

# Habitat for Humanity of the Kokomo Community, Inc. Family Selection Guidelines

## **I. NEED**

A. The family is living presently in inadequate housing based upon acceptable community standards including:

1. Structural problems - related to safety, health or comfort
2. Sanitation facilities - kitchen, bathroom
3. Crowded living conditions - number, age, sex
4. Utility services - heat, electricity, water, sewage
5. Location of present housing - safety and environmental considerations
6. Unusual pertinent circumstances or excessive costs

B. Because of financial limitations, conventional means of obtaining adequate affordable housing are not possible for the family and adequate public housing is not available.

## **II. INCOME OF PARTNER FAMILIES**

A. Partner families should have incomes that fall approximately within a 25-50% range of the median income for Howard County, IN.

## **III. ABILITY TO PAY**

A. Families should be able to afford up to 30% of their monthly family income for housing - which includes mortgage, taxes and insurance.

B. A down payment of 1% of the anticipated mortgage amount shall be required.

1. To save for the down payment, a selected family may begin monthly payments to Habitat as soon as it is approved by the Board.
2. The full down payment should be received before occupancy.

C. Household Income will not be threatened by home ownership (e.g. the source of the household income stops or income decreases if the applicant owns a home)

## **IV. WILLINGNESS TO PARTICIPATE AS A PARTNER WITH HABITAT**

A. The applicant family will need to be in agreement with the rules and covenants of Habitat for Humanity and be willing to become true partners in the work of Habitat in this area.

Furthermore, the partner family will need to become an active participant in

as many Habitat for Humanity activities as possible including the sharing of their story to promote the vision of Habitat.

B. Sweat equity - a means by which a selected family (partner) helps to build their own home or other Habitat homes.

-Examples of sweat equity include clearing the lot, painting, construction, clean-up, sanding, clerical work, appearances for Habitat, providing food for workers, workshops and other activities approved by Habitat.

**Sweat Equity Hours required to participate:**

- A minimum of 250 hours/per adult in household 18 or older out of school, living at home.
- Assuming no disabilities, in a two parent household, a minimum of 500 hours with each contributing a minimum of one hundred hours.
- For household dependents 14-15 years, 25 hours are required.
- For household dependents 16-17 years, 100 hours are required.
- Dependent hours are in addition to the parental requirement.
- No more than 10% of total hours may be contributed by family and friends
- Family and friend hours do not count toward getting covenant.
- Minimum of 12 hours per month required to stay current in the program. Failure to do so would require partner family to reapply. Family Selection may waive this requirement on months that little or no work activity is available due to weather or other circumstances. (If monthly log is not reported by the 10<sup>th</sup> of the next month, those hour will not be counted –Board action 9-18-12).
- Sweat Equity requirements for Rehab and Small Projects vary based on the size of the project. Expectations will be specified in the contract (not to exceed the sweat equity requirement for a new house).

-Each partner family is expected to complete at least 100% of sweat equity before the final ownership papers are signed.

C. Payment of home mortgage, insurance, taxes and utilities in a timely manner is required.

D. The partner family, assisted by the Family Support Committee, will be responsible for the maintenance and repairs of the house after occupancy.

E. Financial counseling, at no cost to the partner family, will be expected to insure that the family will be able to manage the financial responsibilities involved in home ownership. The family must be agreeable to this condition.

F. Willingness to grant Habitat, during the term of the mortgage, the right to

first option to buy back the house at a maximum of the original cost plus a percentage of any appreciated value as determined by an appraisal, less the remaining balance on the mortgages.

- G. Agreement to a combination deed of trust/promissory note where-in the first mortgage on the property will be for the selling price of the home, a second mortgage will be placed on the property for the amount of the difference between the selling price and the appraised value. The mortgage calculation and terms of forgiveness of the second mortgage will be according to the policies passed March 16, 2009 (attached).

## **V. APPLICATION PROCESS**

The applicant family will be asked to provide references and documentation for requested information to show a desire to improve their current housing situation through cooperation with the process. Areas that will be considered are:

### **A. References/financial**

- 1. Disclosure of financial and personal situations, e.g. places of employment, household Income, marital status (as relates only to community property laws or alimony/child support income), present household indebtedness.
- 2. Creditor's, utility companies, landlord's records

### **B. Stability of the household unit**

- 1. Relationships—strengths and weaknesses
- 2. Children's attitude toward the process

### **C. Personal visits and interviews**

- 1. Areas to be considered Include: treatment of personal and real property, attitude about Habitat, overall family attitudes and actions toward each other, any "special" situations of crisis or need in the family, attitude of family toward the amount of publicity they would likely receive as a partner family.

## **VI. MISCELLANEOUS**

- A. The family must be a current resident of Howard County or in a bordering county with intent to move into Howard County. Priority will be given to families who have lived or worked in this county for at least one year.
- B. Race, creed, religion, ethnic background, sex, age, marital status, or source of income will not be used in the selection of the partner families.

- C. To avoid conflict of interest, families who are being considered for Habitat houses are not eligible to serve on the Board of Directors or Family Selection Committee.

## **VII. PROCEDURES FOR CHOOSING A FAMILY**

- A. The following procedure will be followed in choosing a family
  1. Application (with all attachments) submitted.
  2. Information verified
  3. Home visits and Interviews by Family Selection Committee
  4. Recommendation or rejection by committee
  5. Board approval of presented family
  6. Signing of Covenants and agreements (following completion of 50 hours of sweat equity)
  
- B. When all other selection criteria are equally met, the family whose application was first received (including all supporting documents requested) will be placed first in the list.

### Attachments:

#### **Mortgage Calculation Policy**

Mortgages for partner families with Habitat for Humanity of the Kokomo Community will be based on a fifteen year payment period for the actual cost of the house build plus administrative costs. Mortgages will be at 0% interest. The monthly payment will include insurance and taxes added on a capitalized basis. The initial payment will be based on a good faith estimate of the taxes and insurance. This may result in mortgage periods fluctuating depending on the accuracy of that estimate. In the event that the monthly payment exceeds 25% of the family income, the mortgage may be extended up to 20 years as negotiated by the family and the Habitat president or his/her designee. The minimum mortgage amount will be \$200 (plus taxes and insurance.)

A second note will be established based on the difference between the appraised value and the value of the first mortgage. The forgiveness of the second note will be determined by current Habitat of Kokomo policy as noted below.

#### **Policy for Determining the Amount of the Second Note Due upon Sale of a Habitat home before the Actual Expense is Repaid.**

When the mortgage is prepared, the total number of monthly payments to repay the actual expense will be noted. Each time a monthly payment is made, the second note will be reduced by the following amount: (1 divided by the total number of monthly payments) times the (amount of second note). The actual calculation will be at the end

of the each year when payment summaries are calculated or during the year when a sale occurs. Catch-up payments or advance payments do not increase the number of on-time payments. The maximum number of on-time payments in a given year is 12.

The Board retains the option to forgive the second note under extenuating circumstances.

*-Mortgage and Second note policies approved - March 16, 2009*

-Sweat equity for minors change by Board, April 18, 2011