$8,000 a year.

Before building her home, it was difficult for Esmeralda to find a place that was affordable. She moved around a lot, renting apartments or mobile homes when she could, and living with her family when times were tough. She remembers scrambling to make rent when landlords unexpectedly raised the rate.

Today, Esmeralda doesn't have that problem. "I actually paid more in rent than I have to pay now for my mortgage. Knowing what my payment is going to be and knowing that it's never going to go up has allowed me to change my life."

For Esmeralda, it was challenging to build a home while working a full-time job and taking care of a family. "Working full-time and then finding an extra 35 hours a week definitely wasn't easy. Luckily, I was able to get help from friends and family who volunteered time for me."

Now, Esmeralda owns a house in an affordable subdivision designed by CDCB, in a neighborhood with numerous other young working families. By participating in the Self-Help Housing program, she saved almost \$20,000 through a combination of "sweat equity" and down payment assistance.

More importantly, CDCB helped Esmeralda become financially stable enough to sustain her homeownership, in addition to providing her with construction training and supervision. "I tell my friends at work about CDCB and about how they don't just give you a house; they make sure you're ready for it. I learned so much that had never occurred to me about owning a house, not just about building the house, but about managing my finances and making my payments. I

think that I'm way more attached to this house than I would be if I had just paid for it. Maybe that would have been easier, but I feel like I got something out of this program that was better."

Now that she has a stable and affordable home, Esmeralda has turned her attention towards her future. "I'm a full-time student now at the University of Texas at Brownsville. Because of the low housing payments, I was able to give up my full-time job [to work part-time] and go back to school. Even though I made enough to live on before, all kinds of opportunities will open up to me with a Bachelor's degree."

CASE STUDY

A HISTORY OF PERSISTENCE

By Lee Beaulac

Israel Lopez and Jenny Maldonado can't stop smiling when they look at their new home in Yauco, Puerto Rico, a rural community located in the Diego Hernandez Ward. After 29 years of working hard and trying to find an affordable path to homeownership, Israel and Jenny never gave up hope.

With the help of PathStone Corporation, Israel's and Jenny's dream of homeownership came true. PathStone provided construction supervision and financial counseling to support Israel and Jenny as they built their own homes under USDA's Mutual Self-Help Housing program. PathStone also helped by providing guidance and technical assistance with their Section 502 Direct Loan application, making the process easier and faster.

The dream of owning their home kept Israel and Jenny motivated to overcome the hard work required to build a Self-Help Home. After working full-time jobs, Jenny contributed over 2,300 hours on nights and weekend to help build her home and the homes of the four other families in the program.

Beyond building their own home, Israel and Jenny helped build a strong community. With PathStone's help, the families joined together as a community and met weekly to discuss their progress, financial challenges and to make important decisions.

By building their own home under PathStone's Self-Help Housing program, Israel and Jenny were able to use their sweat equity as a down payment on their home and save seven percent on her mortgage principal. In addition, by securing a USDA Section 502 Direct Loan, the interest rate on their loan was subsidized to just 3 percent. This made their mortgage payments far more affordable than the typical interest rates on commercial mortgages in Puerto Rico, which varies between four and six percent. Additional subsidies were also provided by the Mayor and the San German Municipal Assembly, which constructed streets, sidewalks, and driveways for each house free of charge, waived of all municipal taxes and fees, and sold the land well below market value to Israel and Jenny and the other participants.

Israel and Jenny agree, "Sometimes I felt desperate and tired from working so hard for so long. But now I can look back and say that is worth every minute and every cent."



Jenny and Israel stand in front of the home they built under PathStone's Self-Help Housing program.

PathStone is a not-for-profit community development and human service organization providing services to low-income families and economically depressed communities throughout New York, Pennsylvania, New Jersey, Ohio, Indiana, Virginia, Vermont, and Puerto Rico. PathStone promotes social justice and builds family and individual self-sufficiency by helping to strengthen farmworker, rural, and urban communities.



Photo: Community Development Corporation of Brownsville



Photo: Community Development Corporation of Brownsville

SECTION 502 DIRECT HOMEOWNERSHIP LOANS

Since 1968, the Section 502 Direct Homeownership Loan program has helped more than 2 million rural families realize the American Dream and build their wealth by more than \$40 billion. It is the only federal homeownership program that is exclusively targeted to very low- and low-income rural families. By providing safe and sustainable fixed-rate mortgages—with up to 38-year terms and subsidized interest rates as low as just 1 percent—rural families are able to access decent, clean, and affordable housing.

Serves Those With the Greatest Needs. Section 502 Direct Loans are *exclusively targeted* to very low- and low-income families. More than one-third of Direct Loan families are minorities. By law, at least 40 percent of Section 502 Direct Loans must go to very low-income families, earning less than 50 percent of the area median income.

Expands Affordable Homeownership. Because Section 502 Direct Loans offer subsidized interest rates, the program can serve families who simply have no other option for affordable housing.

Reaches Communities The Private Market Won't. Section 502 Direct Loans fill a gap in the private market by serving families that are otherwise unable to access affordable mortgage credit. The program is one of the best ways to reach smaller, more remote rural communities with limited access to mortgage credit.

Unmatched By Any Other Program. No other federal program—including the Section 502 Guaranteed Loan program—can match the profile of families served. The Section 502 Direct Loan program serves more rural minorities, families with lower incomes, and more remote communities than any other federal program.

Cost-Effective. In FY14, the average Section 502 Direct Loan had a *total cost* (ie. not an annual cost) of \$3,000, making it the single most cost-effective federal housing program; other federal assistance programs can cost nearly twice as much per household *per year*.



Photo: NCALL Research, Inc.

By The Numbers

2.1 million	The number of families who used the program to become homeowners.
\$50,201	Local income generated by each home financed with a Direct Loan.
94,257	The number of jobs created in the past 5 years as a result of the program.
\$3,000	The total cost in FY14 to the federal government for each Section 502 Direct Loan, <i>over its entire lifetime</i> .
1%	The lowest interest rate for a Direct Loan.
5.34	The foreclosure rate for Direct Loans, compared to a 14.45 percent commercial rate for similar borrowers.
\$28,275	The average income of a Direct Loan borrower.
35%	The percent of Direct Loan borrowers that are minorities.
12,500	The number of families regularly on the Direct Loan waiting list.
\$1.5 billion	The average value of loan applications on the Section 502 Direct Loan waiting list.

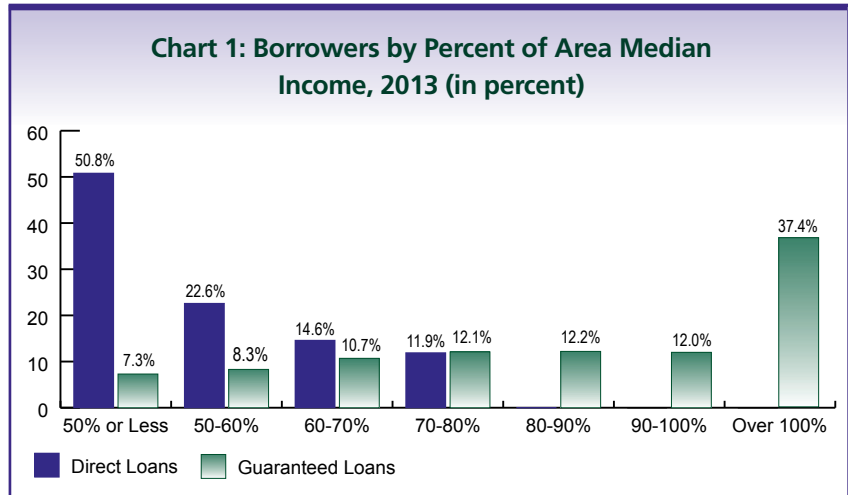
Outperforms the Commercial Market. Despite serving families with limited means, foreclosure rates for Section 502 Direct Loans are nearly one-third the rate in the commercial market. Similar borrowers with low and very-low incomes in the private market have a foreclosure rate of 14.45 percent, compared to only 5.34 percent for Section 502 Direct Loan borrowers.

Continues To Be In High Demand. Demand for Section 502 Direct Loans continues to outpace supply. Between 2009 and 2013, an average 12,500 loan applications—amounting to \$1.5 billion—were on the program's waiting lists each year.

Leverages Other Rural Housing Programs. Section 502 Direct Loans are often used in conjunction with other federal housing programs, including USDA's Section 523 Mutual Self-Help Housing program and HUD's HOME Investment Partnerships program, Community Development Block Grants, and Self-Help Homeownership Opportunity program, among others. For example, without access to Section 502 Direct Loans, most Self-Help Housing families would not be able to access the sustainable and affordable mortgages needed to become homeowners.

An Unmatched Profile

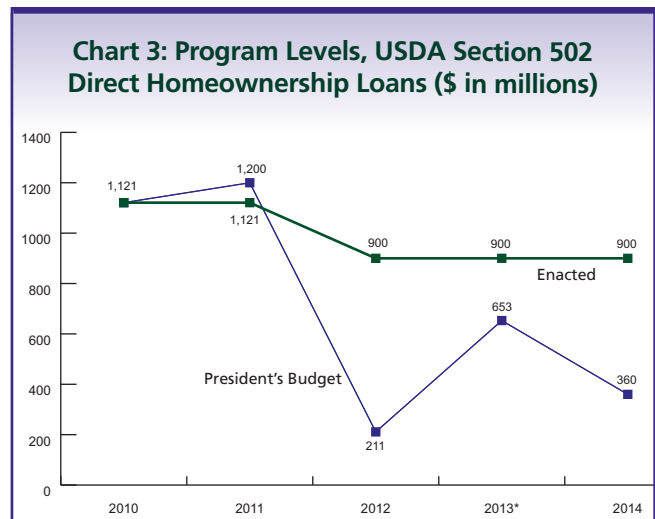
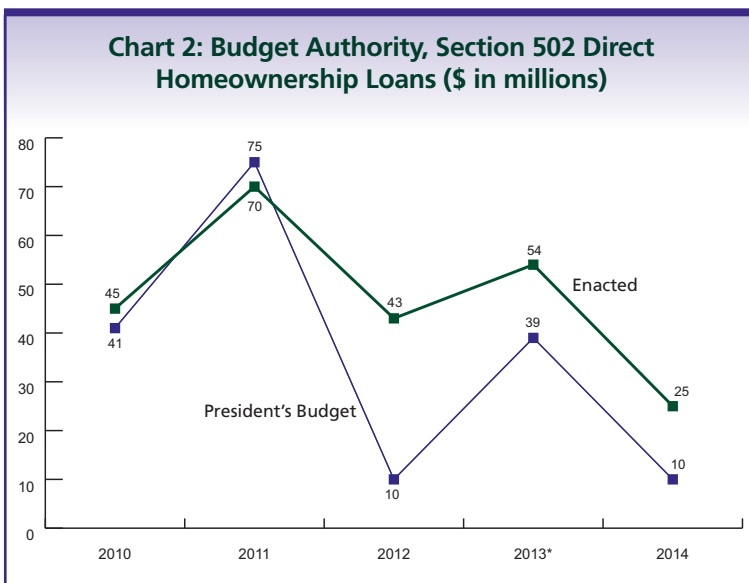
No other federal housing program—including the Section 502 Guaranteed Loan program—can match the profile of families served by the Direct Loan program. Because it offers subsidized interest rates and long loan terms, the Section 502 Direct Loan program can successfully provide some of rural America's poorest families with access to affordable homeownership.



Nearly three-fourths (74 percent) of all Section 502 Direct Loan families have incomes below 60 percent of the Area Median Income (AMI). By law, at least 40 percent must have incomes that do not exceed either 50 percent of AMI or the statewide, non-metro median income, whichever is higher. The average Section 502 Direct Loan family earned just \$28,275 a year in 2013, while the average Guaranteed Loan borrower earned \$54,255.

Declining Federal Support

Despite its success, the Section 502 Direct Loan program has seen significant funding cuts over the last decade. Between FY03 and FY14, the program's Budget Authority was cut by 88 percent, from \$203 million to \$24.5 million. The President's FY14 Budget proposed to limit its Budget Authority even further to only \$10 million—its lowest level in more than 40 years (Chart 2). Likewise, program levels for Section 502 Direct Loans were reduced by nearly \$222 million—or 20 percent—from \$1.12 billion in FY10 to \$900 million in FY14. The President's FY14 Budget would have continued this trend by proposing to slash program levels even further to \$360 million—a 68 percent decrease from FY10 (Chart 3).



MUTUAL SELF-HELP HOUSING

Mutual Self-Help Housing is the only federal program that combines “sweat equity” homeownership opportunities with technical assistance and affordable loans for America’s rural families. Self-Help Housing families join together on nights and weekends to build each other’s homes, earning equity, decreasing construction costs, and making lasting investments in their community.



Photo: Self-Help Enterprises

Encourages Self-Reliance and Hard Work.

Self-Help Housing successfully builds on the barn-raising tradition of rural America. Families frequently contribute more than 1,000 hours on nights and weekends to build each other’s homes;

Expands Affordable Homeownership. Self-Help Housing offers one of the best ways to create homeownership opportunities. With affordable mortgages and savings from “sweat equity,” some of rural America’s poorest families can become homeowners.

Serves Those With The Greatest Needs. Self-Help Housing is *exclusively targeted* to low-income, working families who are otherwise unable to access clean, decent, and affordable housing. Over half of all participants are minority households, a population that typically faces greater barriers to affordable housing;

Builds Wealth. Responsible homeownership continues to be the single best, long-term investment for most Americans and the principal way families build wealth;⁶

Stimulates Local Economies. Every 100 homes built under this program results in 324 jobs, \$21.1 million in local income, and \$2.2 million in tax revenue;

Strengthens Rural Communities. Self-Help Housing promotes stronger civic commitments and community ties. Lifetime relationships are forged and neighbors share in the responsibility for their neighborhood. Self-Help Housing children are also more likely to be active in their communities, graduate from high school, attend college, and become homeowners themselves;

Cost-Effective. Under the program, Self-Help Housing families access affordable and sustainable USDA Section 502 Direct Loans. In FY14, the average Section 502 Direct Loan had a *total* cost (i.e. not annual cost) of \$3,000, making it the single, most cost-effective federal housing program. Despite serving families with limited means, foreclosure rates for Section 502 Direct Loans are nearly one-third the rate in the commercial market.

By The Numbers

324	The number of jobs created for every 100 Self-Help Homes built.
\$21.1 million	Local income generated for every 100 Self-Help Homes built.
48,825	The number of Self-Help Housing families that have been able to realize the American Dream.
\$63 million	The value of applications currently on the Self-Help Housing waitlist.
\$25,006	The average equity built into a Self-Help Home due to construction savings in 2013.
1963	The year the first Self-Help Home was built.
40	The number of states that participate.
1,000	The number of hours a Self-Help Housing family frequently provides in labor.
65%	The percent of construction labor provided by Self-Help Housing families on each home.
95%	The percent of Self-Help Housing families that are first-time homeowners.
50,000	The number of families currently on the waitlists for the Self-Help Housing Program according to USDA Regional Contractors.
52%	The percent of Self-Help Housing families that are minorities.
59%	Percent of Self-Help Housing families that are single-headed households.
76%	Percent of Self-Help Housing families with children living at home.

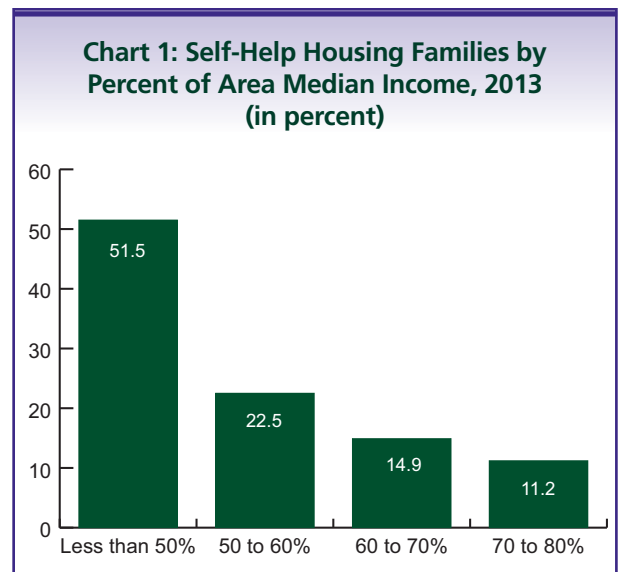
Self-Help Housing Families

More than 48,000 families have participated in the Self-Help Housing program since 1968. All are firmly committed to hard work and providing a better life for their children. By giving these families a *hand up*—not a hand out—they can seize the opportunity to become homeowners.

Very Low- and Low-Income. The average Self-Help family earns \$29,122 a year, nearly 43 percent less than the national median and 29 percent less than the median rural income. All families earn less than 80 percent of the area median income (Chart 1).

Minority Households. A key success has been in reaching rural minorities; just over half (52 percent) of Self-Help Housing families are minorities.

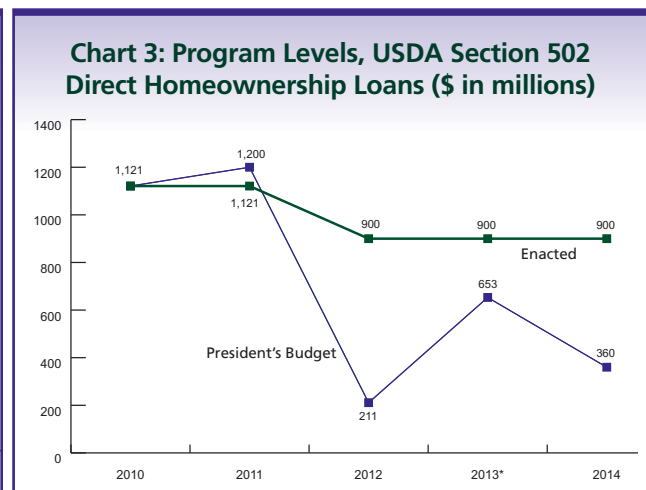
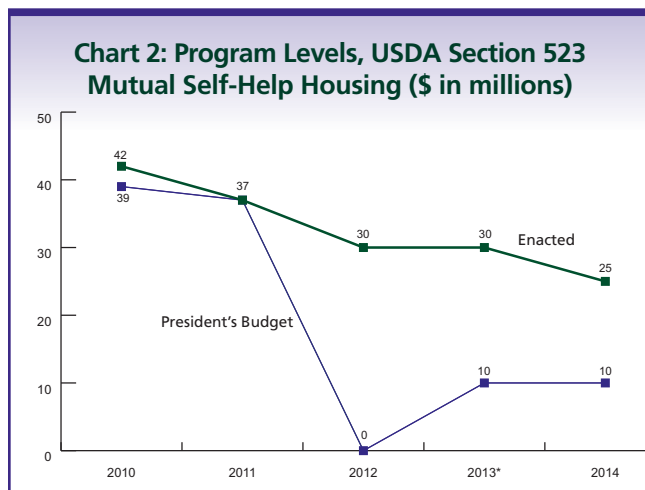
Single-Parent Families. Driven to provide a stable home for their children, 59 percent of Self-Help Housing families are led by a single parent. More than 76 percent have children living in the homes they help build.



Declining Federal Support

Self-Help Housing is supported by two USDA programs. Section 523 Mutual Self-Help Housing Technical Assistance Grants allow experienced, non-profit developers to provide training, supervision, and technical assistance to participating families. Section 502 Direct Homeownership Loans provide access to affordable, safe mortgages with subsidized interest rates as low as just 1 percent.

Despite their success, the Section 523 Mutual Self-Help Housing Section 502 Direct Loan programs have seen significant funding cuts in recent years. Between FY10 and FY14, Section 523 Mutual Self-Help Housing program levels were cut by 40 percent, from \$42 million to \$25 million. The President's FY14 Budget would have reduced the program even further to only \$10 million, amounting to a 76 percent cut from FY10 levels (Chart 2). Likewise, program levels for Section 502 Direct Loans were cut by nearly \$222 million—or 20 percent—from \$1.12 billion to \$900 million in FY14. Yet, the President's FY14 Budget proposed to slash the program even further to just \$360 million—a 68 percent decrease from FY10 (Chart 3).



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Improving the lives of rural Americans starts with affordable housing.

In 1969, rural community activists, public officials, and non-profit developers formed the National Rural Housing Coalition (NRHC) to fight for better housing and community services for low-income rural families. Through our network of rural housing advocates and practitioners around the nation, NRHC works to educate the public about the importance of affordable housing and strong communities in rural America.

Our Mission

Since 1969, the NRHC has promoted and defended the principle that rural people have the right, regardless of income, to a decent place to live and an affordable home, clean drinking water, and basic community services.

As the voice for rural housing and community development, NRHC:

- Analyzes federal rural policies and programs;
- Designs new programs to serve the rural poor and improve existing ones;
- Ensures adequate funding for rural housing programs; and
- Supports non-profit organizations that operate rural housing and community development programs.

The National Rural Self-Help Housing Association (formed within the NRHC) is the largest Self-Help Housing association in the nation. Members include nonprofit housing organizations with over 45 years of extensive experience helping low-income rural families build healthy, decent, and affordable housing through the Mutual Self-Help Housing program.

Together, we help empower rural families and strengthen communities.

For more information about our Coalition and how you can help support rural families, please visit www.ruralhousingcoalition.org.



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