



# Habitat for Humanity of Greater New Haven



## **HOME BUYER POLICIES**

### **DOWN PAYMENT**

Habitat requires a down payment of \$600.

Once a family is accepted into the program, a volunteer Family Partner will be assigned to the Partner Family. During their first meeting, a plan for making payments toward the down payment should be drafted, along with a plan for completing sweat equity requirements and saving for closing costs.

### **PURCHASE PRICE**

The purchase price of Habitat houses is determined by a formula based upon the square footage of the house. As a result, Habitat most often sells its houses for far less than what it costs to build or rehab them. The average house that Habitat builds is approximately 1,200 to 1,300 square feet and currently sells for about \$96,000.

### **SWEAT EQUITY**

One of the central features of Habitat's program is the concept of **sweat equity**. By performing sweat equity, Habitat families make a hands on, physical investment of themselves in the building of a Habitat house and in other Habitat projects. In addition, sweat equity involves homeowner families and Habitat volunteers in a partnership with a great deal of mutual benefit. Sweat equity is one way the Habitat program gives a "hand up" rather than a "hand out".

#### **1. How can I earn sweat equity hours?**

- a. Working at Habitat construction sites (first others' homes and then your own)
- b. Working at the Habitat office
- c. Taking Home Depot workshops for skills in home maintenance
- d. Attending homebuyer courses

#### **2. How many sweat equity hours must I earn?**

Each family is required to complete 400 hours of sweat equity before moving into a Habitat home. The application process requires that applicants work 14 application hours at a Habitat work site so that the family develops a better understanding of Habitat, and Habitat gets to know the applicant family better. Once an applicant family has been approved for home-

### **3. How are sweat equity hours recorded?**

Habitat requires that everyone who works at our construction sites sign the volunteer register and a waiver of liability for insurance purposes. In the event that an accident occurs, a person's signature verifies that he/she was present at the work site. The volunteer register must be signed in addition to the **sweat equity voucher book**. No one is permitted to begin working on a Habitat construction site who has not signed the register and filled out a waiver. You must sign in at the start of each day that you work. The waiver of liability needs to be signed only once in a calendar year.

Each Partner Family receives a sweat equity voucher book. The voucher book is where sweat equity hours are recorded at the end of each work day. Each entry in the voucher book must be signed by the construction supervisor on duty that day. The following information must be entered:

- Name of the person working
- Family for whom the hours are being worked
- Time the individual began work
- Time the individual ended work

It is required that the construction supervisor be consulted upon entering and leaving the work site. It is his/her responsibility to initial the recorded hours.

It is also required that you turn in the vouchers from your sweat equity book at least once a month. If you do not turn in your vouchers in a timely manner, it will be assumed that you are not working and you may jeopardize your status in the program.

### **CLOSING**

"Closing" is the term for the time when the sale of your home actually occurs. Please note that you do not own the home until the closing is completed. During the closing, you will be asked to sign a number of documents, and you must pay closing costs. A "good faith estimate" of those costs will be provided to you once you have met all of the program requirements and selected your house, but closing costs generally fall in the range of \$4,500-\$5,000 (but could be higher or lower). Every family's closing costs will be different, but it is most important that you make a plan for how you are going to pay for closing costs as soon as

you are accepted into the program. If you complete the program but cannot complete the sale, Habitat may be forced to sell your home to someone else. To verify the homebuyer's ability to assume the costs of the closing and the monthly mortgage payments, Habitat will require recent copies of pay stubs, a current bank statement, and a current credit report before the closing.

You will learn about closing and closing documents during the homeowners workshops and by working with your Family Partner. As the time approaches that construction on your house will be completed, your Family Partner and/or Habitat staff will contact you to schedule the closing date.

## **INSURANCE**

Habitat requires that a family purchase homeowner's insurance on both the building and its contents.

### **1. How should I shop for insurance?**

We encourage homebuyers first to inquire with the insurance company that deals with your automobile or life insurance policies. Habitat can also assist you by providing the contact information for insurance companies that our homeowners have typically used, to compare rates, or you are free to locate your own homeowners insurance. Wherever you choose to get your insurance, the policy must meet some basic specifications.

Your homeowner's insurance policy will provide you with coverage in the event of serious damage to or destruction of your home. It does not cover "wear and tear" maintenance issues. The cost of the annual premium for the policy will be based on what your limits of coverage are. Habitat requires that the homeowner purchase and maintain a hazard policy with extended coverage and with limits of liability equal to the "replacement cost" of the house.

Any quote on a policy that you receive will detail the maximum amount it will pay to replace your house. It is your responsibility to ensure that this amount is sufficient and to keep coverage in place throughout the life of your mortgage. In addition, policies will have specific coverage limits for your personal belongings and for things like household accidents. You will learn more about homeowner's insurance in the homeowner's workshops.

## **2. How will the insurance premiums be paid?**

The first year's insurance premium must be paid by the homeowner prior to or at the time of closing. In addition, you will be required to pay in escrow an amount equal to 1/12 of the annual insurance premium as part of your monthly mortgage payment. When the policy renews each year, the premium will be paid from these "escrowed" funds. If there are insufficient funds in your escrow account to pay the premium, either because you failed to make a monthly payment or because your insurance premium increases, you will be responsible to pay the difference.

It is a default under the note and mortgage that you will sign at closing if you fail to pay a monthly installment or bring any deficiency in your escrow account up to date. You are free to change insurance carriers at any time, provided that the new carrier is licensed to do business in the State of Connecticut and meets Habitat's rating requirements.

### **PROPERTY TAXES**

Property taxes will be escrowed on a monthly basis, as insurance premiums are.

### **MONTHLY PAYMENT TO HABITAT**

Habitat's homeownership program is unique in two ways:

- Habitat sells its homes at the cost of building them or less and makes no profit whatsoever; and
- Habitat lends you money to buy the home without charging you interest.

The "no interest" feature is significant in two respects:

- When you borrow money from a regular bank to buy a home, the interest charges more than double the "cost" of the home to the buyer;
- When you make your monthly payment to the bank, you pay interest first.

The usual length of a Habitat mortgage is 25 years but can be longer depending on the price of the house. There is no penalty to the buyer for paying off the mortgage in less than 25 years. Under some conditions, Habitat may offer to extend the life of the mortgage. Under a 25-year mortgage, you will make 300 monthly payments to Habitat.

There are three pieces in the monthly payment:

- a. **Mortgage:** Usually about half of the total monthly payment, the mortgage amount is the part that actually goes to buying the home. The mortgage amount remains constant for the duration of the mortgage.
- b. **Escrow payment for property taxes:** Depending on the mill rate (tax rate) and the assessment of your house value for tax purposes, your property taxes may change from year to year, requiring periodic adjustments to escrow payments for property taxes.
- c. **Escrow payment for insurance:** The first year's insurance premium cost for your personal home owner's insurance is paid by you at closing; the amount in your monthly payment is for next year's insurance. Like property taxes, the cost of insurance may change from year to year, requiring adjustments to the escrow payment for insurance.

## 1. **How much is my monthly payment?**

Your monthly payment will depend on the purchase price for your home (which, in turn, determines your monthly mortgage payment), real estate taxes assessed by the town and the insurance premium costs. Based on the current cost of a Habitat home (approximately \$96,000, depending on size), Habitat estimates that your total monthly payment will be approximately \$750. The payment consists of the mortgage payment, escrow for taxes and escrow for insurance.

You should also be aware that your monthly payment to Habitat might be different from that of other Habitat families. There are several reasons why this may be so:

- Different size home and, therefore, a different purchase price;
- Different property taxes and insurance costs.

## 2. **Will my monthly payment ever change?**

Yes. Your monthly payment will likely increase every year because of increases in property taxes and insurance costs. The mortgage portion of your payment, however, will be constant.

## 3. **When do I make my monthly payment to Habitat?**

Your payment is due on the 1st of each month, and Habitat expects to **receive** your payment no later than that date.

Each note and mortgage provides for a 15-day "grace period". The grace period is a courtesy extended to you by Habitat for your convenience in unusual situations. Your payment must be received by Habitat at the specified address on or before the 15th of the month. If the monthly payment is not received by the 15th of the month in which it is due, you will be in default on your note and mortgage. A default on your note and mortgage allows Habitat to accelerate the note and begin foreclosure proceedings against you. In addition, Habitat reserves the right to charge interest on any note or mortgage for which a default has occurred.

## 4. **What if I cannot make a payment by the 15th of the month?**

Payments not received by Habitat by the 15th of the month are considered delinquent. There is a 5% late fee if payment is delinquent.

If you think that your monthly payment will be late, it is best to call Habitat's Executive Director Bill Casey or your Family Partner and alert them to this possibility. Not only is it courteous to inform Habitat that you will be unable to pay on time, but we may be able to assist you with whatever financial problems you are experiencing.

## **MOVING INTO YOUR HABITAT HOME**

Because moving into your new Habitat home is an exciting, joyous and sometimes confusing experience, Habitat has developed this summary of important considerations:

### ***Closing Date***

You will be required to sign various legal documents, including a note and mortgage to Habitat. You must have an attorney to represent you.

You should note that closing dates often change at the last minute. This can be very frustrating if you are not prepared.

### ***Dedication Ceremony***

Many people will come together and work very hard to help build your Habitat home. Part of the fun for them will be the dedication ceremony to celebrate everyone's accomplishments when the house is completed. Your Family Partner and the Habitat staff will plan the dedication ceremony with the participation of you and your family. Usually, the ceremony takes place before the closing; however, there may be exceptions, depending on the circumstances.

### ***Moving In***

Once you have closed, you are free to move in anytime you like. We suggest that you do not move in the same day that you close or immediately following the dedication ceremony. If your closing date changes and you have already hired a truck, scheduled help, etc., you may end up feeling very stressed. Leave yourself some flexibility by not scheduling too tightly.

## **HOME MAINTENANCE AND REPAIR**

As a Habitat homeowner, YOU are your own landlord. Unless a needed repair is identified within the first year of your occupancy and can be attributed to a defect in materials or workmanship, YOU are responsible for the maintenance and upkeep of your home. Please remember, it is a default under your mortgage if you fail to maintain your home and property in good condition. Some homeowners may feel comfortable undertaking maintenance and repair projects. Others may prefer to hire someone to handle them. Habitat can give you information about whether you should attempt to fix a problem yourself or have it done professionally.

### ***Things to remember when you hire a contractor:***

1. Contact the **Better Business Bureau** (203-269-2700) to check on the work history of the company or person you are thinking of hiring.
2. **Ask to see the licenses** of plumbers and electricians you are thinking of hiring. Make sure that a remodeling contractor is registered with the **State of Connecticut Department of Consumer Protection** (1-800-842-2649).

3. Make sure that a contractor carries **liability insurance**.
4. Does the **contractor guarantee** his/her work? For how long? What sort of guarantee?
5. Get a **written contract** for the work to be done and read it carefully. Pay special attention to the **dates** the contractors say they will finish the work and the **cost** of the work.
6. **Do not pay for the entire project in advance.** You may need to pay for part of the project "up front", but don't make the final payment until the work has been completed to your satisfaction.



***VETERANS ARE ENCOURAGED TO APPLY!***

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