



A bridge linking housing research and practice

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Mutual Self-Help to Homeownership in Coachella Valley

In August 2005, 12 families in Indio, California, threw a block party complete with mariachi music to celebrate the completion of their new homes, which they were able to both build themselves and buy as participants in the Coachella Valley Housing Coalition's Mutual Self-Help Program. The families worked together for a year's worth of 40-hour weeks — framing, roofing, installing windows and siding, painting, and landscaping. Now that all the houses are finished, they have moved in as owners, because their hard work has been converted into "sweat equity" downpayments on their mortgages.

The proud new homeowners of Indio join more than 1,000 other low-income families that have built their homes using the Coachella Coalition's Mutual Self-Help Program since 1987. "These homes address the critical need for affordable housing in the desert, where too many families earn far less than would allow them to



The Coachella Valley Housing Coalition's Mutual Self-Help Program enabled 12 families to become homeowners in Indio, California.

buy a home," explains John Mealey, the coalition's executive director. The attractive homes have three or four bedrooms, two-car garages, tile roofs, and tile floors. Moreover, as people build and maintain these homes together, they help create strong neighborhoods.

The Coachella Coalition's effort is one successful local implementation of the U.S. Department of Agriculture's (USDA's) national Mutual Self-Help Housing program. USDA has provided each Coachella family with a mortgage ranging from \$100,000 to \$130,000 at rates between one and six percent, depending on family size and need. The City of Desert Hot Springs has granted a \$100,000 subsidy. In addition, the funding for land acquisition and development, construction and permanent financing, and technical assistance is provided by USDA and the California Department of Housing and Community Development.

The National Mutual Self-Help Program

The successes in the Coachella Valley are being replicated throughout America by USDA's national Mutual Self-Help Housing program, which enables low-income and very-low-income families to become homeowners if they contribute at least 65 percent of the construction work to build their own and their

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neighbors' homes. The program also features affordable mortgages from USDA's Rural Housing Service and HUD's Federal Housing Administration.

The program helps families that are unable to buy adequate housing through conventional methods. As shown by the Coachella Valley example, the savings achieved through reduced labor costs allow otherwise ineligible families to purchase homes through what amounts to a sweat equity downpayment. Self-help workers often contribute 1,000 hours or more, so that their lives as homeowners start out with significantly more initial equity than the typical low-income family. The housing must be modest in size, design, and cost, and must meet appropriate building codes and other standards determined by USDA. The Housing Assistance Council (HAC) reports that, "[T]he median estimated housing value of mutual self-help homes is \$110,000, which is 138 percent of the median value of all rural homes in 2000."

Families must be able to afford the mortgage payments, which are 22 to 26 percent of an applicant's income. In addition, applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories. Families with very low incomes living in substandard housing receive top priority. Loans are available for up to 33 years (or 38 years, for those with very low incomes). Payment assistance can reduce the interest rate to as low as one percent. Again, there is no required downpayment. If families cannot meet their mortgage payments during the construction phase, the funds for these payments can also be included in the loan.

Evaluating the Mutual Self-Help Approach

How effective is the mutual self-help approach in providing housing? A recent study by HAC found this approach not only enables disadvantaged people to build and buy housing, but also encourages high levels of attachment and trust among neighbors, as well as healthy levels of community involvement (a link to the full study is provided below).

On the basis of surveys of more than 150 families living in similar communities across the country, the study found that mutual self-help housing does increase homeownership opportunities for low-income, minority, and rural families. It notes an additional benefit beyond access to affordable housing, in that self-help housing projects instill a sense of belonging to a neighborhood where families can flourish. These neighborhoods are "...based not on a shared street



Families use sweat equity to make downpayments on their new homes.

name or a common fence, but on a shared commitment of hard work, mutual support, and long-term stability." The study explains that building homes and neighborhoods together often results in high levels of trust and long-term friendships among neighbors. This sense of belonging is demonstrated in the levels of visiting back and forth, of helping one another, and in the involvement of mutual self-help families in voluntary associations, church membership, and election participation. According to the study, children especially thrive in communities created through the mutual self-help process. Most children in the families surveyed are involved in both school and extracurricular activities. Grown children from mutual self-help neighborhoods have a higher high school graduation rate and tend to become homeowners themselves.

Four poignant stories of families who have participated in Coachella Valley Housing Coalition's Mutual Self-Help Program, told on the Coalition's website (given below), affirm the findings of the HAC study. One man, for example, tells of moving his family of eight from a small trailer with no running water into their home—a move that he credits with enabling his children to study and go on to college. The skills he gained while building his home also changed his future. Now he works as a building superintendent, rather than as a minimum-wage fieldworker. Such success stories are exactly what mutual self-help housing programs are all about, as they raise standards of living, make families stronger, and stabilize communities through hard work and shared commitment.

For more information, see www.rurdev.usda.gov/rhs/sfh/brief_selfhelpsite.htm and www.cvhc.org/self-help.html. The text of the Housing Assistance Council study can be found at www.ruralhome.org/pressreleasesview.php?id=163. **HJ**

Think that geographic information systems (GIS) technology is a high-tech tool used exclusively by urban planners? Guess again. GIS is used by conservationists to locate wetlands that need protection from pollution, by park planners to locate new sites for recreation, and by law enforcement professionals to identify potential drug houses located near school playgrounds. As it turns out, GIS is used by a variety of professionals all around the world.

"The explosion of GIS technology in local governments is bigger than we anticipated back in the '70s and '80s," says William E. Huxhold, a professor in the department of urban planning at the University of Wisconsin-Milwaukee. "We're starting to realize everybody's dream—which is every jurisdiction having the ability to go in and look at maps and data about property, people, and things in local government."

According to Huxhold, the digital city—in which people, organizations, and businesses connect with each other and with the city—is becoming a reality. To provide additional insight on the issue, Huxhold, Eric M. Fowler, and Brian Parr have coauthored a book that guides users through the building of GIS databases from computer-aided design (CAD) files to creating land use plans and finding vacant lots for development.

ArcGIS and the Digital City, published by Environmental Systems Research Institute (ESRI) Press, provides the user with experience in building a database used in GIS software and familiarization with the kind of data commonly used by local governments. It also provides an introduction to working with the ESRI's ArcGIS

software, which relies on a relational database system to analyze, store, retrieve, and update data.

Providing Students with Hands-On Experience

Developed as a computer lab workbook for university planning students, *ArcGIS and the Digital City* offers an introduction to GIS use. Users are guided through the process of building the database necessary to use the data and are shown how to use ArcGIS software to perform spatial analyses to produce land use reports, residential density reports, and flood plain maps, among other useful outcomes. Exercises are similar to projects conducted by local governments. Introductory pages in each chapter eliminate the need for prior knowledge of ArcGIS or local government data. The text comes with a CD containing all the spatial and attribute data used in the exercises and requires ArcInfo9 software to complete the exercises.

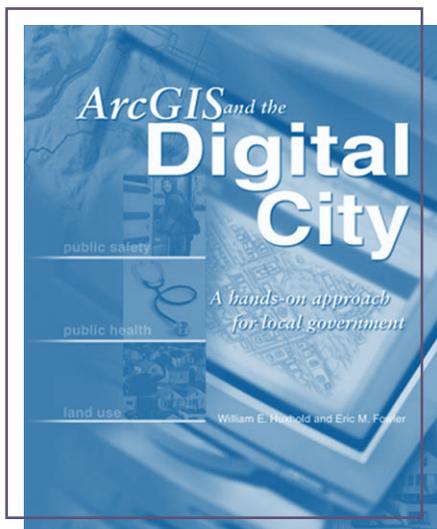
"The land use report would be a statistical summary of land use in the city that's organized by political district," says Huxhold. "The residential density report is very similar to bringing in Census data and combining that with local land use records. The flood plain report overlays a map produced by the federal government—FEMA, for example—with maps produced by the local government."

Students start with parcel maps from the county surveyor or tax assessor, most of which were created with CAD. Many governments start out with automated mapping and then realize that converting their automated maps into a GIS database would better suit their needs. "We give students experience in translating digital maps into a GIS database and then combining those parcel maps with the Census Bureau's TIGER maps, which show street lines, Census tracts, and blocks," Huxhold explains. "Next, we have them overlay a FEMA flood plain map. Then we bring in demographic data that is typical of a Census file. Finally, we bring in the tax records that show who owns each parcel, its value, its land use, basically all the attributes of every parcel in the city."

Not Just for Planners

The kinds of data that students work with in the book are common to most local governments. When students graduate and get jobs, they will have a head start on being able to use GIS in a working environment. *ArcGIS and the Digital City* can be used

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The American Dream of homeownership is a strong motivator in people's lives, and the University of Southern California's (USC) recent studies of immigrant participation in the housing market find this is particularly true for foreign-born Americans. Immigrants are three times more likely than native-born Americans to rank buying a home as their first priority—a milestone that marks success in realizing the American Dream. Typically, new Americans are ready to buy their first home within 10 to 20 years of arrival in this country. Given that the U.S. is in the midst of an immigration wave that started to accelerate in the 1970s, it's not surprising that the number of foreign-born individuals (and their children) who are first-time homebuyers, purchasing new homes, or remodeling their homes, is growing and will continue to climb. Indeed, 20 percent of heads of households are either foreign-born or children of immigrants. This population segment will account for one-third of the projected household growth in the next 10 years, according to the Joint Center for Housing Studies of Harvard University (JCHS).

Market Impact

The rate at which immigrants concentrate in inner 'gateway' cities (the traditional hubs of immigrant settlement) is slowing. During the 1990s, the number of foreign-born households located within 5 miles of the central business district in the early gateway cities fell as these households began to settle 10 miles or more beyond the central business districts. JCHS reports that over half of the new arrivals in 2003 first settled in suburban or non-metropolitan areas. USC reports that new immigrants are also spreading out across the country; 34 states received rising numbers of immigrants during the 1990s.

Always on the lookout for emerging trends, the housing market is evolving in response to this development. Immigrant homebuying is taking place in suburbs and in new geographical areas, thus diversifying the local markets. In addition, foreign-born homebuyers bring distinct needs to the market. JCHS notes that homes, for example, need more bedrooms to accommodate larger families by an average of one person, and may even need to accommodate more than one family. Moreover, immigrant homebuyer requirements reflect cultural preferences. Some realtors observe partialities for gas rather than electric cooking appliances, a great



Realtors are reaching out to meet the needs of foreign-born homebuyers.

room rather than a living room, a large closet to serve as a puja room for Hindu prayer and ritual, a yard that faces the kitchen window, and housing designs that are consistent with Chinese feng shui philosophy.

Industry Response

In responding to the changing market, the homeownership industry is sensitizing itself to the needs of foreign-born homebuyers. Initially, language barriers must be overcome. Realtors respond to this with steps such as those taken by the Massachusetts Association of Realtors, which offers a consumer guide for homebuyers in ten languages. Other Realtors and lending institutions are reaching out to immigrant consumers by hiring and training multilingual staff. The National Association of Realtors points to one of its annual "Home Ownership Participation for Everyone Award" winners, a foreign-born Realtor in Atlanta who founded an international realty firm. Her staff, who collectively speak 16 different languages, specializes in helping minority homebuyers. Several national organizations, including the U.S. Department of Housing and Urban Development, ensure that homeownership education curricula are increasingly available in multiple languages (see website, below).

A significant barrier for many foreign-born homebuyers is uncertainty about the purchase process. Even to native-born Americans, the process can be daunting in its complexity. Numerous groups around the country have established themselves as trustworthy 'cultural brokers,' or intermediaries, who are able to assist

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homebuyers in finding their way through the labyrinth of buying a home in an adopted land. Cultural brokers come in many forms, including cultural organizations, housing agencies, churches, and other community-based groups. The nonprofit Asian Americans for Equality (AAFE) is one example. AAFE is a civil rights and housing organization that conducts outreach through housing fairs and neighborhood newsletters, provides homeownership education and counseling, secures housing subsidies, develops affordable housing, and educates lenders on the employment and credit practices of Asian communities.

Researchers report that it's not unusual to find foreign-born homebuyers who harbor a distrust of credit and financial institutions due to religious, cultural, or security reasons. In recognition of this distrust and the complexities of financing, the State of Minnesota offers one of many programs around the country designed to enhance consumer confidence. Minnesota recently launched an Emerging Markets Homeownership Initiative to train and certify 200 homeownership industry professionals as culturally competent and knowledgeable about affordable lending sources and techniques.

JCHS research shows that immigrants usually earn less, but live in neighborhoods that were built for higher wage earners. Immigrant homebuyers tend to assume greater debt and make larger downpayments. The prospective foreign-born homebuyer has a steady income, savings (not necessarily in accounts), and tax-paying status, but no credit record. Lending agencies, therefore, must be flexible, innovative, and willing to hold loans that some large underwriters will not back.

Encouraged by market demand, the Federal Deposit Insurance Corporation, and other governmental and financial institutions with an interest in countering predatory lending, are developing nonconventional products designed for the immigrant homebuyer. As the *Voice of America News* reported this past July, banks are "becoming a lot savvier about catering to immigrant loan applicants." In some cases, they partner with community-based or community development organizations and businesses to find ways of offering affordable loan products. Thus, it's increasingly possible for new Americans to demonstrate credit-

worthiness in non-traditional ways: building credit histories as mortgage payments are made, using Individual Taxpayer Identification Numbers in lieu of Social Security numbers, obtaining no-downpayment mortgages, or securing lease-to-own arrangements.

To learn more about immigrant homeownership trends and the transition from renting to ownership for immigrant families, check out:

Money Management and Homebuying Readiness (www.fanniemaefoundation.org/ESOL_ABE), *"Ethnographers Examine Barriers to Homeownership"* (www.huduser.org/periodicals/rrr/cityscap.html), *Reaching the Immigrant Market: Creating Homeownership Opportunities for New Americans* (www.fanniemaefoundation.org/programs/pdf/rep_immigrant.pdf), *"The Importance of Demographic Trends"* (www.huduser.org/periodicals/ushmc/spring03/summary_2.html), and *"Can New Americans Achieve the American Dream? Promoting Homeownership in Immigrant Communities"* (www.law.harvard.edu/students/orgs/crcl/vol39_1/chandrasekhar.php). **HJ**

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p **NACA Simplifies Homebuying**

With housing prices on the rise nationwide, low- and moderate-income homebuyers are having a harder and harder time — not just in *affording* real property, but in *locating* a place they can afford. This is particularly true if they are newcomers to a city. Darryl Eaton, for instance, faced these challenges when he moved to Washington, D.C., from Sacramento because his employer, an alternative media organization, transferred him to its national office. As an accomplished pianist, he decided he wanted to buy a home in the city to be nearer its cultural attractions. Then a friend told him about an organization offering unique advocacy and real estate services for first-time homebuyers, the Neighborhood Assistance Corporation of America (NACA). Now, thanks to comprehensive, hands-on help from NACA staff, Darryl is the happy owner of a one-bedroom condo in the city's Southwest neighborhood, which overlooks the Potomac River waterfront and is a short walk from public transportation and amenities.

"My experience with NACA was totally positive," Darryl explains. "As someone who had recently moved to the area, I was not familiar with any of the real estate services. Because NACA provides advocacy as well as real estate services, I could have total trust in them."

NACA's Extensive Services

As Darryl's experience shows, NACA is in the business of empowering low- and moderate-income people. Those who would normally be subprime borrowers due to poor credit histories receive comprehensive, no-cost services — from education to brokerage and mortgage products to post-ownership assistance — that will enable them to purchase a home and get a mortgage at a low interest rate. Formed in 1988, NACA has a strong track record of opposing predatory and discriminatory lenders. It has successfully secured commitments from banks and lenders — now exceeding \$10 billion — that it uses to help its clients get lower interest mortgages.

Based in Boston, NACA has 21 offices in cities across the nation. Its wide range of services helps qualified prospective homeowners at every stage of the homebuying process: in qualifying for homeownership; in identifying barriers to homeownership; and in navigating the complex, problem-prone mortgage process. New homebuyers are able to secure a mortgage that does not require perfect credit, a downpayment,



NACA helped Darryl Eaton find a one-bedroom condo in this Southwest Washington, D.C. building.

closing costs, private mortgage insurance, or other fees. NACA also makes available a below-market interest rate. The new owner has access to an extensive post-ownership program of education, individual counseling, and financial assistance for facing such challenges as maintaining the home.

A person can qualify for NACA's free services by having a household income lower than a specific percentage of the local median income or through a willingness to purchase a home in a neighborhood that has been cut off from access to credit. Participating buyers also must not own other property and must continue to live in their home for as long as it's covered by a mortgage obtained through NACA. Once a person qualifies for NACA assistance, that individual has access to its mortgage products, other special programs, a purchase/rehabilitation product, and if there's an existing predatory loan, a refinancing option.

Steps to Finding, Buying, and Keeping a Home

Like Darryl, each NACA client completes an intensive 10-step process to find, buy, and keep a home, with ongoing, hands-on help from NACA's staff of housing consultants, buyer's agents, and counselors. After attending a homebuyer workshop where he received an overview of the homebuying process and NACA's mortgage program, Darryl worked with a housing consultant to qualify for a mortgage.

He then went house hunting with the help of a NACA buyer's agent. "NACA's staff are patient, positive people," notes Darryl. "They spent time taking me out and helping me find homes that would suit my needs — for instance, a grocery store within walking

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by anyone who wants to analyze local government data — “crime analysts, engineers looking for water main breaks, or developers looking for vacant lots,” says Huxhold. The author’s advanced planning students use ArcGIS to find sites for potential parks in a city by locating vacant or under-utilized lots that are close to high-density residential areas, but not too close to existing parks. By eliminating lots that do not meet the criteria, GIS provides a comprehensive analysis of a manageable set of data.

Professionals from other countries, including Iraq and Colombia, have contacted Huxhold about his book. “There are a lot of developing areas in which professionals are starting to look at ways to manage their land through the use of computers,” he says, “and local government people are at the apex of that movement.”

For the past 20 years or so, local governments have adopted GIS technology primarily as a means of improving their operations and management of public

facilities. Now many cities are realizing that GIS data on the Internet have uses other than for city operations. “Neighborhood organizations, higher levels of government, and research agencies can all make use of that data for other purposes,” says Huxhold. “In effect, you’re increasing the value of that data by allowing others to use it.”

Digital Cities

Two good examples of Internet-based GIS capabilities for public access are the City of Milwaukee (www.mapmilwaukee.com for property data and www.milwaukee.gov/compass for public safety, health, and other demographic data), and the City of Philadelphia (citymaps.phila.gov for address-based maps, aerial photography, zoning, land use, service districts, libraries, and hospitals). For additional information about *ArcGIS and the Digital City*, contact William Huxhold at 414-229-6954 or hux@uwm.edu. *ArcGIS and the Digital City* is available from ESRI Press (www.esri.com). **HLI**

NACA Simplifies Homebuying continued from page 6

distance — rather than just trying to sell me a house.” This kind of service was particularly important to Darryl, who is blind.

A NACA buyer’s agent negotiated on Darryl’s behalf for the purchase and sale contract for the house he wanted. A NACA-approved home inspector provided a written report on the house’s condition and identified repairs that needed to be done by the seller or added to the mortgage. Although it was not necessary for Darryl’s new home, NACA also provides financing for needed renovations.

The next step entailed an application for NACA credit access and submission of a mortgage application to a participating lender. Darryl completed the mortgage application and process with the help of a NACA housing consultant, who also assisted him with other aspects of this complex, often lengthy, process. After the mortgage closing, Darryl was briefed on issues of concern to new homeowners, and he continues to receive post-purchase counseling and financial assistance. This includes emergency help (if needed) to prevent foreclosure, as well as financial counseling and landlord training.

The U.S. Department of Housing and Urban Development cooperates with NACA to help prospective first-time buyers

learn about this step-by-step process of advocacy and real estate services. One recent example came in the form of a joint homeownership workshop conducted by HUD and NACA in Panama City, Florida, in cooperation with the Springfield First Methodist Church and Women of Destiny, a faith-based community organization.

What would Darryl Eaton say to someone thinking of using NACA’s services? “I highly recommend the program, especially if you’re moving from out of town and want to be connected with people who will look out for your best interests and really know local real estate.” For more information, see www.naca.com or call NACA’s toll-free information line, 1-888-302-6222. **HLI**



Darryl Eaton relaxes in the living room of his new home.

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In the Next Issue of... ^{research} **works**

- In July 2005, the Bush administration announced the new federal Partnership for Home Energy Efficiency aimed at reducing household energy costs by 10 percent during the next decade while improving the nation's air quality. The partnership—which includes the Department of Energy, the Environmental Protection Agency, and HUD—encourages the use of a wide array of energy-saving solutions for households and homebuilders. We'll look at the partnership's projects and the progress achieved so far in meeting its goals.
- The formula adopted by Congress to determine the annual appropriation of Community Development Block Grants (CDBG) across metropolitan cities, urban counties, states, and small cities has remained unchanged since 1978. HUD recently evaluated how well the formula and its variables continue to perform as originally intended and whether it remains effective. We'll review the formula, its evaluation, and HUD's recommendations for improving the targeting of community development funds.
- Recent opinion polls show that a majority of Americans is in favor of providing affordable housing for all, but poll results also show that respondents are reluctant to have such housing in their own neighborhoods. A careful examination of the results reveals some possible strategies for mitigating this reluctance. We'll discuss the attitudes expressed in opinion polls and how this information helps some localities deal effectively with resistance to proximate affordable or low-income housing.
- The federal government promotes homeownership as an important goal for low-income families. This assumption is based on the idea that owner-occupied housing is a good way to accumulate wealth, especially for lower income and minority families. Data from the Panel Study of Income Dynamics, which tracks household characteristics over time, is analyzed in a new HUD study, *Wealth Accumulation and Home Ownership*, to test the validity of this assumption. We'll discuss what the study reveals and what it suggests in terms of public policy that promotes homeownership opportunities for lower income households.

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