



Peninsula Housing Authority
Serving Clallam and Jefferson Counties

FREQUENTLY ASKED QUESTIONS

WHAT IS MUTUAL SELF-HELP HOUSING?

The Mutual Self-Help Housing program is about offering home ownership to homebuyers with limited income in a unique way. By the homebuyers participating in the building process of their own home as well as their neighbor's homes as part of a Building Group, Sweat Equity value is established in the home. Mortgage payments are generally lower than other home loan payments, as mortgage payments are based on income. Interest rates are also generally lower than current market rates. The lender for Mutual Self-Help Housing is the United States Department of Agriculture Rural Development (USDA-RD). Peninsula Housing Authority will help you understand the home buying process while assisting you to complete a home loan application, which we submit on your behalf to USDA-RD, as well as provide oversight and guidance in the construction process.

WHAT ARE THE ELIGIBILITY GUIDELINES?

- **SKILLS**: No construction skills or experience is needed. We'll teach you everything you need to know!
- **INCOME**: Must be less than 80% of the HUD Area Median Income Limits and USDA Adjusted Income Limits in Clallam or Jefferson County. Because many factors determine adjusted annual income, you may be eligible, even if your income slightly exceeds the maximum allowable limit. In all cases, your repayment income must be stable and reliable to meet loan eligibility requirements for USDA and estimated house costs.
- **CREDIT HISTORY**: Credit is reviewed and evaluated on a case-by-case basis. Typically, applicants with credit scores 640 and above who have two (2) or more established tradelines that are open, active and in good standing for the recent 12 months or longer, with no derogatory accounts and a low debt-to-income (DTI) ratio, qualify at a faster rate. However, every application is considered individually to demonstrate credit worthiness.
- **EMPLOYMENT**: Stable and reliable employment of two (2) years or longer, preferably in the same line of work. In most cases, if you have recently changed employers, we must be able to verify at least six (6) months of employment with the new employer to qualify.
- U.S. citizenship or permanent residency is required to purchase a home with the Mutual Self-Help Housing program.

WHAT IS THE DOWN-PAYMENT REQUIREMENT?

No down-payment is required for a USDA Self-Help home mortgage unless applicant has non-retirement assets in excess of \$15,000 (\$20,000 if over the age of 62)

WHAT IF I ALREADY OWN A HOME?

Applicants must not already own housing adequate that meet their needs.

ARE HOUSEHOLDS WITH DISABLED MEMBERS ELIGIBLE?

Yes. However, there is no reduction in the labor contribution to the building group for any participating family. In cases where one of the future owners cannot physically do the required sweat equity labor, they must arrange for a building partner(s) to contribute the required hours on their behalf. Volunteer sweat equity contribution limits for the household still apply. There are also reasonable house plan modifications available when there are special needs in a household.

ARE MORTGAGE PAYMENTS DUE DURING THE CONSTRUCTION PERIOD?

No. Mortgage payments will typically begin on the first of the month following approved final inspection and certificate of occupancy is granted and loan conversion with USDA-RD.

HOW MUCH OUT OF POCKET EXPENSE SHOULD I EXPECT?

There are three main phases of expenses to anticipate:

1. The Loan Approval Process: Peninsula Housing Authority must verify credit through a tri-merge credit report. Depending on how many applicants are applying, this cost varies (approx. \$40 per applicant). Once income and credit pass initial screening, staff will submit the loan application and documents to USDA-RD on your behalf for lender approval. This includes a mandatory mortgage credit report from USDA's office and will cost \$30. Additionally, your household will be required to complete a mandatory homebuyer's education course and counseling and may cost up to \$75 for each person on the loan. These costs are subject to change. Peninsula Housing Authority will confirm the requirement at the beginning of this process.

2. The Construction Process: Once the build group is formed and you have closed on your property, anticipate spending a few hundred dollars on basic hand tools, weather protective clothing and work boots, if you do not already own these things. To reduce this cost, consider purchasing these items used and/or letting your friends and family know you will need these things in hopes they have a spare to give you or to borrow. Depending on how long construction takes, property taxes and Course of Construction insurance premiums may be due as well.

3. Homeownership: Your new home will come with a range, hood fan, hot water heater and dishwasher. A refrigerator may be purchased through your loan **IF AND ONLY IF** there is remaining balance from the building budget. If there is no balance in the budget, the refrigerator will be an out-of-pocket expense. You will be required to supply your own washer and dryer. New houses also do not come with curtains, drapes, shower curtains, and other various household items.

4. Other Costs: At move in, a pre-payment towards your initial Escrow account for property taxes and a the first year of homeowner's insurance is required. This amount varies based on when loan conversion happens. Peninsula Housing Authority recommends having a minimum savings of \$2,000 or more for anticipated Escrow and insurance payments.

WHAT APPLIANCES ARE INCLUDED?

In all homes, a standard appliance package included in your home loan includes a stovetop range oven, over range hood fan, dishwasher, and hot water heater. A refrigerator may be purchased through the loan **IF AND ONLY IF** there is remaining balance from the building budget. Washer and dryer hook-ups are installed, but these appliances are not included.

WHEN WILL I KNOW IT IS MY TURN TO BUILD MY HOME?

Applicants are chosen from the wait list for an opportunity to be in the next Building Group based upon several criteria including: program grant requirements and priorities, date application received, income status and current loan eligibility status.

WHAT HAPPENS AFTER I TURN IN MY INTAKE APPLICATION?

When PHA receives your Mutual Self-Help intake application, we will call and/or email you a confirmation to let you know your information has been received. This is when the pre-qualification review process begins. Once reviewed, our group coordinator/loan packager will call, mail, and/or email you to discuss what the next steps to approval with our program may be, depending on the information found in your review.

WHAT ARE THE MORTGAGE LOAN TERMS?

Loan terms are either 33 years or 38 years. The promissory note interest rate is set by USDA-RD. Interest rates vary and can be as low as 1%. An applicant's debt-to-income ratio is considered in the loan approval process as well. There are debt-to-income ratio requirements based on your income.

HOW MUCH WILL MY MORTGAGE PAYMENT BE?

Subsidized mortgage loan payments of taxes and interest are based on the household's income. This amount is calculated and issued to you by USDA-RD, your lender, at the time of construction-to-mortgage loan conversion. Taxes and insurance payments cannot be subsidized.

IS THIS PROGRAM FOR FAMILIES AND MARRIED COUPLES ONLY?

The Mutual Self-Help Housing program is for everyone who qualifies regardless of ethnicity, race, religion, disability, gender, or familial or marital status.

CAN I CHOOSE MY FLOORPLAN?

Peninsula Housing Authority will design the build group neighborhood with predetermined floorplans per build lot that make efficient use of space and have some curb appeal to ensure value. Once the build group have all received approval on their loans through USDA-RD, lots will be selected based on original date of application and possible reasonable accommodations requested.

CAN I CUSTOMIZE MY HOME?

The floorplans cannot be changed at the request of a homeowner, except by way of a reasonable accommodations request made at the beginning of construction identifying a disability in need of accommodation. Homeowners can, however, personalize their homes using pre-approved selection options for personal touches such as paint color, flooring and carpet colors, cabinet colors, countertop colors and bathroom accessories.

ON THE JOB SITE , WHAT IS MY TIME COMMITMENT?

All participating households must contribute a collective 65% of the labor on all the homes in their build group. There is a sweat equity requirement of up to 32 labor hours per week per household, for the duration of construction. The loan note holder(s) must complete a specified portion of the required labor hours each week. This number changes as the required work week changes and a breakdown is outlined in the Group Labor Agreement. Any remaining hours can be contributed by friends, family, and volunteers. If no hours are volunteered to your household, the loan note holder(s) are responsible for the remaining hours per week as well.

CAN I BRING MY KIDS TO THE JOB SITE?

Minors under the age of 16 years are not allowed on the job site to ensure their health and safety. Minors 16 years of age and older are allowed on the job site, and can volunteer, with family adult supervision and at the discretion of the construction supervisor.

HOW LONG DOES IT TAKE TO BUILD A HOME WITH MUTUAL SELF-HELP?

The construction period typically takes 12-18 months. The commitment to build a home with the Mutual Self-Help Housing Program is very important as all the homes must be finished and pass inspections before any homebuilders may move in.

WHAT IF I AM AFRAID OF HEIGHTS?

Peninsula Housing Authority will not force our builders into an uncomfortable position. If a person is not able to complete a task assigned to them, another group member may step while they find a different task that better suits their comfortability. Homebuilders are not required to do the roofing, but will, in some cases, need to work on the second story of a home before the walls are in place. Everyone on the job site is well acquainted with the safety regulations and is expected to be mindful while on the job site.

WHAT IF I AM PHYSICALLY UNABLE TO DO A TASK?

If this is the case, communicate your concern to your dedicated construction site supervisor so they can find a task that is more suitable to your capabilities.

WHAT DO WE DO IF IT RAINS OR SNOWS DURING CONSTRUCTION?

We keep building! There are certain construction tasks that can be delayed due to weather. In these cases, the construction supervisor will try to be aware of impending weather and manage the project accordingly. Typically, rainfall and snow does not prohibit homebuilders from working on the job site.

AFTER MOVE-IN, CAN I SELL MY HOME?

Yes. You may sell your home any time after occupancy. The subsidy amount is subject to recapture by USDA-RD. If a silent second mortgage was required for your loan, the second mortgage would be subject to recapture as well.

WHAT IF I AM UNABLE TO MAKE THE MORTGAGE PAYMENTS AFTER I MOVE IN?

At the discretion of your mortgage lender, USDA, you may be eligible for a moratorium. A Moratorium “stops the clock” on payments for up to two (2) years to enable the borrower to recover from losses of income or unexpected expenses. Amounts that accrue during the moratorium are repaid in a lump sum or by re-amortizing the loan, including the amounts accrued in the outstanding balance.

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