

## Habitat for Humanity 101

The first thing to know is that Habitat for Humanity Northwest Harris County offers a hand up to low-income families seeking homeownership and a sense of community. So, purchasing a Habitat home is a joined effort – not just a mortgage!

Here's how it works: Habitat purchases the land on which to build homes. Currently, Habitat is building on the property they have purchased in the City of Tomball located in Northwest Harris County near SH 249. This is where the St. John Vianney Habitat home will be built.

Partner organizations such as St. John Vianney provide funds for the cost of materials, volunteers and the needed labor to build the houses on the land that Habitat has purchased. It cost \$60,000 in materials to build a Habitat home. Most Habitat homes are three to four bedrooms, depending on the family size.

Selection: Potential homeowners must meet the criteria determined by Habitat. First, the family must fall within 40%-60% of the Harris County low-income guidelines per family size. Then, the housing that the family lives in now must satisfy one of the following categories: 1) Overcrowded, 2) Poorly maintained (substandard), 3) In a dangerous neighborhood, OR 4) The family has no home (living with other family members, friends, or in a long-term shelter).  
\*The family for the St. John Vianney build has not yet been selected.

Application Process: If the initial criteria are met, Habitat carefully vets each family for acceptance into the Habitat program. They want to set families up for success so they want to help families who would not qualify for a Conventional home loan. Potential homeowners must complete an application for a loan. To qualify for the Mortgage loan, the Credit score requirements are modified, however, the background check is more rigorous when compared to other lenders.

Qualifications: To investigate the potential homeowner's qualifications for this loan, Habitat conducts Criminal background checks, and Credit checks. All potential homeowners must have an acceptable credit history and a score above 550. Habitat also looks at the potential homeowner's debt to income ratio, employment history, and judgements/settlements. The potential homeowner must have stable, and IRS verified income.

Once accepted into the Habitat program, potential homeowners must complete certain requirements to qualify for the mortgage loan. First, they must complete **20 hours of homeowner education classes** where they discuss how to financially prepare for their first home. They learn about how different it is to own a home versus renting. Additionally, they learn about budgeting and home maintenance. They learn basics such as when the mortgage is due, late fees, what an escrow is comprised of, and how to avoid foreclosure. Lastly, they discuss each of the mortgage documents which prepares them for the closing. They are assigned a mentor who provides support and encouragement throughout the process.

Once they have completed their classes, each family must put in over **200 hours of “sweat equity”** where they work on their neighbors’ homes within the Habitat program as well as their own home. Once they have worked their first 100 hours, they are allowed to begin building their own home in cooperation with Habitat partner organizations like St. John Vianney and other volunteers. The Habitat home build sponsored by St. John Vianney will be alongside the homeowner and his/her family.

Habitat homes are then sold to qualified families at a reduced cost and no interest rate mortgage. Habitat holds and manages the loan from builder to lender while transitioning with the family. The mortgage payments include the principal and escrow (taxes, insurance, and homeowner association dues). The mortgage payments differ for each homeowner, but mortgage payments are generally very low when compared to Conventional lenders and Apartment rental agreements. The principal from these mortgage payments is then used by Habitat to purchase more land on which to build.

Mortgage Payment: Habitat holds their homeowners to the responsibility of their mortgage payment monthly. The Homeowner Services department closely monitors the payment history of each homeowner. If the homeowner is late on one payment, the Homeowner Services department will reach out to inquire about the surrounding circumstance(s). If unable to make a full or partial payment a Payment plan is created, if requested by the homeowner. The Homeowner Services department is resolute about collecting the mortgage payments. They want the families to understand the substantial risks of late pay and nonpayment of their mortgage. If the homeowner is consistently unable to make their mortgage payment or cooperate with a payment plan, the foreclosure process will begin. Although this is not the desired outcome Habitat must comply with State and Federal foreclosure law.

Homeowner Services also shares that mortgage payments allow Habitat to offer another family the opportunity of homeownership.

For more information, Habitat for Humanity Northwest Harris County can be reached at [www.nwhc.org](http://www.nwhc.org) or 281-477-0460.