Mutual Self Help Housing Program:

Helping to build your own home and saving money!

Mutual Self Help is an affordable housing program which uses “sweat equity” to reduce the overall cost of building your home.

NNHC administers the program through a grant from the USDA/Rural Development. This means you save money because you do not pay for our services, there are no fees or commissions.

The goal of the program is to provide families with modest single-family homes with affordable monthly house payments.

How Does It Work?

NNHC gathers a group of eligible households work together to build each others’ homes in subdivision in Cache or Box Elder County.

No prior construction knowledge is required, NNHC provides the help of an on-site construction supervisor to teach you how to build safely and correctly.

You will not be required to do any work that requires a license, like plumbing or electrical work. This type of work will be subcontracted out.

All of the households work as a group throughout the program. No one moves in until all homes in the group are complete. Once the homes are finished NNHC and the group hold an open house to show the community the finished product and following the open house the families can move in.

What Is Sweat Equity?

Sweat equity is doing work yourself instead of paying a contractor to do it for you. It “costs” you time and effort (sweat) instead of money. You will complete approximately 65% of the labor on the home yourself, significantly reducing the amount of money that would have been spent on labor.

Regular home Building costs

Reducing costs through sweat equity
What are the advantages of the program?

Building a home with the Self-Help program offers participants many advantages.

One of the biggest obstacles to homeownership is that most loans require a substantial down payment. Because your sweat equity acts as down payment no down payment is required.

Private Mortgage Insurance (PMI) which is required of most lenders unless you have at least 20% down payment is not required with this loan. PMI does not protect you as the borrower; it only protects the lender in the event that you foreclose on the home. Since you are not required to pay PMI you could be saving over $200 per month!

The price of your home is reduced significantly because of all the sweat equity you put into the home. This means you’ll start your home ownership experience with equity in your home already.

Because all of the services offered by Neighborhood Nonprofit Housing Corporation are funded through grants you do not have to pay for any of the services we provide. This helps to reduce costs, specifically relating to closing costs. Closing costs are minimal: about $1200-$1600. Normal closing costs can range from $3500 to $5000 so you save $1500 to $3500 in closing costs alone compared to normal closing costs.

The 502 USDA loan is geared to be affordable to households and depending on income and household size reduced effective interest rates are available for qualified households. The effective interest rate can be as low as 1%.

Monthly house payments are more affordable because of reduced interest rates. The reduced interest rates allow your house payment to be as low as $550 a month.

Through the process of building a home you’ll gain construction and home maintenance skills. The skills are valuable to homeowners and help homeowners to better maintain their homes.

The time spent building your home and your neighbors’ homes create a strong sense of “neighborhood”. As you work together toward building your homes as a group with other families in the program you will gain friendships and develop the community around you.

Subdivision Locations

We are currently building in three locations.

CACHE COUNTY
  Smithfield
    Park Place
    200 N 600 W
Nibley
Zollinger Acres
3300 S 1450 W

BOX ELDER COUNTY
Corinne
Country Meadows
2300 N 4100 W

Examples of completed homes can be viewed at the following subdivisions:

CACHE COUNTY
Nibley
Shadow Brook  Meadow View  Shadow Crest
2950 S 800 W  3200 S 1600 W  2600 S 900 W

Richmond
Richmond Meadow Estates
300 S 100 W

Box Elder
Brigham City
North 40 Subdivision

There are a limited number of participants for each building location. Space in the program is based on when you receive an eligibility letter after you have applied for the program and is on a first come, first served basis. Those getting their application and eligibility first will have first rights to be in the program. Those who receive eligibility after all the groups have been filled for the year will be eligible for the next year’s program.
Qualifying Requirements: Income

Income cannot exceed 80% of the Area Median Income based on family size.

<table>
<thead>
<tr>
<th>Household Size</th>
<th>1 PERSON</th>
<th>2 PERSON</th>
<th>3 PERSON</th>
<th>4 PERSON</th>
<th>5 PERSON</th>
<th>6 PERSON</th>
<th>7 PERSON</th>
<th>8 PERSON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cache County</td>
<td>$31,950</td>
<td>$36,500</td>
<td>$41,050</td>
<td>$45,600</td>
<td>$49,250</td>
<td>$52,900</td>
<td>$56,550</td>
<td>$60,200</td>
</tr>
<tr>
<td>Box Elder County</td>
<td>$34,300</td>
<td>$39,200</td>
<td>$44,100</td>
<td>$48,950</td>
<td>$52,900</td>
<td>$56,800</td>
<td>$60,700</td>
<td>$64,650</td>
</tr>
</tbody>
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The table above lists the current income limits for both Cache and Box Elder Counties and for various household sizes. Look to see if your income is below the limit for the desired county and your household size. Income over these limits will make you ineligible to participate in the program.

The source of the income must be deemed “stable and dependable” therefore can’t be through a temp agency. Acceptable sources of income include: wages, overtime, commissions, bonuses, self-employment, Social Security, unemployment, public assistance, child support, and Earned Income Credit.

Despite the subsidized monthly mortgage payments there still needs to be enough income to afford the minimum payment, approximately $550 a month. The income needs to generally be around $21,000, if however your income is lower than this amount there may be other compensating income that will still allow you to qualify. Check with the housing specialist to verify if your income qualifies.

Qualifying Requirements: Assets

All applicants will be required to disclose all of their assets. Items that are specifically looked at include whether or not you currently own a home and if your cash assets exceed $7,500. If you do own a home it must be sold before you can close on the 502 loan. You can still apply and receive eligibility for the program, however, before you sell your home. If your cash assets exceed $7,500 then the excess will be required to be used as a down payment on the home. Example: If you had Cash Assets equaling $8,000, then the required down payment would be $500 (Cash assets $8,000-$7,500 Asset Limit = $500 required down payment).

Qualifying Requirements: Credit

Applicants’ credit history will also be examined when applying for the program. Rather than looking at the credit score, the credit history will be examined. Items that will be reviewed
include: 30 date late payments, open judgments or outstanding collections, rent payments over the last 2 years, bankruptcies, home foreclosures, and debt write-offs.

The time limits on credit issues are as follows: no 30 day late payments during the last 12 months, it must be 12 or more months since a paid judgment and 6 or more months since a paid collection, no bankruptcy or foreclosure in the last 3 years, and it must be 3 years since a debt write-off unless it was paid in full more than 12 months ago.

We encourage individuals with credit issues to meet with Neighborhood Nonprofit to help resolve any credit issues and prepare to become eligible.

All applicants are encouraged to review their credit. Starting December 1st, 2004, everyone may obtain one free copy of their credit report from each of the credit bureaus annually. To obtain the free report do one of the following:

- Call 1-877-322-8228
- www.AnnualCreditReport.com

Qualifying Requirements: Misc.

Applicants are unable to obtain similar financing for comparable amounts from other sources.

Applicants must personally occupy the residents on a permanent basis (full time students must intend to make the home their permanent residence).

Applicants must be a legal adult and a U.S. citizen or a Legal Qualified Alien.

Applicants must attend the Home Ownership workshop and receive certification of completion. The Home Ownership Workshop is a free workshop offered by the USU Family Life Center Housing and Financial Counseling Agency designed to teach you how to prepare for home ownership.

- Attendance is REQUIRED for participation in any Neighborhood Nonprofit programs as well as the BRAG closing cost assistance.
- Offered monthly on a Saturday from 8:30 a.m. to 4:30 p.m. (no children please)
- Participants will sign up for a housing and financial counseling session with a counselor after the workshop.
- Keep Certificate of Completion and give a copy of it to NNHC and BRAG.

Contact the USU Family Life Center for detailed information on dates and availability at 797-7224.

Qualifying Requirements: Program Overview

You must be willing to commit to 8-12 months at 35 hours of labor a week per household toward building your house. It will take this much time to get the homes completed. Friends or other family members who are willing to help may contribute to those 35 hours. The work week goes as follows: It begins on Saturday and someone from your household or representing your
household MUST be on site all 12 hours. You will have Fridays, Sundays and Mondays off, but you will work Tuesday through Thursday evenings, 4:00 pm till 9:30 pm. Someone from your household MUST be on site these evenings.

<table>
<thead>
<tr>
<th>Saturday</th>
<th>Sunday</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
</tr>
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<tbody>
<tr>
<td>7am-7pm</td>
<td>Off</td>
<td>Off</td>
<td>4 – 9:30pm</td>
<td>4 – 9:30pm</td>
<td>4 – 9:30pm</td>
<td>Off</td>
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Household Income & Debt Requirements

Current monthly minimum debts payments must be within acceptable range. This is calculated based on ratios (percentages). The ratios used to qualify for this program are 33/43. Translated this means that the house payment alone cannot exceed 33% of gross monthly income (29% if in very-low income category) this includes principal, interest, taxes, and insurance. House payment plus monthly debt payments cannot exceed 43% of gross monthly income. You may need to reduce your consumer debt in order to qualify. These ratios will be calculated at time of appointment.

Beware of Predatory Lending

Some lenders are willing to give loans to individuals which would have them paying over 50% of their gross monthly income on housing and debt payments. You need to be aware of how this would effect you financially and ask yourself if you would be comfortable with this type of payment.
House Plans

There are 11-16 different house plans available depending on location. Your house plan selection may be restricted by prior selections. The order of families selecting house plans and lots is determined by the date they receive eligibility.

House plans have 3, or 4 bedrooms, some house plans with 3 bedrooms have unfinished basements. House plans with unfinished basements are not available in all areas. The square footage of the homes range between 1250-1700 sq/ft finished. The homes are built on lots approximately 1/4-1/3 acres in size. Most homes are single level without basement.

The loan amount needed to build a home ranges from $145,000 - $165,000 depending on lot size and house plan. Typical payments for a loan range between: $500-$1,000, this is mainly determined by the family size, household income and the amount of subsidy you are receiving (determined by family size and income).

All homes do include: 2 full bathrooms, 2-car attached garage, front-yard sprinkler and landscaping, cultured stone, low-E windows and energy efficient furnaces, appliances (fridge, stove, dishwasher, and garbage disposal). Washer and Dryer are not included but all homes will have washer/dryer hookups. Depending on funding additional amenities may be available.

These are not custom built homes so plans can not be modified and choices are set within specific parameters. Choices available to homeowners will allow them to select various aspects of their home such as siding colors, carpet, cabinet colors, etc within specified parameters. Items are subject to change.

USDA Rural Housing 502 Loan

The loan used to build these homes is issued through the USDA Rural Housing Department. It is a fixed rate loan with a 33 year loan term. Applicants interest rate will be fixed when they close on the loan. The estimated loan amount needed to build a home is $170,000; this will vary some depending on house plan chosen and size of lot chosen.

This loan is subsidized. With a regular loan the entire payment is provided by the borrower. With a 502 loan the borrower pays a portion of the mortgage, and the USDA provides a portion (called a subsidy). For example:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>You Pay</th>
<th>USDA Pays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Loan</td>
<td>$950</td>
<td></td>
</tr>
<tr>
<td>502 Loan</td>
<td>$580</td>
<td>$370</td>
</tr>
</tbody>
</table>
How much you pay depends on the size of the loan and your income. Your house payment will either be 24% of your income or the principal of the loan plus 1% interest, whichever is higher. If you borrowed $165,000 payments would look something like this depending on how much money you make before taxes.

<table>
<thead>
<tr>
<th>Annual Income</th>
<th>Monthly House Payment</th>
</tr>
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<tbody>
<tr>
<td>$21,000 to $29,000</td>
<td>$581 (principle plus one)</td>
</tr>
<tr>
<td>$34,000 annual income</td>
<td>$680 (from here on it is 24% of your income)</td>
</tr>
<tr>
<td>$36,000 annual income</td>
<td>$720</td>
</tr>
<tr>
<td>$38,000 annual income</td>
<td>$760</td>
</tr>
<tr>
<td>$40,000 annual income</td>
<td>$800</td>
</tr>
</tbody>
</table>

If you are able to make full house payments for a sustained amount of time the USDA may ask you to refinance to a conventional loan. They will allow for closing costs assistance if they do ask you to refinance.

The portion of your house payment that USDA pays for you each month is a 0% interest loan so a balance will accumulate over time. The 0% interest loan created from the portion of your house payment that USDA is paying for will have to be repaid when you: sell your home, refinance, or move out. When you make pay off the loan payment in one lump sum is not required but if you pay in one lump sum, a 25% discount will be applied. The amount of subsidy to be repaid will be determined by the USDA but will never be more than you would have paid if you had been paying the full amount.

First Time Home Buyer Assistance

Bear River Association of Governments (BRAG) administers a first time home buyer assistance program. The program allows up to $2,000 in closing cost assistance at a 0% interest loan. The loan will be repaid when the home is sold, refinanced, rented, upon death, or when there is a transfer of title.

In order to qualify for this program you must:
- be a first time home buyer,
- have income below 80% of the area median,
- attend the Home Ownership Workshop

If you qualify for this assistance a counselor at the USU Family Life Center will help you fill out the forms to apply for the program.

Home Ownership Workshop
The Home Ownership Workshop is a free workshop offered by the USU Family Life Center and Financial Counseling Agency. The objective of the workshop is to teach you how to prepare for home ownership. Attendance of the workshop is required for participation in any Neighborhood Nonprofit Housing program as well as the BRAG closing cost assistance program.

The program is offered every second Saturday of the month from 8:30 a.m. to 4:30 p.m. in Logan. After the workshop participants will sign up for a housing and financial counseling session with a counselor after the workshop. It is important to keep the certificate of completion you will receive after you counseling session with the counselor. Only after you receive the signed certificate of completion will you be fully eligible for the program. Contact the USU Family Life Center at 797-7224 for detailed information and to register for the workshop, space is limited.

Credit Report Information

A credit history must be reviewed before the application can be completed. Starting December 1st, 2004, everyone may obtain one free copy of their credit report from each of the credit bureaus annually. To obtain the free report do one of the following:

- Call 1-877-322-8228
- www.AnnualCreditReport.com

You can obtain a credit report from NNHC for an $18.74-$18.98 fee. Reviewing your credit report allows you to check for mistakes or fraud and helps to evaluate if you are potentially eligible for the program.

It is a good idea to know what is on your credit report, even if you are not currently eligible for the program. We can help you read and understand the information on your credit report and help you with any questions you may have.

The USDA/RD will still require a residential mortgage credit report to evaluate your credit. This report costs between $25 and $50 and is only for the USDA/RD you will be unable to review the report.

Have you met the Self-Help Criteria?

YES-
- Fill out an application and get started

NO-
- We can help you prepare! We can help achieve your goal with the help of NNHC and the USU Family Life Center.
What Happens Now?

If eligible, complete and return your application to NNHC. We will complete verifications and submit your application to USDA/RD (this takes about 2 weeks). USDA/RD reviews your application and determines your eligibility (this can take up to 6 weeks).

You will receive a Truth-in-Lending statement during this time from the USDA/RD; this is not an eligibility letter. USDA/RD will send you another letter stating whether you are eligible for the program or not. If you aren’t eligible, the letter will tell you why.