

# Sweat equity: using labor to lower housing costs

With a shortage of affordable homeownership opportunities for low-income homebuyers, HomeReady® provides an opportunity for borrowers to use their own or volunteer labor to increase their equity in a home. Such “sweat equity” allows lenders working with a nonprofit seller to apply the value of their and volunteers’ work to the borrower’s down payment for a HomeReady mortgage.



## Help borrowers build equity

Sweat equity allows borrowers to contribute to their home’s value through volunteer labor.



## Provide flexible assistance options

Sweat equity can be combined with Community Seconds®, resale restrictions, and shared equity options to put homeownership in reach of even more borrowers.



## Partner to make it possible

Sweat equity can be difficult to evaluate, which is one reason why Fannie Mae requires that lenders work with an experienced nonprofit to ensure hours are properly tracked and converted to equity.



# Turning sweat into shelter

Sweat equity allows borrowers to invest in their future home by assisting with the construction or rehab of a property through work with a nonprofit. Financing homes that feature sweat equity increases the affordable housing supply and supports affordable homeownership in your community. What's more, offering sweat equity as part of an affordable lending program may be easier than you think.

## Step 1:

Partner with an experienced, nonprofit housing provider to track and value the sweat equity contribution to the project. In some cases, the nonprofit may also be a shared equity program or may partner with one to help maintain affordability.

## Step 2:

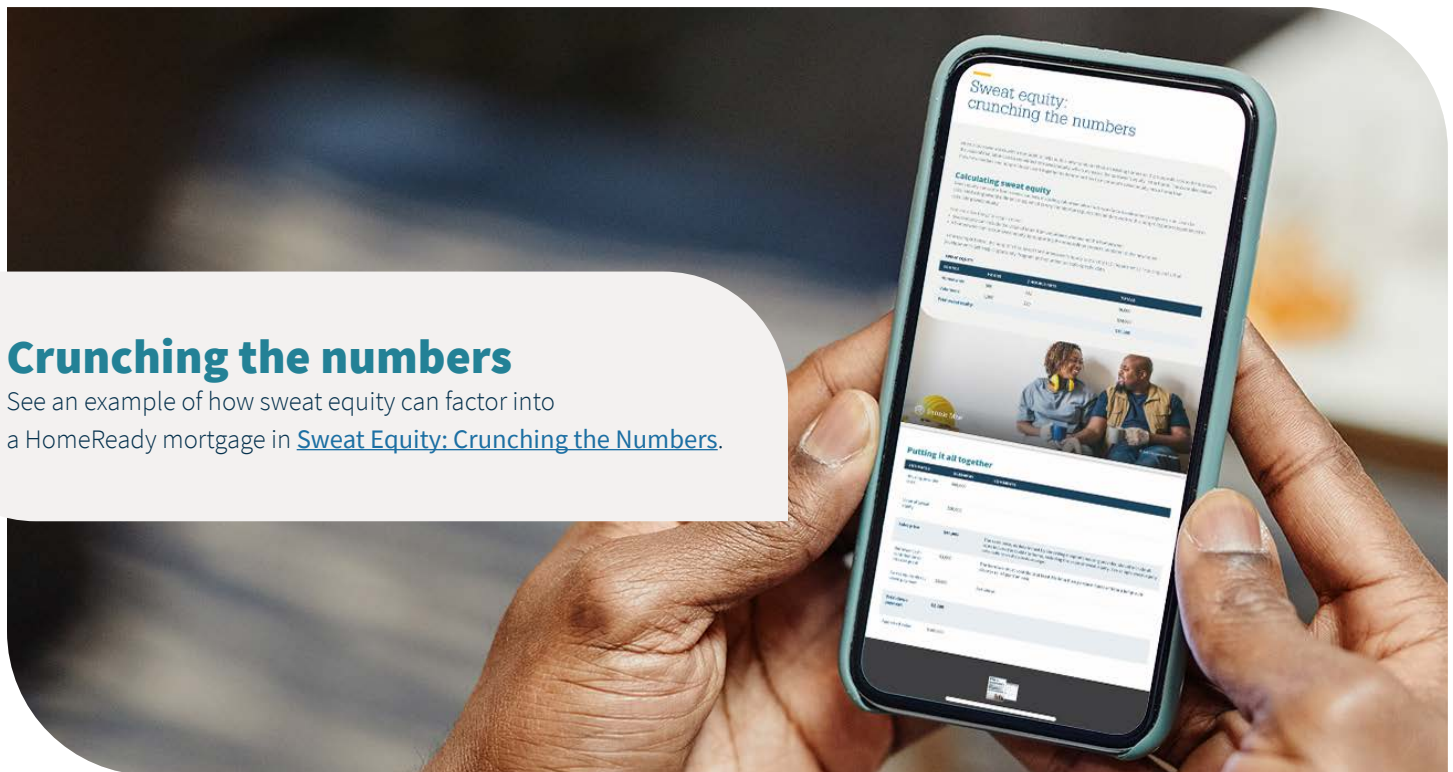
Work with the nonprofit to qualify borrowers to participate in this lending program. It's important to align to ensure that borrowers participating in the program are eligible for financing.

## Step 3:

The nonprofit housing provider will build a new home or rehabilitate an existing home with the help of volunteers, including the borrower. It is important to note that the value of sweat equity can include labor from volunteers who are not the homebuyer, and the homebuyer may accrue sweat equity by supporting the nonprofit on projects unrelated to their new home.

## Step 4:

Once the home is completed, you can finance the borrower's purchase of a home from the nonprofit. If the nonprofit has adopted a shared equity model or resale restriction, such as a Community Land Trust or Deed Restriction, there may be additional underwriting requirements. [Learn more about shared equity.](#)



## Crunching the numbers

See an example of how sweat equity can factor into a HomeReady mortgage in [Sweat Equity: Crunching the Numbers](#).