Habitat for Humanity®

AOM Homeowner Selection

Affiliate Operations Manual

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1. Introduction

1.1. About the Homeowner Selection Affiliate Operations Manual

This Homeowner Selection Affiliate Operations Manual provides guidance to affiliates and assists with drafting a homeowner selection/mortgage origination policy to select well-qualified homeowners. The process is driven and informed by the combination of the Habitat for Humanity mission, Habitat for Humanity International policies, and federal and state laws regarding mortgage lending. Consequently, this manual is equally applicable to all affiliates, whether a small, all-volunteer operation or one that is large and fully staffed.

New Habitat affiliates usually begin as all-volunteer organizations. This includes a board of directors, individual volunteers and volunteer committees. Many affiliates retain the original organizational structure for a number of years, so volunteers lead and perform the work: raising money, selecting homebuyers, preparing people for homeownership, building houses, etc. As affiliates grow and expand their capacity, they often recruit a full-time staff (paid or volunteer), reducing the roles of the board in administrative and operational areas. Habitat affiliates of all sizes and structures are still very dependent on the work of committee members. Affiliates may be:

- Board-led, with volunteer committees doing most of the work.
- Board-led, with staff members and volunteer committees doing most of the work.
- Board-governed, with staff members and volunteers (who report to staff members) doing most of the work.

The Homeowner Selection committee is always a crucial part of an affiliate's success. Many affiliates use combinations of volunteers and staff members to effectively increase the volume and pace of homeowner selection, and so the composition of the homeowner selection team varies among affiliates. With the increased complexity of federal and state mortgage lending legislation, it is crucial that those involved in homeowner selection understand and practice a standard process to ensure compliance with these laws.

This manual will use "the Homeowner Selection committee" (or "the committee") as a generic name for those engaged in the homeowner selection process.

Sample documents are included with this manual; use them as appropriate to your needs. Your state may have unique legislation relating to mortgage origination; therefore, it is essential for a local residential real estate attorney to review your documents to ensure compliance with state laws and regulations.

The Homeowner Selection AOM is the encyclopedia for homeowner selection. It is designed to guide the affiliate through the homeowner selection process. As such, it is a resource manual, and not a basic orientation manual. Those who need basic homeowner selection orientation materials are encouraged to contact a support specialist at the Affiliate Support Center by calling (877) 434-4435 or emailing USSupportCenter@habitat.org.

AFFILIATE OPERATIONS MANUALS

This resource is one of a series of 10 volumes outlining the core operations for U.S. Habitat affiliates.

The other titles in this series are:

- **Advocacy**
- **Construction**
- **Construction Safety**
- **Financial Policies and Procedures**
- **Homeowner Support**
- **Repairs**
- **ReStores**
- **Resource Development**
- **Volunteer Management**

The full AOM collection is available here.

If you are looking at a hard copy of this document, an electronic version with clickable hyperlinks for all resources can be found on MyHabitat at https://hfhi.sharepoint.com/sites/KnowledgeCenter/SitePages/Affiliate-Operations-Manuals-(AOMs).aspx.

1.2. Ministry and mission

Habitat for Humanity International is a nonprofit, ecumenical Christian ministry that seeks to eliminate inadequate housing from the world and to make decent shelter a matter of conscience and action.

Homeowner selection is the process used by Habitat for Humanity affiliates in choosing homebuyers for homeownership. Since the beginning of the Habitat ministry in

MISSION STATEMENT

Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope.

1976, the affiliate model of homeowner selection and the basic selection criteria have remained constant.

This is a Christian-principled ministry, and, as such, it is appropriate to approach homeowner selection with the philosophy of striving to qualify families into decent houses instead of disqualifying families out of the Habitat homeownership program.

To be truly effective, the Homeowner Selection committee must be sensitive to the issues facing applicants, including the devastating effects of poverty. Habitat embraces people from all walks of life and extends strength, stability and self-reliance to people who have lost hope. The committee is often the prospective homeowners' first contact with Habitat, and the selection process can open the door to a positive, trusting relationship and strength, stability and self-reliance for families in need of decent housing.

"The partnerships between Habitat for Humanity and our homeowner families are true collaborations, grounded firmly on mutual respect and a core belief that everyone should have an opportunity to live in a safe, decent and affordable home. Our partnerships with families are sound investments in the future, made by people who believe strongly in one another and in the greater good." — Jonathan Reckford, CEO of Habitat for Humanity International

1.3. The homeowner selection process

Homeowner selection is a multistep process that is regulated by federal and state laws. Successful homeowner selection requires that the committee and the affiliate's board of directors fully understand homeowner selection and the relevant legal requirements as they develop, adopt and follow a process as guided by the homeowner selection policy. Affiliates must always be mindful that all actions in the outreach, selection and support processes are regulated by federal and state laws, because these actions are part of making a credit decision. Homeowner qualification and selection is part of the loan origination process that concludes with the house closing.

It is essential that the affiliate make sure of its capacity to conduct homeowner selection. The board, committee, staff members and volunteers must be organized, trained and prepared to do the work. Affiliates are encouraged to assess their capacity and identify areas that need improvement. The Capacity Building Field Guide is an excellent resource for affiliates to evaluate their current capacity. If board building, committee building and staffing are identified as areas that need improvement, "Habitat for Humanity Affiliate Building Blocks" is an excellent resource.

ALERT

Job descriptions are affiliates' samples; HFHI has not vetted these documents, nor are the documents endorsed or approved. Please ensure that you review and revise these documents according to your affiliate's situation.

As is true with all aspects of the Habitat ministry, effective work depends on the mission — seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities, and hope — and an affiliate's business plan. The mission and plan inform the board, each committee, the staff and volunteers of exactly what is expected of them and when it is expected. For instance, there is no reason to select a prospective homebuyer unless the affiliate's business plans include building or rehabbing a house or houses within the fiscal year or shortly thereafter. Therefore, the affiliate's business plan initiates the homeowner selection process, and the homeowner selection policy guides the committee's work.

STEPS IN THE HOMEOWNER SELECTION PROCESS

1. Preparation for homeowner selection.
2. Outreach to potential homeowners.
3. Application processing.
4. Selecting the prospective homeowner.
5. Communicating the decision.
6. Pre-closing final underwriting process.
7. Loan closing.

1.4. Prescreening

Many affiliates think that using a pre-application (which also may be called a prescreen, interest form or interest questionnaire) avoids triggering the legal requirements of an application. That is incorrect. The receipt of information verbally or in writing from a consumer, other than his or her name and contact information, may "trigger an application" from a legal standpoint. It is crucial to understand that a document or action does not have to be called an application to be considered an application under some federal laws. The presentation of certain information by the affiliate also can trigger an application. Once an application is triggered, all of the legal requirements associated with an application are immediately activated, even in the screening process. To ensure compliance, affiliates must assume an application has been triggered when materials or discussion to or from potential applicants include:

- The applicant's financial information, including but not limited to income or credit history of any kind.
- Financial (income/debt/credit) qualification requirements specific to the consumer for the Habitat homeownership program.

To stay in compliance with a true prescreen, an affiliate must restrict requests to name and contact information. It must also restrict "orientation" information to the Habitat program to covering only general qualifications such as the income range required, sweat equity and the maximum allowed debt ratio of principal plus escrow and other debt. Once any of the financial information noted above that is specific to a potential applicant is requested or discussed, the affiliate must respond in writing to this information in the same fashion as it would to a standard application.

1.5. Recommended application process

To best match the Habitat lending model to federal mortgage regulations, the process can be split into two application phases.

The Homeowner Assessment Phase, also known as the Equal Credit Opportunity Act, or ECOA, Phase, addresses the initial Habitat homeownership assessment and would typically include any pre-application, application, homeowner assessment processes and partnership period. The next phase is the Final Loan Assessment Phase also known as the Real Estate Settlement Procedures Act, or RESPA, phase, which addresses the loan assessment and closing processes. Note that these phases may overlap and that the RESPA application may occur concurrently with the ECOA application or after it. Accordingly, once applicants begin providing information of any kind to the affiliate, the affiliate should look at both phases to determine when an application is triggered. Consult the **Mortgage Origination Checklist**.

The term "application" is defined differently under ECOA and RESPA. Under ECOA, federal law allows a lender to define the components of its application. As part of a successful and compliant process, affiliates should clearly define the components of a completed ECOA application. Clearly defining the ECOA application is important because a completed application (whether defined by law or the lender) triggers required timelines for certain notices. The "Example" table below shows an example of items that could form a completed ECOA application. This is only an example; affiliates may include other items that they require from applicants through their homeowner selection policy. Effective October 3, 2015, a RESPA application is determined by the Truth In Lending Act/Real Estate Settlement Procedures Act Integration Disclosure, which is

ALERT

If your affiliate is not subject to TRID (but still subject to RESPA), a completed RESPA application also may include a seventh element: Other information needed by the lender to evaluate the application (for example, sweat-equity completion, closing cost funds saved, satisfaction of judgments/liens) if included in affiliate policy and properly communicated to the applicant.

commonly referred to as the TRID rule. If your affiliate is required to comply with TRID based upon the TRID Analysis, then, when the following six items are present, a RESPA application is triggered:

1. Borrower's name.
2. Income.
3. Social Security number
4. Property address.
5. Estimated value of property
6. Loan amount.

Within three days of a RESPA application, initial disclosures must be provided to applicants. Refer to Chapter 7 for more details.

Previously, all affiliates could include additional requirements such as sweat-equity completion, closing cost funds saved, and the satisfaction of judgments/liens, etc., to be fulfilled before the RESPA application was considered complete. Now the TRID rule limits the requirements for a completed application to the first six items listed above and below. If your affiliate is now required to comply with TRID, it still can require other items to be completed before closing, but it cannot require anything in addition to the six RESPA items for the application to be considered complete, and therefore triggering the next set of legal requirements, initial disclosures. Any items that must be satisfied as per the homeownership agreement should still be required before closing.

EXAMPLE: COMPLETED APPLICATIONS UNDER ECOA AND RESPA

ECOA completed application	RESPA* completed application
1. Completed paper/online application. 2. All required information to analyze/underwrite creditworthiness of applicants (as defined by affiliate). 3. Attendance at orientation meeting. 4. Completed home visit. 5. Board of directors' concurrence with Homeowner Selection committee's applicant.	1. Borrower's name. 2. Borrower's monthly income. 3. Borrower's Social Security number. 4. Property address. 5. Estimate of value of property (appraisal). 6. Loan amount. **IF NOT SUBJECT to TRID:** 7. Other information needed by the lender to evaluate *the* application (for example, sweat-equity completion, closing cost funds saved, satisfaction of judgments/liens) if included in affiliate policy and properly communicated to the applicant. **RESPA's completed application is defined by the regulation, and lenders are prohibited from making any changes.*

2. Prepare for homeowner selection

2.1. Getting organized

It is important to realize that homeowner selection is a substantial part of the mortgage loan origination process. The intent is to sell a house to the approved applicant with a mortgage loan granted by the affiliate — or in some instances, a third-party lender. In other words, the applicant is seeking not only a home, but also a mortgage; so an affiliate is not only a homebuilder, but also a mortgage lender. Therefore, affiliates must adhere to the legal requirements of mortgage lending in addition to HFHI policies regarding homeowner selection.

This section of the manual will provide guidance on how to prepare and organize for selecting qualified applicants.

To have an effective and efficient selection process, the affiliate must be well-organized. Preparation includes:

- A good understanding of a lender's responsibilities and legal requirements.
- Knowledge of the build schedule and number of homes in the annual plan.
- A well-structured committee to ensure compliance with lending regulations.
- Sufficient personnel to manage outreach and application intake.
- Consistently applied policies ensuring that any regulatory changes at the state, local and federal levels and any changes to HFHI policies are incorporated and routinely updated.
- Qualified loan originators as required by state or federal laws, along with other homeowner services personnel involved in the selection process who are adequately trained for their respective responsibilities.

NOTE

Before discussion with any potential applicant, a comprehensive written policy must be in in place to guide selection and origination. The policy should include all legal and program requirements for selection, financial readiness standards, sweat equity, and who will be responsible for each step of the process from selection to closing.

The affiliate's board of directors is ultimately and legally responsible for overseeing all of the affiliate's work, including the homeowner selection criteria and the mortgage origination process. Board members and volunteers must have an understanding of the relevant federal, state and local laws and regulations that govern the selection process to ensure that policies and procedures are compliant. The board has the duty to carry out these functions in good faith, in a manner that is reasonably believed to be in the best interests of the affiliate, and with the care exercised by an ordinarily prudent person.

The Homeowner Selection committee reports to the affiliate's board of directors, except when the board delegates committee oversight to the executive director or the homeowner services director.

The committee is responsible for recommending prospective homeowners to the board for approval based on the affiliate's selection criteria as set out in the written policy.

The committee should be large enough to meet the affiliate's needs; should create a statement of committee responsibilities; and should develop position descriptions for the committee chair, qualified loan originators, members and staff. The committee should have the skills and expertise — or access to the necessary training to develop skills — to comply with the relevant laws and to interact with the population in need of decent, affordable housing, which may include other cultures and languages.

The board should ensure initial and ongoing homeowner selection training for the committee members and paid and unpaid (volunteer) staff members involved in the selection and lending process.

Training topics should include:

- The affiliate's strategic plan.
- The goals of homeowner selection.

- The current homeowner selection process.
- Federal and state mortgage lending laws and regulations.
- Evaluating applicant information to determine eligibility.
- Interview and home visitation techniques.
- Issues faced by applicant families in their daily lives.
- Ongoing assessment of housing needs within the community.
- Community programs and services that address housing need and options that are available through conventional sources.

To assure understanding and alignment, the committee should review the following on an annual basis:

- Habitat's mission.
- The affiliate's business plan.
- Affiliate organizational structure, roles and responsibilities.
- Sections of the **U.S. Affiliated Organization Covenant** and the **U.S. Affiliated Organization Policy Handbook** regarding homeowner selection.
- Laws and legal guidance that govern homeowner selection and loan origination.
- The **Homeowner Selection and Mortgage Origination Collection** on MyHabitat.
- The community housing needs assessment.

The committee should then review and make appropriate updates to:

- The homeowner selection/loan origination policy.
- The affiliate's homeowner selection criteria.
- The affiliate's homeowner selection process and documentation, including but not limited to:
  - The affiliate's income guidelines.
  - The homeowner selection checklist and checkup.
  - The affiliate's homeowner selection document management system.
  - The application for homeownership.
  - Current market values of similar homes.
  - The board approval process for potential homeowners.
  - Selection requirements regarding assessment of financial readiness.
  - The HFHI **Mortgage Origination Checklist**, a tool that provides guidance through the origination process.
  - Compliance with the Gramm-Leach-Bliley Act to protect nonpublic information collected from applicants.
  - Assurance that requirements for the following or other criteria are up to date with applicable laws, regulations and HFHI policies:
    - Sex offender registry check.
    - Office of Foreign Assets Control database check.
    - Criminal background check.
  - Designated affiliate loan originators, ensuring they meet Secure and Fair Enforcement for Mortgage Licensing, or SAFE, Act or Truth in Lending Act, or TILA, loan origination qualifications as required.

As the affiliate prepares for homeowner selection, the board and committee should be particularly aware and conscientious of the issues and information in the following sections.

COMMUNITY HOUSING NEEDS ASSESSMENT

It can be easy to assume that because an affiliate has been working in a community for a period, it understands the community's needs. This tool provides the affiliate with a method to review the most current information regarding its service area and to determine an appropriate plan of action. The assessment should be performed annually by the board and the committee. The **needs assessment** also helps the committee most effectively apply the criteria and educate the public, making decent housing a matter of conscience.

COMMUNITY RESOURCES

The committee should annually meet and exchange information with referral agencies or other affordable housing providers that make or receive referrals. They should also collect information regarding organizations and agencies that might be of assistance to Habitat applicants. Although it is not the committee's responsibility to ensure applicants take advantage of these services, making applicants aware of local services is part of Habitat's mission to help those in need.

AFFILIATE AS A LENDER

The selection process in this manual makes reference to applicable laws to help affiliates understand the legal requirements associated with Habitat as a responsible mortgage lender. Habitat is required to meet the same lending requirements as a for-profit lending organization, with a few exceptions. To put this into context, Habitat's mortgage loans carry many of the same risks as traditional mortgage loans, and constitute the single largest financial obligation most of Habitat's homeowners will ever undertake, just like more traditional borrowers. It is critical to ensure that the mortgage loans originated by Habitat affiliates are fair, that the homeowners have a reasonable ability to pay the Habitat mortgage loans, and that the homeowners reasonably understand the commitments they are undertaking. **Additionally, mortgage income represents a significant portion of an affiliate's unrestricted funding.** For more detailed information, refer to the **Homeowner Selection and Mortgage Origination collection** on MyHabitat.

As with any other lender, when providing any documentation or advertisements, affiliates must ensure that no written or oral statements are made to applicants or prospective applicants that would discourage, on a prohibited basis, a reasonable person from making or pursuing an application into the homeownership program.

The board's fiduciary duties include ensuring that the affiliate's homeowner selection/loan origination policy (including selection criteria) and process are legally compliant and applied consistently by the committee. This includes ensuring that all applicable federal, state and local laws are being followed, including without limitation that the affiliate does not engage in any discriminatory practices, whether or not intentionally; that applicant information is collected, assessed and protected appropriately; that applicants are kept informed of their status throughout the application process; that adequate records are kept and procedures are followed; and that access to applicant files is limited to those involved in the selection process. At a minimum, the board should require a written monthly activity report from the Homeowner Selection committee to oversee these practices and satisfy the board's duties.

In addition, affiliates are required to ensure that involvement by the board, committee members, staff members and volunteers in homeowner selection complies with the affiliate's conflict of interest policy.

2.2. HFHI U.S. policies

Several HFHI policies have a direct impact on homeowner selection and therefore must be incorporated into the affiliate's policies.

- **Policy 11: Homeowner Partner Selection** — Discusses the three selection criteria and emphasizes that affiliates must comply with applicable laws, which are discussed in detail in the **Legal Issues** section of this chapter.
- **Policy 19: Sexual Offender Registration Check** — Requires affiliates to perform a sex offender database checks on specific affiliate personnel and potential homeowners. Affiliates must be aware of whether their state law permits the use of information obtained from a sex offender registry and create a policy accordingly.
- **Policy 22: Sale of the Housing Unit** — Outlines the methodology for pricing a house and structuring the sale. Houses must be sold for the fair market value, or FMV, that is determined by an independent third-party appraisal. The sales price of the house may not be the amount the selected homebuyer pays, as that is determined by its affordability.
- **Policy 23: Mortgage Origination** — Outlines the requirements for originating mortgages for Habitat homebuyers. It also sets an affordability index that caps the potential homebuyer's debt-to-income ratio at 30 percent for housing expense and 43 percent for total long-term debt. Additionally, this policy reiterates that affiliates must be aware of and comply with applicable laws and regulations, including but not limited to ensuring that loan originators are qualified before performing loan origination activities.
- **Policy 26: Equal Treatment of Habitat Homebuyers** — Requires affiliates to ensure that they do not accept donations or gifts made to a specific homebuyer, as it would be inequitable treatment to other families. Additionally, donations of this nature might not meet Internal Revenue Service donation laws.
- **Policy 29: Authorized Financing Options** — Covers options that affiliates are permitted to use to finance the sale of homes for Habitat homebuyers.

NOTE

This section does not include a comprehensive list of federal laws that govern Habitat's lending model. For more information on federal laws, refer to the **Guidance Memorandum – Mortgage Rules and Regulations**.

2.3. Legal issues

Since much of Habitat's Homeowner Selection process is governed by federal, state and local law, each member of the Homeowner Selection committee must be familiar with the applicable laws governing housing and credit decisions. Many of the laws discussed in this section are federal laws, but affiliates also must comply with applicable state and local laws and regulations when making credit decisions. HFHI strongly encourages affiliates to consult with local real estate or mortgage banking attorneys for comprehensive advice regarding compliance with applicable local and state laws.

LOAN ORIGINATOR

In recent years, federal agencies have implemented laws requiring standards for mortgage loan originators. The first law was the **Secure and Fair Enforcement for Mortgage Licensing Act, or SAFE Act**, introduced by the U.S. Department of Housing and Urban Development in 2008, but rulemaking and enforcement authority was transferred to the

Consumer Financial Protection Bureau in July 2011. In January 2014, the **Truth in Lending Act, or TILA,** loan originator qualification rule became effective, which requires loan originators who are not required to be state licensed to meet similar standards as those required by the SAFE Act. Both laws have implications on Habitat affiliates, because as lenders, homeowner selection staff members and volunteers perform loan-originator activities. Refer to the **Guidance Memorandum – Mortgage Rules and Regulations** and the **State SAFE Act Status** to know which requirement your state has to follow.

SAFE ACT

The SAFE Act is a federal law designed to enhance consumer protection and reduce fraud by setting minimum standards for the licensing and registration of residential mortgage loan originators and setting up a nationwide mortgage licensing system and registry database of loan originators. The SAFE Act also provides exemptions to qualified entities and individuals. Many, but not all, states have adopted a Bona Fide Nonprofit Organization exemption, which allows entities such as Habitat affiliates to operate without licensed loan originators. **Affiliates must know their state's requirements and comply.** For more information, see

Under the SAFE Act, a mortgage loan originator is defined as an individual who takes a residential mortgage loan application and offers or negotiates terms of a residential mortgage loan for compensation or gain.

TILA LOAN ORIGINATOR QUALIFICATION RULE

Under TILA, the term "loan originator" means a person who, in expectation of direct or indirect compensation or other monetary gain or for direct or indirect compensation or other monetary gain, performs any of the following activities: takes an application; offers, arranges, assists a consumer in obtaining or applying to obtain, negotiates, or otherwise obtains or makes an extension of consumer credit for another person; or through advertising or other means of communication represents to the public that such person can or will perform any of these activities. The term "loan originator" includes an employee, agent or contractor of the creditor or loan originator organization if the employee, agent or contractor meets this definition.

The Loan Originator Qualification Rule was introduced to provide standards for loan originators who don't need to be licensed under the SAFE Act. In keeping with the SAFE Act, the new rule is intended to ensure that residential mortgage loan originators are qualified, trustworthy and properly trained before they can act in the role of a loan originator. **Training is required on applicable federal and state lending laws associated with the types of loans that are originated.** A loan originator must not have been convicted of or pled guilty or no contest to a felony involving an act of fraud, dishonesty, a breach of trust or money laundering. Further, a loan originator must not have been convicted of or pled guilty or no contest to a felony in a domestic or military court during the past seven years.

Administrative and clerical activities such as application processing, underwriting or receiving an application at the front desk are not loan originator activities. Therefore, any individual performing only these activities is not subject to the loan originator qualifications either by the SAFE Act or TILA.

NOTE

Although TILA identifies only paid staff as having to meet these qualification standards, HFHI recognizes that many volunteers operate as loan originators and, as such, any affiliate personnel, paid or unpaid, who perform loan originator activities should meet the qualification standards as outlined by TILA. This is now a requirement of Policy 23.

EQUAL CREDIT OPPORTUNITY ACT VALUATIONS RULE

ECOA requires that each applicant for a first lien loan on a dwelling must be provided with copies of appraisals developed in connection with the application. The applicant must be made aware of this with a **Right to Receive Copy of Appraisal disclosure** at the time of application. Ensure that this disclosure notice is included in your application package or provided when an applicant submits the application. The Habitat Homeownership Program application contains this disclosure, so if you are using this application, no further notice is required. The rule also requires that lenders promptly provide a copy of any appraisals, done in connection with the application, to the homebuyer once the appraisal is complete, or at least three business days before consummation of the loan, whichever is earlier.

REAL ESTATE SETTLEMENT PROCEDURES ACT — CREDIT REPORT FEES

An affiliate is permitted to charge a nonrefundable fee for the cost of a credit report at the time of application. The fee must be limited to an amount that is customary and reasonable for a credit report. Any other fees cannot be collected until after the applicant has received either a good faith estimate or a loan estimate (as applicable) and indicated their intent to proceed with the loan.

OFFICE OF FOREIGN ASSETS CONTROL SPECIALLY DESIGNATED NATIONALS AND BLOCKED PERSONS DATABASE SCAN

The Office of Foreign Assets Control of the U.S. Department of the Treasury, or OFAC, administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes; terrorists; international narcotics traffickers; those engaged in activities related to the proliferation of weapons of mass destruction; and other threats to the national security, foreign policy or economy of the United States.

As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups and entities, such as terrorists and narcotics traffickers, designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals," or SDNs. Their assets are blocked, and U.S. residents are generally prohibited from dealing with them.

Affiliates are required to check all applicants in the selection process against the Specially Designated Nationals and Blocked Persons, or SDN, list at **treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx**.

Refer to HFHI's **SDN Summary** for more information on performing the OFAC search.

Antidiscrimination laws

The primary federal laws prohibiting discrimination in housing and credit transactions that pertain to Habitat affiliates are the Fair Housing Act, or FH Act, and ECOA. Compliance with nondiscriminatory practices also is required under the U.S. Policy Handbook and the Habitat for Humanity Affiliate Covenant, which is signed by all affiliates. The term "discrimination" includes denying applicants by using preferences or other criteria that result in decisions having a disparate impact on certain groups of applicants, or by using different procedures or selection criteria for different applicants. If their policies or procedures even create the appearance of preferences, affiliates can be challenged on their selection criteria or become the subject of negative media reports or community perception, resulting in significant reputational risk.

The FH Act prohibits discrimination by any person or entity in the sale, rental and financing of dwellings on the basis of race, color, national origin, religion, sex, familial status or handicap.

The ECOA, as implemented by Regulation B, establishes guidelines for collecting and evaluating credit information, and prohibits creditors from discriminating on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant is old enough to legally enter into a contract), receipt of public assistance or because the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act. The law applies to any individual or entity that regularly participates in a credit decision (i.e., decides whether to extend credit) and includes banks, retailers, bank card companies, finance companies and credit unions. **The ECOA applies to affiliates. Affiliates are creditors because they make loans to the families who become Habitat homeowners.**

ALERT

The ECOA applies to affiliates. Affiliates are creditors because they make loans to the families who become Habitat homeowners.

Many states and municipalities also have laws prohibiting discrimination, which may prohibit discrimination on additional bases, such as sexual orientation. It is essential that members of the Homeowner Selection committee work closely with the affiliate's local residential real estate attorney to ensure that they are complying with local, state and federal laws. It is also helpful to have a banker or loan officer on your Homeowner Selection committee.

FAIR HOUSING ACT

Handicap considerations

Under the FH Act, "handicap" is defined as a physical or mental impairment that substantially limits one or more of a person's major life activities, a record of having such impairment, or being regarded as having such an impairment. Discriminating in the sale or financing of residential real estate because of a handicap of the buyer or any person associated with the buyer is unlawful. Discrimination includes a refusal to permit — at the expense of the handicapped person — reasonable modifications that could make a house accessible.

In new residential buildings containing four or more units, the FH Act requires developers to design and construct the buildings in a manner that makes the common areas and dwelling units accessible to people with a "handicap." With single-family dwellings and residential buildings containing three or fewer units, the act does not require accessibility. However, HFHI encourages affiliates to design and build all Habitat houses to meet HUD standards for "visitability" and to include adaptable design features. Please consult with your attorney about the specific requirements of this law.

Additionally, the Americans with Disabilities Act, or ADA, requires places of "public accommodation" to give individuals with disabilities "full and equal enjoyment of goods, services, facilities, privileges, advantages or accommodations." Affiliate areas that are open to the general public (such as waiting areas and meeting rooms) would be considered places of public accommodation. Also, a general community meeting to solicit applicants might be considered a place of public accommodation. The affiliate would then have the duty of "reasonable accommodation." A number of cases have set the requirements of reasonable accommodation. Affiliate leaders should ask an attorney about the specific requirements of these laws.

Under the ADA, affiliates must also make reasonable accommodations in establishing sweat-equity requirements. If an applicant has a disability, the affiliate must work with him or her to establish alternative means of meeting the sweat-equity requirements, such as working in the affiliate office or ReStore, or allowing family members to perform sweat-equity hours for the applicant.

Familial status

Under the FH Act, "familial status" is defined as one or more individuals under age 18 living with a parent, legal guardian or the designee of such parent or legal guardian. The definition also protects any person who is pregnant or in the process of securing legal custody of an individual younger than 18. Discriminating in the sale or financing of residential real estate on the basis of familial status is unlawful.

The act clearly prohibits discrimination against families with children younger than 18. There have also been cases that have held that creditors cannot discriminate against single parents or because of the number of children. In addition, courts can rule that the law prohibits discrimination against families without children. In order to avoid this problem, affiliates should not discriminate against single applicants. The Fair Housing Act's definition of family includes a single individual. Selection should not be based on the size of the family, but on need, ability to pay and willingness to partner.

Steering

NOTE

Steering is a term that is also used to describe the act of directing a consumer to a third-party lender for which the loan originator employee will receive increased compensation unless the transaction is in the "consumer's interest." Steering applicants to certain mortgage products could violate two federal regulations: (1) TILA antisteering provisions; and (2) Fair lending antidiscrimination laws. As long as certain conditions are strictly met, HFHI believes that affiliates that offer multiple types of mortgages do not violate either TILA or the fair-lending laws.

Steering is a practice whereby potential homeowners are steered away from or to particular neighborhoods because of their race, ethnicity, religion or other characteristics. The practice of steering is illegal, and an affiliate can face charges of discrimination if staff or committee members practice steering or give the appearance of such practice.

When an affiliate accepts only applications from residents of a certain neighborhood within a given service area, it is denying applicants from other neighborhoods the opportunity to obtain housing there. This preference for local applicants, while based on admirable goals of local community development and solidarity, can appear to be illegally based on race, color or religion. This may be true even though the entire service area is predominantly of a certain race or religion.

Affiliates can avoid steering and the appearance of steering by accepting applications from anyone within their service area and by allowing those applicants to apply for any home in any neighborhood or community within the service area.

TILA prohibits a loan originator from steering a consumer to a third-party lender for which the loan originator employee will receive increased compensation, unless the transaction is in the "consumer's interest." The affiliate will need to prove and properly document in the loan folder that (1) it received only a permissible form of compensation for "steering" the consumer to a certain loan product, or (2) the mortgage product is in the consumer's interest.

Steering certain applicants to certain loan products will not violate the fair lending laws so long as the following conditions are expressly met:

- The affiliate must adopt and consistently apply a policy that sets forth a justified business reason for steering certain applicants to certain products (e.g., USDA). An example of a justified business reason may be that such practice allows the affiliate to serve more low-income families.
- The policy must set forth specific criteria and guidelines that will be evaluated in advance to determine which applicants will be referred to certain products.

EQUAL CREDIT OPPORTUNITY ACT

Special purpose credit program

ECOA permits a lender to extend special purpose credit to applicants who meet eligibility requirements. Habitat offers a credit assistance mortgage loan program, through the use of subsidies, for the benefit of economically disadvantaged classes of people, therefore qualifying as a special purpose credit program. The credit program must be administered in a manner that does not discriminate against an applicant on any prohibited basis.

Marital status

The ECOA implemented by Regulation B prohibits discrimination with respect to any aspect of a credit transaction on the basis of marital status. Refer to *Markham v. Colonial Mortgage Service Co.* (D.C., 1979), which held that it is illegal to refuse to grant credit to an unmarried couple based only on marital status. In addition, Regulation B includes strict limitations on the prerogative of creditors to inquire about marital status and on the purposes for which information about marital status can be used.

With respect to any inquiry about marital status, a creditor can use only the terms "married," "unmarried" and "separated." The creditor can explain that "unmarried" includes single, divorced and widowed individuals. As a general rule, a creditor may not request any information concerning the spouse or former spouse of an individual applicant for unsecured credit. However, Habitat's lending program is a special purpose credit program, which allows affiliates to seek information regarding the applicant's marital status and spouse's financial resources in determining the applicant's financial need.

ALERT

With respect to any inquiry about marital status, a creditor can use only the terms "married," "unmarried" and "separated."

Some basic exceptions to this general rule exist; an affiliate can ask for information about a spouse or former spouse:

- If the applicant's spouse will be using the loan or be liable on the loan.
- If the applicant is relying on the spouse's income for repayment of the loan.
- If the applicant is living in a state in which the spouse would have a legal interest in the property.
- If the applicant is relying on alimony, child support or separate maintenance payments for repayment of the loan.

In regard to secured credit (i.e., a mortgage), a creditor may ask for marital status and can require the signature of the applicant's spouse on any instrument reasonably believed by the creditor to be necessary under applicable state law to make the property offered as security available to satisfy the debt in the event of default (community property states). This exception applies to a mortgage, deed of trust or deed to secure debt if, under applicable state law, a spouse's signature is necessary to create a valid lien, pass clear title or waive inchoate rights.

Orientation meetings:

Orientation meetings are an opportunity for affiliates to explain the Habitat program to the prospective homebuyers and answer questions. They also provide an opportunity to reach out to applicants who might need help filling out the application. And although the intent of the orientation meeting is to educate applicants and potential applicants on Habitat's homeownership program and to clearly explain the criteria and requirements, it cannot be the only opportunity for applications to be distributed. Information presented in the orientation helps some interested consumers decide if the Habitat homeownership program will not work for them, which substantially reduces the volume of applications from ineligible candidates. To prevent affiliates from being perceived as having discriminatory lending practices, affiliates shall not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage, on a prohibited basis, a reasonable person from making or pursuing an application. When orientation/application meetings must be attended before a consumer can get an application, it may be seen as discouragement, which is prohibited under ECOA.

2.4. Sex offender registry and criminal background checks

As indicated in the **Quality Assurance Checklist**, HFHI requires all U.S. affiliates to adopt a sex offender registry policy. Therefore, affiliates must have a written policy, and it should include how the sex offender database search will be performed, the frequency of checks, how this information will be evaluated, and what criteria will disqualify a potential homeowner. It is imperative that these standards be applied consistently with all applicants. In cases where state law prohibits the use of information obtained from a sex offender's registry, the policy should indicate that checks will not be performed because of state law.

Additionally, HFHI recommends that the board of directors at each affiliate adopt a criminal background check policy. The policy may require the affiliate to conduct criminal background checks, or it may explicitly state that the affiliate does not conduct criminal background checks. Whichever course of action each affiliate chooses, HFHI recommends that the affiliate formally adopt the policy and apply it consistently with all homeowner applicants. For more information, consult the **Guidance Memorandum on Sex Offender and Criminal Background Checks**.

Although the decision is ultimately the affiliate's, HFHI strongly encourages affiliates to conduct criminal background checks with proper guidance from local counsel. As a ministry that values the safety of children, employees, volunteers and the families we serve, we want to take prudent measures to protect our human and material resources. The advantages of criminal background checks include:

- The affiliate will be able to get relevant information about prospective homeowners to ensure the physical safety of those involved in Habitat's ministry.
- Information retrieved from the criminal background checks can help ensure the financial health of the affiliate.
- The affiliate may be able to prevent negative publicity by declining to partner with individuals involved in criminal activity in the recent past.

ALERT

The committee should establish a practice of numbering the applications (create a unique identifier) and removing the names from them.

To minimize unnecessary access and disclosure of sensitive information, the affiliate's Homeowner Selection committee should assign one or two committee members to conduct the check. ***The committee should establish a practice of numbering the applications (create a unique identifier) and removing the names from them***. In this way, applications are evaluated without regard to any personal bias that may arise if an applicant is known by a member or members of the committee. The members should conduct the check with due diligence, limit information to a need-to-know basis, and report back to the committee with a simple "yes" or "no" on whether there have been any convictions.

ASSESSING CRIMINAL BACKGROUND CHECKS AND SEX OFFENDER REGISTRY CHECK RESULTS

Unless prohibited by law, affiliates may take into account criminal history that might have an impact on the applicant's ability to pay and willingness to partner or that might pose a safety risk to the affiliate, volunteers or others within the community. The affiliate should perform an individual assessment of the criminal history and determine how the history affects the aforementioned risks. It is also important to note that a record of prior arrests without any convictions indicates that the person was only suspected of misconduct, and therefore it is not sufficient grounds for denial. For more information, consult the **Guidance Memorandum on Sex Offender and Criminal Background Checks**.

2.5. Immigration status of applicants

This section explains the policy and legal issues surrounding immigration status and helps affiliates formulate sound policies for processing and evaluating applications from people with varying statuses. Consult the **Guidance Memorandum on Immigration Status of Applicants**.

IMMIGRATION STATUS IS A RELEVANT FACTOR IN HOMEOWNER SELECTION

The affiliate may consider whether an applicant is a permanent resident of the United States, the applicant's immigration status, and any additional information that might be needed to ascertain the affiliate's rights and remedies regarding repayment. Although the affiliate may solicit residency status (e.g., U.S. citizenship or permanent resident status) from applicants, this information cannot be used to deny homeownership unless temporary or illegal residency is determined. The ECOA and the Affiliate Covenant provide that families shall be selected without regard to ethnic background.

If any piece of information is used to evaluate applicants for Habitat houses, it must relate to one of the three selection criteria: need, ability to pay and willingness to partner. Residency status does not directly relate to need or willingness to partner, but it might affect an applicant's ability to pay.

Evaluating an applicant's ability to pay involves an assessment of whether the applicant currently possesses the means to repay a Habitat mortgage and other home costs, whether that ability is likely to continue for the foreseeable future, and whether the affiliate will be adequately secured by its mortgage on the property. Residency status is most likely to affect the second part of the assessment: whether the repayment ability is likely to continue for the foreseeable future.

Residency status will not affect the affiliate's security in the house. Noncitizens and nonresidents can own land in the United States, and their status will not prevent the affiliate from holding a valid mortgage on the property. A nonresident may be limited, however, in the income he or she can receive and in particular by how long he or she can continue to receive an income and remain in the United States. When judging an applicant's ability to pay, affiliates should generally evaluate whether the applicant's income can reasonably be expected to last for at least three years. Residency status may therefore affect this evaluation.

With immigrant populations growing in many parts of the country, it is important for affiliates to consider these issues and adopt a policy for their selection committees to follow.

HFHI allows affiliates to determine their own immigration status policy, using their own best judgment about how residency affects ability to pay, taking into account the dynamics of their local situation and local laws. The available policy spectrum ranges from making no inquiry into residency status to requiring proof of permanent residency ("green card" or citizenship). Affiliates should not distinguish between citizens and noncitizen permanent residents, because the difference between those two classifications will not affect an applicant's ability to live or earn an income in the United States. Affiliates must also be aware of their state's requirements before creating a policy. We strongly recommend consulting with an immigration attorney for guidance on drafting an immigrant policy. The three major policy choices include the following:

No inquiry

Affiliates may choose to make no inquiry into residency status. The risk to the affiliate is that if the new homeowner is a temporary resident or is an undocumented immigrant, he or she might lose his or her source of income or be forced to move away from the house (i.e., be deported). Each state may have residency requirements; know the requirements of your state.

Any legal status

A middle policy is to require any current legal residency status that gives the applicant the right to live in the United States and to legally receive the income he or she is claiming on the application. Such status would demonstrate that there is no immediate threat that the applicant would be deported.

An affiliate may also require some evidence that the legal residency is likely to continue for a period that will justify the extension of credit for the sale of the house. An affiliate might wish to be reasonably sure that the applicant's residency status can similarly be projected to last for at least three years, which would be in line with underwriting standards of projecting income out to three years. How can an affiliate be reasonably sure of this? An applicant with permanent residency or citizenship will, of course, qualify.

Permanent status

The most conservative approach is to require permanent residency status from all applicants. Administratively, this is the easiest approach for affiliates, though it might exclude applicants in need who are in the process and will ultimately gain permanent residency.

HOW TO GATHER RESIDENCY INFORMATION

Habitat asks applicants to declare whether they are citizens or permanent residents (Homeowner Application (English) and (Spanish), Section 11, Question i), and to provide an explanation of residency status if they are not. For some affiliates, this declaration will be sufficient proof of residency.

ALERT

If you choose to require verification, it is very important that you require it from all applicants.

Other affiliates might wish to require verification of residency status. **Remember that if you choose to require verification, it is very important that you require it from all applicants.** (See the section above on antidiscrimination laws.) There are many documents that can be used to verify residency status, including a U.S. passport, certificate of citizenship, certificate of naturalization, refugee travel document, alien registration receipt card, birth certificate and certificate of birth abroad.

Some affiliates might find it helpful to use the Form I-9 employment eligibility verification form as a guide to proof of residency and identity. All employers must use this form to establish an employee's eligibility to work in the United States. As such, it should be familiar to most homeowner selection staff and committee members. It lists the various documents that establish identity and authorization to work in the United States, for both citizens and noncitizens. It is not necessary to actually fill out the form for each applicant, but it can be used as a guide to the necessary documents. A copy of Form I-9 can be downloaded from the U.S. Citizenship and Immigration Services website, **uscis.gov/i-9**.

A word of caution about using Form I-9: You could receive an application from a person who is not a permanent resident or citizen and is claiming nonemployment income on his or her application. In such a case, it is possible that he or she could have a valid temporary resident document that is not listed in Form I-9. If you encounter such an applicant, you should contact your affiliate's attorney for assistance in determining whether the document the applicant is providing is adequate.

As stated above, if an affiliate determines that residency status legitimately relates to the creditworthiness of an applicant, it may use residency status as a factor in its application decisions. But when determining residency status, it is important not to inadvertently discriminate on the basis of ethnicity, race, color or national origin.

This means that your procedural requirements must be the same for all applicants. If you decide to require proof of residency, you must require proof of residency from all applicants, not merely from foreign-born applicants or from those who do not speak English as a first language. As discussed above, Form I-9 can be used for guidance on how citizens and noncitizens can prove their residency status.

2.6. Conflict of interest

Conflict of interest involves the actual or believed abuse of the trust that people have in leaders and staff members. A conflict of interest is a situation in which financial or other personal interests have the potential to compromise or bias judgment and objectivity. Affiliates may encounter potential conflict of interest situations in homeowner selection.

Commitment to stewardship and ethics requires that everyone involved with homeowner selection take all measures to ensure against the smallest hint of a conflict of interest. Therefore, it is in the best interest of the affiliate to adopt a policy that requires board, committee and staff members to openly disqualify themselves from any involvement whatsoever in matters that involve their relatives, friends or associates. For more information, consult the **Guidance Memorandum on Conflicts of Interest**.

2.7. Developing homeowner selection criteria

Habitat affiliates are not-for-profit organizations that extend credit to an economically disadvantaged class of people who meet certain eligibility requirements. Consequently, Habitat for Humanity's homeownership program qualifies as a special-purpose credit program as defined by ECOA. Therefore, unlike traditional lenders, Habitat can set characteristics that applicants must meet to qualify for the lending program and request information for determining an applicant's eligibility. Habitat has established three basic homeowner selection criteria that affiliates must evaluate to determine each applicant's eligibility for the homeownership program:

- Need for adequate housing (financial and physical).
- Willingness to partner with Habitat.
- Ability to pay for the Habitat home.

The Homeowner Selection committee is responsible for developing measurable indicators for these three criteria and applying them consistently to the dynamic of their local situation. We refer to this as the homeowner selection process. Once developed, the committee should present the recommended criteria to the board of directors for approval. The indicators for each criterion must be documented so that they can be explained and measured. The criteria should be tailored in a way that ensures the affiliate does not run afoul of federal, state and local lending laws. ECOA prohibits special purpose credit programs that are administered in a way that discriminates against any applicant on a prohibited basis.

NOTE

Need for adequate housing and willingness to partner are program qualifications. The ability to pay qualification criteria are used for both program qualification (area median income) and for loan approval. The affiliate must be very careful to ensure that all legal requirements are met for the entire process, paying particular attention to the loan application and decision process.

2.8. Criterion 1: Need for Adequate Housing

The sections below outline how to determine the need for adequate housing. Each affiliate's policy must objectively define how need will be measured and must be applied consistently to all applicants.

Need for housing should be looked at from two standpoints: financial (income level) and physical (substandard living conditions). To determine both aspects of need, the affiliate must first establish the household size because it affects the calculation of total household income and the evaluation of current living conditions in regard to overcrowding. Household size also affects the home size that is made available for purchase to qualified homebuyers. The affiliate must determine and document how it defines the household to ensure legal adherence and consistency.

HOUSEHOLD SIZE: WHO IS CONSIDERED PART OF THE HOUSEHOLD

Household size is defined as the number of people occupying a housing unit who are expected to reside in the home over an extended period. This includes all adults and minors, dependents and nondependents, related or unrelated, without regard to marital status, gender identity or sexual orientation. The affiliate should include a definition of an "extended period" (such as three or five years) in its policy to ensure consistent application. Habitat's homeownership program, as noted above, is a special purpose credit program, therefore, in determining an applicant's eligibility for the program, affiliates may request and consider information regarding the applicant's marital status and may require the spouse's financial resources.

Some additional information regarding household size to consider and document in the homeowner selection process includes:

- At what age dependents are expected to leave home, excluding any special circumstances or dependents with special needs (please note that this cannot be determined by cultural or ethnic group).
- College students who live on campus while classes are in session.
- Multiple families living in one home.
- Pregnancy where the baby is not expected to be born until after the homeowner takes residency. Note: This does not count for determining area median income.
- Nonrelated live-in caregivers.

Overcrowding related to family size

HUD provides guidance that the affiliate might want to consider regarding the number of individuals in each bedroom and overall square feet per individuals living in the home. For details, see census.gov/content/dam/Census/programs-surveys/ahs/publications/Measuring_Overcrowding_in_Hsg.pdf. As with other issues, the standards used by the affiliate should reflect those of the community (e.g., standard housing in a major metropolitan area may be significantly smaller than in a suburban area).

LIVING CONDITIONS

The physical safety of the neighborhood and physical structure in which a family lives are key factors in determining need for adequate housing.

Additionally, HUD has established that if the cost of rent (or mortgage including escrow) is more than 30 percent of a household's gross monthly income, the household is cost-burdened. The affiliate may also include the cost of basic utilities (water, electricity, heat) in its definition of cost-burdened. To determine if utilities are causing a burden, the affiliate must document a policy that compares average utility costs in the area for a dwelling of a similar type (apartment, single-family home, etc.) and size. The policy should include how much the cost of utilities must be over the average cost of utilities to be considered a burden.

HOME VISIT

The home visit is only to assess the applicant's need for adequate housing (generally the items listed below). Applicants must agree to a home visit prior to final committee action. The home visit **cannot include** verification of documents, qualification questions not associated with living conditions or any other exchange of information. Preferably, only one home visit will be conducted. Additional visits can be perceived by applicants as intrusive and portray a lack of trust. In certain circumstances, a follow-up home visit might be necessary to clarify specific circumstances, but these should be avoided unless necessary.

Home visits should be performed by a two-person team and should never be conducted by only one person. This practice provides multiple perspectives on the living conditions and can avoid accusations of impropriety. The home visitors should use a structured format or a checklist to ensure that all visits gather the same information in an unbiased manner. Ideally, one member of the two-person team should be a qualified loan originator.

Home visitors should:

- Obtain relevant information to confirm the applicant's level of need for adequate housing — apart from any financial information (only a qualified loan originator should obtain or discuss financial information).
- Assess the applicant's willingness to move to current or future Habitat house construction locations.
- Home visitors should not plan to discuss other issues, but if asked must be able to:
  - Explain and review Habitat's ministry and the basic requirements for obtaining a home if the applicant is selected.
  - Answer general questions from the applicant about the Habitat homeowner selection process.

NOTE

It is important that the sex offender registry check and criminal background checks (if required by affiliate policy) be completed before the home visit. This limits the number of home visits the affiliate performs and protects the home visit team from an unsafe environment.

- Understand which questions must be deferred to the loan originator, such as the applicant's income or the lending details, and give the contact information to the applicant.

ALERT

At no time should the applicants be permitted to bring their own translator or use young children to translate on their behalf.

If English is not the applicant's primary language, the homeowner selection policy should include accommodations for these applicants. **At no time should the applicants be permitted to bring their own translator or use young children to translate on their behalf.** Affiliates must be confident that any communication between the affiliate and applicants who do not speak English is accurate and successfully communicated. The affiliate may provide a staff member who is fluent in the applicant's language or use a third-party translation service. Local courthouses and hospitals have staff translators who are sometimes permitted to provide services to affiliates without charge. Work with your local courthouse and hospitals to see if your affiliate can benefit from their translators.

When conducting a home visit with an applicant whose primary language is not English:

- One or both of the home visitors should be fluent in the appropriate language.
- If a translator is needed, the affiliate must arrange and confirm before the visit

Additional notes about home visits:

- Visitors must avoid asking questions that could be considered a violation of the Affiliate Covenant or fair lending laws.
- The committee must be free of any biases due to an unkempt home, the type of vehicle that is owned, or the physical appearance of the applicant.
- Be careful about possible discrimination based on disability. (Visitors can legitimately inquire if a person is receiving disability income from Social Security, but they should not inquire about the reasons why the applicant is entitled to receive such income or the amount.)

NOTE

Determining income eligibility is different from determining ability to pay. Ability to pay is based on the income of the individuals who will be signing the mortgage (and are therefore obligated on the loan). Eligibility is determined by the total household income, which is calculated by combining the income of all adults who will live in the Habitat home, including those who will not be signing the mortgage.

After the home visit

A home visit report must be completed by the visitors and submitted or presented to the committee. The report should include salient points regarding the current local housing needs information.

INCOME LIMITS

Habitat's homeownership serves those who may not obtain adequate housing through conventional lending but can pay a Habitat mortgage. Therefore, to be eligible for a Habitat home, applicants must meet the parameters that Habitat has set limiting the total household income.

To become a Habitat homebuyer, an applicant's total household income must be 60 percent or less than the area median income, or AMI, as determined by HUD and stated in U.S. Policy 11. (For affiliates serving areas with exceptionally high property values, the policy allows income to 80 percent of AMI). The AMI limit applies to the total income based on household size.

AMI

HUD determines the AMI for counties and metro areas on an annual basis. AMI is calculated on pretax and deduction income dollars. HUD charts AMI by household size, and its chart is available through the HUD website and on MyHabitat here. The HUD chart shows the calculations for very low-income (50 percent of AMI), extremely low-income (30 percent of AMI), and low-income households (80 percent of AMI). The affiliate must calculate AMI at 60 percent using the HUD information. This can be done by multiplying the 50 percent (very low) income limits by 1.2 (120 percent) as follows:

HUD Chart

FY 2016 Income Limits Summary

FY 2016 Income Limit Area	Median Income Explanation	FY 2016 Income Limit Category	Persons in Family 1	2	3	4	5	6	7	8
Fulton County	$67,500	Very Low (50%) Income Limits ($) Explanation	23,650	27,000	30,400	**33,750**	36,450	39,150	41,850	44,550
		Extremely Low Income Limits ($)* Explanation	14,200	16,200	20,160	**24,300**	28,440	32,580	36,730	40,890
		Low (80%) Income Limits ($) Explanation	37,800	43,200	48,600	**54,000**	58,350	62,650	67,000	71,300

Affiliate Income limits

	Household Size							
	1	2	3	4	5	6	7	8
50% AMI	$23,650	$27,000	$30,400	$33,750	$36,450	$39,150	$41,850	$44,500
50% AMI X 1.20 = AMI	$28,380	$32,400	$36,480	$40,500	$43,740	$46,980	$50,220	$53,400

Determine household income

Household income is defined as all the funds legally received on a regular schedule by all household members from all sources: salary, retirement, pension, Social Security, Temporary Assistance for Needy Families, or TANF, disability, child support, alimony, public assistance, etc., at the time of application. Once each household member's income is verified, the combined income should be compared to the AMI range associated with the number of members in the household. As a special purpose credit program, Habitat affiliates can ask household members about income derived from child support, maintenance and alimony payments to determine program eligibility. If this income is determined as consistent and ongoing, it should be used as income to repay the loan. Affiliates should provide the ECOA Special Purchase Credit Program Notice to each applicant, which is also included in the HFHI Homeowner Application (English) and (Spanish).

NOTE

Food stamps Supplemental Nutrition Assistance Program (SNAP) is temporary assistance and cannot be used to make mortgage payments, therefore affiliates should not count as income for repayment of the loan. SNAP income should be used in the borrower's Residual income calculation to ensure that after paying the mortgage, they can afford other necessities.

SAMPLE INDICATORS TO DEMONSTRATE NEED FOR ADEQUATE HOUSING

This is not a complete list. These are some factors to consider when determining substandard housing (some items may require an expert to identify):

- Structural problems (leaky roof, unsafe flooring, etc.).
- Inadequate electrical system, plumbing or lack of an indoor bathroom.
- Lack of functioning entrance and exit points — back and front doors.
- Unsafe heating system or lack of a formal heating system.

- Unsuitable neighborhood (unsafe or unsanitary).
- Unhealthy conditions, including, but not limited to, mold or pest infestation.
- Inoperable kitchen or bathroom.
- Little or no insulation.
- Broken or missing windows.
- Temporary housing.
- Inadequate conditions for a person living with disabilities.
- Overcrowding: Inadequate number of bedrooms, as determined by the number, ages and gender of household members.
- Homelessness: Living with friends or relatives or in temporary housing, including FEMA trailers.
- Cost-burdened: Cost of rent is more than 30 percent of the household's monthly income.
- Applicant is unlikely to qualify for a conventional or government-assisted mortgage loan.
- Government-subsidized housing (e.g., housing authority or Section 8 housing).
- Income range: Gross household income (based on all means of income generated by each adult in the household) should fall below 60 percent and must never exceed 80 percent of the area median income for the household size.

2.9. Criterion 2: Willingness to Partner with Habitat

Willingness to partner is best represented by the sum of all of the household members' interactions with the affiliate.

Approved applicants must be willing to fulfill all the partnership requirements for Habitat homeownership, and affiliates should view willingness to partner as much more than willingness to hammer. Furthermore, the affiliate should be equally willing to partner with the prospective homeowner. Willingness to partner may be measured by the timeliness, completeness and cooperation with which the prospective homeowner responds to homeowner selection-related requests and questions.

Prospective homeowners who apply for Habitat homeownership should never perform more than eight to 10 hours of sweat equity during the application process, so sweat equity is hardly an issue during homeowner selection. However, sweat equity is the centerpiece of the prospective homeowner's interaction from the time he or she is approved until the day his or her house is dedicated. Therefore, it is appropriate and necessary to ensure that applicant families are well aware of and fully prepared for the sweat-equity requirements.

DOCUMENTATION

Affiliates are encouraged to maintain a record of all contact with their applicant families noting the date, affiliate representative involved, the family member, the subjects covered and the result of the interactions, both positive and negative. Detailed notes are not needed for quick conversations unless there is a disagreement or misunderstanding between the affiliate and the potential homeowner. Any interaction associated with a decision, such as acceptance of home location, home size or other details, must be documented, and a copy of the documentation should be given to the approved applicant.

CHARACTER CANNOT BE USED AS A BASIS FOR HOMEOWNER SELECTION

Habitat for Humanity requires that affiliates not use character as a basis for selecting a prospective homeowner. Whether someone has "good" character is a very subjective assessment and may lead the affiliate to use illegal indicators, such as religious beliefs or nationality, in selecting a prospective homeowner. The committee should strive to make willingness to partner as objective as possible.

CASH REQUIRED AT CLOSING

Most affiliates require potential homebuyers to bring funds to the home loan closing. A cash payment of the closing costs or cash down payment requires planning and saving by the prospective homeowner. This requirement must be documented in the homeowner selection policy. It must be covered during the application process, documented in the homeownership agreement, and discussed again at the signing of the homeownership agreement.

Some affiliates, as part of their policy, open bank accounts for families to save the closing costs. Other affiliates ask the prospective homeowner to save the required amount without oversight. The closing-costs payment criteria should be reviewed annually and revised as applicable to keep current with the cost of insurance and other necessary costs that must be covered in the first year of homeownership.

The affiliate must communicate and document how the funds will be used. It is important in this communication to distinguish what, if any, portion of the funds will be applied to closing costs versus as a down payment. For clarity, here are the definitions of both:

- **Down payment:** The part of the house's sale price that the buyer pays in cash at closing, which reduces the amount of the loan (usually through a grant obtained by the affiliate). If funded by a third-party subsidy provider, the amount of down-payment assistance is typically evidenced by a deferred subordinate mortgage (or "soft second") in favor of the subsidy provider.
- **Closing costs:** Also known as settlement costs, are the cash required at the closing to pay for items such as homeowner insurance premiums, title policies, recording fees, inspections and escrow reserve funds. Closing costs are in addition to the sales price and are outlined in the initial disclosures — Good Faith Estimate and the Truth in Lending statement or Loan Estimate, as applicable — and the closing disclosures or the HUD-1 settlement statement, as applicable.[1]

NOTE

HFHI encourages affiliates to allow potential homebuyers to save the funds for closing on their own rather than collecting the money and banking it for them. It is important that homebuyers are empowered to begin the transition from the mentality of a renter to that of a homeowner as early as possible in the process, and saving is an important part of that transition. There may be Individual Development Accounts, or IDAs, available in your community that will match the depositor's funds. For more information on IDAs, go to cfed.org/programs/idas/directory_search.

FUNDS RECEIVED FROM THE HOMEBUYER BEFORE CLOSING

Affiliates may decide to require homebuyers to submit funds regularly toward the amount due at closing. If so, the payments toward these funds should begin the month

[1] On October 3, 2015, the TRID rule became effective. The TRID rule applies to the affiliate if, in the current or prior calendar year, the affiliate has made either:

- More than five mortgage loans.
- More than 25 consumer loans of any type (secured or unsecured) See the **TRID Analysis** on MyHabitat for updates and additional information.

after the homeownership agreement is signed. The amount and timing must be documented.

If the affiliate collects the funds for closing costs or a down payment before the day of closing, these funds are fully refundable in the event the applicant is deselected from the program or withdraws his or her participation from the program. These payments should be kept in a trust account established for this purpose and should not be commingled with the affiliate's funds until closing.

SWEAT EQUITY

"Sweat equity" refers to the hands-on involvement of the applicant and his or her family in building their house and other Habitat houses and is a core tenet of Habitat's ministry. It is essential that the applicant understand the sweat-equity expectations of the affiliate early in the application process.

Sweat equity is Habitat's most valuable tool in building the partnership among potential homebuyers, their families, affiliate staff members and volunteers. Through sweat equity, the applicant has an opportunity to invest physically and emotionally in the mission of Habitat. The affiliate's sweat-equity requirements should be discussed with applicants early in the process, so that there is a clear understanding of expectations of both parties. With the exception of the Self-Help Homeownership Opportunity Program, or SHOP (as discussed below), sweat equity is not assigned a monetary value.

Although sweat equity is a programmatic requirement, it is not in any way meant to be a test for prospective homeowners to pass or fail. Rather, sweat equity is an exciting cornerstone of the Habitat ministry, designed to meet three important goals:

NOTE

To ensure compliance with Fair Lending laws, affiliates must make sweat-equity accommodations for any applicant who has a physical or mental impairment so they are able to fulfill this part of the partnership. Some examples:

- Perform tasks in the ReStore.
- Greet volunteers as they arrive on the construction site.
- Attend outreach events as an ambassador.
- Have friends and family members complete the hours.

- **Partnership:** Sweat equity provides meaningful interaction among families, affiliate representatives and Habitat volunteers.
- **Pride in homeownership:** Working sweat-equity hours on their own homes helps families begin the transition to ownership.
- **Development of skills and knowledge:** On the build site, household members gain a real understanding of the construction of their home and of maintenance issues they may face after occupancy. Additionally, homebuyers will develop or expand skills for financial literacy and becoming a successful homeowner.

The Homeowner Selection committee is responsible for developing the sweat-equity policy; the Homeowner Support committee manages sweat equity; and the Construction committee oversees building the house. These three committees should collaborate on preparing the sweat-equity policy to ensure that it meets the requirements of Policy 11, which prescribes no less than 200 hours of sweat-equity, including 100 hours of construction. Generally, affiliates use a maximum of 500 hours per household. The affiliate's board-approved policy should also include these requirements:

- Total number of hours required.
- Target dates for completion.
- Homeowner education credit toward sweat equity.
- Definition and maximum number of "donated hours."
- Consequences of not meeting target dates.
- Activity options.
- How hours will be recorded.

Setting sweat-equity requirements

Prospective homeowners should never perform more than eight to 10 hours of sweat equity during the application process. The prospective homeowners must be made aware of and agree to the sweat-equity hours required by the affiliate. The sweat-equity requirements, therefore, must be documented and communicated to the potential homeowner during the application process.

After selection, it is acceptable to require a certain number of sweat-equity hours from the approved applicant before a lot or rehab home is assigned or construction begins on the home. Administration of sweat equity falls to the Homeowner Support committee. See **Sweat Equity, Financial Education and Community Partners** for more information on sweat equity. Each affiliate's policies should clearly provide that, should a prospective homeowner be deselected or withdraw from the program, no monetary compensation will be given for completed sweat-equity hours. This requirement must also be clearly stated in the homeownership agreement with the prospective homeowner, and the affiliate must ensure that the prospective homeowner is fully apprised of this requirement.

Acceptance of sweat-equity requirements

In signing the homeownership agreement, approved applicants are accepting their sweat-equity requirements. Prospective homeowners who have difficulty with the willingness to partner criterion often struggle because the affiliate failed to create a climate for good partnerships.

SAMPLE INDICATORS OF WILLINGNESS TO PARTNER

It is important that applicants understand up front what the program is about and what will be expected of them. We are not judging character or lifestyle. We are asking if an applicant who partners with Habitat will participate in the affiliate's homeownership program. This is not an exhaustive list, but it provides some samples to consider:

- The applicant will provide all application information in a timely, honest manner.
- The applicant Participates in the home visit.
- The applicant meets the sweat-equity requirements as noted in the homebuyer agreement.
- The applicant participates in education sessions as outlined in the homebuyer agreement.
- The applicant pays the down payment and closing costs (if applicable).
- The applicant agrees to avoid new consumer debt during this process.
- The applicant agrees to live where the affiliate has land to build.
- The applicant agrees to notify the affiliate of any change in household composition.
- The applicant agrees to notify the affiliate of loss of income.
- The applicant agrees to notify the affiliate of changes in contact information.
- The applicant provides contact information for landlords, employers, etc.
- The applicant keeps all appointments as agreed on.

EXCEPTION

HUD has required that, for SHOP-assisted housing units, the homeowner must be given a monetary credit at closing for the value of sweat equity. This is the only situation in which a value is assigned to sweat equity. Affiliates should consult a member of HFHI's SHOP support team for instructions on how to comply with this grant requirement. Notwithstanding this requirement, if a prospective homeowner for a SHOP-assisted unit is deselected or withdraws from the Habitat program, no monetary compensation will be given for sweat-equity hours completed.

2.10. Criterion 3: Ability to Pay

Ability to pay is the criterion that requires affiliates to perform due diligence on the applicant's creditworthiness to ensure that he or she can afford to pay the mortgage, other property costs and normal living expenses. The ability to pay determination, also known as underwriting, should be performed at least twice on an applicant before closing in order to ensure that the applicant is financially ready for homeownership. The initial underwriting is performed in the Homeowner Assessment or ECOA Phase of the application process. Underwriting establishes the applicant's income stability, debt repayment history and general credit management. It also identifies if there are any judgments or liens that may harm the property title should the applicant become a homeowner. In addition, it also allows the affiliate to determine how much subsidy the applicant might need to make the home affordable.

In January 2014, the Consumer Financial Protection Bureau's Ability to Repay, or ATR, and Qualified Mortgage, or QM, rules became effective. Affiliates that extend credit fewer than 200 times in a calendar year only to low-income borrowers (i.e., those earning less than 80 percent of area median income), fall under the ATR exemption and therefore do not have to meet the QM provisions. Each first-lien mortgage, and each mortgage loan for the payment of a repair product, is considered an extension of credit. Generally, an affiliate's subordinate mortgage liens (or "soft seconds") will not factor into the calculation if they are interest-free and forgivable.

Affiliates that are exempt from the ATR rule must adopt a written underwriting policy and procedures that determine in good faith that the homebuyer has the ability to repay the loan. The policy should contain specific, objective requirements and must be followed consistently for all applicants.

Please refer to **Homeowner Selection Evaluation Criteria-Ability to Pay** for more information.

INCOME

Although household income is collected, verified and used to determine eligibility for the homeownership program, the same income might not always used to determine ability to pay. The income that is analyzed for ability to pay is the income of the applicants who will be obligated on the loan, and not the entire household, unless they are one and the same.

When setting the minimum income needed for acceptance, the affiliate must determine ability to pay based on debt-to-income, or DTI, ratios, which are explained below; credit history; and any other factors the affiliate deems appropriate.

Sources of income

ECOA regulations prohibit discrimination based on the source of an applicant's income. A creditor shall not discount or exclude from consideration the income of an applicant or co-applicant based on a prohibited basis or because the income is derived from part-time employment or is an annuity, pension or other retirement benefit. However, a creditor may consider the amount and probable continuance of any income in evaluating an applicant's creditworthiness.

Similarly, when an applicant relies on alimony, child support or separate maintenance payments when applying for credit, the creditor can consider such payments as income to the extent that they are likely to be consistently made and how long they are expected to continue. ECOA permits Habitat to collect these types of income to determine eligibility for the special purpose credit program (see the ECOA Notice attached to the Homeowner Application (**English**) and (**Spanish**). Note that creditors generally are prohibited from collecting certain information that would result in disclosure of marital or familial status of an applicant, whether directly or indirectly. However, as a special purpose credit program, affiliates are permitted to request information on marital status for eligibility purposes.

As a generally accepted credit practice, lenders typically require that any source of income used to calculate DTI ratio for determining ability to repay a mortgage must be stable and verifiable and must have a reasonable guarantee to continue for at least three years. When considering whether a source of income should count toward projected income, a typical employment situation can be considered to continue more than three years. A seasonal job that is expected to be renewed each year based on historical information also can count as continuing more than three years. Otherwise, it should not be considered toward projected qualifying income.

Public assistance may be limited to less than three years by the public assistance program or regulations. Therefore, in some states, public assistance income may or may not be counted as a projected source of qualifying income. All income, no matter the source, must be verified by a third party before it is counted toward an applicant's ability to pay.

Public assistance income

As noted above, ECOA makes it unlawful for any creditor — Habitat affiliates are creditors — to discriminate against any applicant, with respect to any aspect of a credit transaction, on the basis of source of income. This means that affiliates must accept applications from consumers whose income includes public assistance (e.g., Temporary Assistance for Needy Families, or TANF; food stamps; Social Security; supplemental security income; and unemployment compensation), and they must treat income from public assistance as they would treat any other reliable source of income. Be aware, however, that the Supplemental Nutrition Assistance Program, or SNAP, prohibits this assistance from being used for anything other than food. Affiliates may establish an agreement with the local department of social services to get verification of public assistance.

Federal and state time limits

Under the Personal Responsibility and Work Opportunity Reconciliations Act of 1996, there is a federal maximum of five years that any given family can receive assistance during its lifetime. States are permitted to make this maximum time limit shorter and are also free to require service to the community in exchange for assistance after a certain period.

Each state, therefore, promulgates its own welfare reform system with its own rules, time limits and requirements. In some states, recipients are allowed to receive cash assistance for two years, and then are required to work in order to receive the assistance for up to three more years. Others have imposed maximum lifetime assistance at three years or less. In all cases, states must comply with the federal five-year lifetime maximum time limit.

These federal and state-imposed time limits may affect credit decisions made by affiliates. For example, in the case of a family in a state where recipients can receive payments for two years and then must work in order to receive assistance, this income from public assistance can be counted as lasting more than three years. The rationale is that the opportunity to secure income is available to the recipient for as long as five years while the family is complying with the state's program guidelines. In states where there is a three-year maximum or less with no opportunity to extend this through a work program, this income may not be counted as projected income.

How to determine public assistance limits for your service area

Contact your local social service agency and inquire about the time limits under the state's public assistance system. The affiliate then must decide if the public assistance income would be considered a "reliable" source for purposes of determining the applicant's ability to pay.

A QUICK LOOK AT ABILITY TO PAY

DTI ratio

An applicant can be considered to be within the guidelines if his or her total debt payment (including projected housing cost payment) does not prohibit the applicant from paying for child care, food, clothing, transportation, education, health insurance and care, house maintenance, and other items critical to basic living. DTI is a calculation of total debt-to-income ratio and is often broken down further into two ratios: front-end ratio, covering total housing costs, and back-end ratio, covering the total percentage of overall long-term debt to gross income. DTI is discussed in greater detail below in the **Underwriting** section.

Monthly payment consistency

An applicant can be considered to meet this expectation if he or she has demonstrated ability to make regular monthly payments for rent, utilities and other credit obligations.

Bankruptcy, liens and judgments

An applicant can be considered to meet this expectation if:

- He or she has not declared bankruptcy within two to seven years. (This term should be set in consultation with your attorney. Two to seven years is a typical term). If an applicant has previously filed for bankruptcy, it should be discharged for at least two years, or enough time for the applicant to demonstrate financial responsibility.
- He or she has no liens or judgments that cannot be cleared before closing.

In many cases, applicants have negative payment histories that include accounts that are currently past due or in collection. The affiliate must determine whether applicants with these types of issues can be accepted, and if so under what conditions. These conditions must be covered in a written policy to ensure they are applied consistently to all applicants.

UNDERWRITING

Underwriting is the process of assessing the borrower's credit risk by determining financial capacity to repay the loan, credit repayment history, and whether the collateral is sufficient for the amount of the loan. Habitat for Humanity's practice should be no different, with the exception that subsidies may be provided to make the home affordable to the homebuyer. As noted above, the ATR exemption requires that affiliates have a written underwriting policy to determine in good faith that the applicant has the ability to repay the loan. Establishing underwriting (creditworthiness) criteria is necessary for reviewing applications to ensure that each applicant is evaluated in a consistent manner.

U.S. Policy 23 sets DTI ratio limits for evaluating the borrower's capacity to repay the loan. The maximum front-end ratio is 30 percent, and the back-end ratio is capped at 43 percent. The two ratios are expressed as a pair using the notation x/y (for example, 30/43). These limits are set to protect homebuyers so that they will have income to afford other common living expenses after their monthly debt obligations are met.

Front-end ratio

The first ratio, known as the front-end ratio, indicates the percentage of income that goes toward housing costs, which for renters is the rent amount and for homeowners is made up of the components of a mortgage payment: principal, interest, taxes and insurance, or PITI. Insurance refers to hazard and private mortgage insurance, as applicable. Loan servicing fees passed through to the homebuyer also may be considered and should be included in the front-end ratio. This fee is considered a finance charge and poses some complexity to disclosure, therefore, passing through servicing costs is not recommended. Additionally, affiliates that rely on a state's SAFE Act exemption for bona fide nonprofits may be violating the exemption by incurring a finance charge to the homebuyer.

Back-end ratio

The second DTI, known as the back-end ratio, indicates the percentage of gross income that goes toward paying all recurring debt, such as credit card payments, car loan payments, student loan payments, child support payments, alimony payments and legal judgments, and also includes expenses in the front-end ratio.

Please note that utilities are not part of the DTI calculation that HUD uses for Federal Housing Administration loans or that conventional lenders use. Affiliates building in areas with excessive utility costs might need to give them consideration when analyzing obligations. Do not confuse this calculation with the definition of "cost-burdened" that HUD uses, which does include utilities.

To help ensure that a homeowner is able to absorb mortgage payment increases triggered by an increase in escrow payments, it is permissible for affiliates to establish DTI ratios that are lower than the ratios noted above, particularly when recurring property expenses are likely to increase more rapidly than the homeowner's income.

It is strongly recommended that decisions made on income are done with documentary evidence rather than stated income. In many cases, stated income may include only net and not gross income, which underwriting decision are based on. Additionally, this practice ensures that the affiliate's approval or denial for income will be supported by evidence.

CHALLENGES TO MEETING THE ABILITY TO PAY REQUIREMENT

If an applicant has an unacceptable debt load, the committee should not approve him or her for the homeownership program but rather deny the application and direct the applicant to a credit counseling agency for assistance in clearing up debts before he or she reapplies. Many credit counseling agencies provide low-cost or free counseling to families. HUD-approved housing counseling agencies can be found across the country, and they are qualified to provide guidance on establishing or re-establishing good credit. Many affiliates include in-house credit counseling as part of their pre-purchase support programs. It should be noted that credit counseling is a specialized service and should be done only by certified and trained counselors. To search for a HUD-approved agency, go to **hud.gov/offices/hsg/sfh/hcc/hcs.cfm**.

Judgments or liens

An applicant with an active judgment or lien filed against him or her in any court should not necessarily be disqualified from the homeownership program. If the credit report reflects a judgment or lien but the applicant can provide proof that the judgment or lien is paid and released, he or she may proceed. If active, unpaid judgments or liens exist, they may contain language that they will attach to all assets owned by the judgment debtor (applicant), and therefore would attach to the home upon closing and impair the value of the home as collateral for the mortgage. Judgments could be reduced to liens, so it's important for affiliates to also check pending lawsuit records to assess the likelihood of additional judgments. If an affiliate selects an applicant with an active judgment or lien, it is imperative that the amount and type of lien is determined to ensure that it can be satisfied and released before closing, and this condition must be included on the homeownership agreement, just like completion of sweat equity.

Bankruptcies

A previous bankruptcy would not necessarily prevent an applicant from qualifying for a Habitat home. It is recommended that affiliates include in their policy standards for accepting or denying applicants who identify that they have declared bankruptcy. The critical issue is whether the applicant can meet the obligations of homeownership in the future. Affiliates should check with an attorney regarding the bankruptcy laws of their specific state. Some affiliates disqualify applicants if their bankruptcy was discharged within the past two years, while other affiliates have longer waiting periods. This may be waived if the applicant can demonstrate that the filing was due to exceptional circumstances beyond his or her control (e.g., natural disaster, fire, health problems) and that he or she otherwise has good credit.

Excessive debt

Applicants with excessive debt are not likely to qualify for Habitat homeownership, because such debt will prevent them from being able to make mortgage payments. Excessive debt may be charge-offs or collections. Applicants with more than $2,000 in charge-offs or collection debt should be referred to credit counseling for debt remediation and invited to reapply at a later date. The board and legal counsel should decide — through an agreed-upon policy that is followed consistently — whether to excluding medical debt from these calculations. As a reminder, medical debt is an outstanding debt that must be repaid. It is important to understand the applicant's plan to repay the debt.

Credit report

Affiliates rely on credit reports to underwrite the applicant's creditworthiness. A credit report is a consumer report that provides a summary of a consumer's financial history: how he or she has borrowed and repaid debt. The two terms "credit report" and "credit history" mean about the same thing to most people, and they are interchanged. It is important that the affiliate gets a complete picture of the applicant in order to accurately assess the credit risks, although the credit review performed by the credit reporting agency, or CRA, might not provide this.

Some applicants will have no credit, and others will have insufficient credit. In these cases, the affiliate will need to supplement the information received from the credit reporting agency with nontraditional credit documentation such as reference letters from "other" creditors. Examples of credit that typically will not show up on reports include rent, car insurance, utility bills and medical expenses. Requesting past and present landlord references and letters from local businesses where the applicant has an account will also be helpful.

Never assume that a credit score is a good indicator of creditworthiness for a Habitat home applicant. Do not disqualify an applicant solely on the basis of a credit report. Errors and out-of-date information are common on credit reports. Any concerns should be discussed with the applicant to ensure that negative information that affects the affiliate's decision is accurate. If errors are found, direct the applicant to the credit reporting agency that provided the report so that he or she may work on correcting those credit records. It is also recommended that you refer the applicant to a credit counseling agency who can assist him or her in cleaning up inaccurate reporting and improving his or her creditworthiness. The Consumer Financial Protection Bureau offers a tool to find a HUD counselor; go to **consumerfinance.gov/find-a-housing-counselor**.

There are generally two types of credit reports: One is an "in-file" report, which is inexpensive, and the other is the "mortgage" report, also known as the residential mortgage credit report, or RMCR, which usually costs about $50 to generate. The RMCR is intended to be current and pulls from all three nationwide credit reporting agencies — Equifax, Experian and TransUnion — whereas the "in-file" report may be outdated by as much as 90 days.

There may be outstanding liens, such as county aid liens, that would not show up on either of the two credit reports. This is public record information that can be accessed through other channels, such as a title search company. Affiliates should consult an experienced mortgage lender when determining the credit report options most applicable to their situation.

To obtain either credit report, the affiliate should establish an account with a credit reporting agency. The agency charges for these reports, but their value warrants the expense. Some affiliates have accounts that allow them to pull credit reports online. Other affiliates have accounts with online services that pull reports for them. Do not obtain a credit report through a bank or other local financial service, as they could be held liable for any adverse action taken by an affiliate.

Credit reports can be difficult to understand. Therefore, any personnel responsible for reviewing information contained in them and making decisions based on that information must be adequately trained.

THE FEDERAL FAIR CREDIT REPORTING ACT AND ECOA

The federal Fair Credit Reporting Act, or FCRA, and ECOA require creditors to provide certain information to applicants relating to a denial of an application for credit. When credit is denied either wholly or partly because of information contained in a consumer report (e.g., a credit report), the affiliate must so advise the applicant with an adverse action notice and supply the name and address of the consumer reporting agency generating the report.

When credit is denied either wholly or partly because of information obtained from a person other than a consumer reporting agency bearing upon the applicant's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living, the affiliate must disclose the nature of the information on the applicant's written request. Also, the affiliate must clearly and accurately disclose that the applicant has a right to make such a written request at the time the adverse action is communicated.

Credit reports and other consumer reports are confidential documents and should be accessible only to those authorized to read homeowner selection application documents. (This means they should be in a locked file with limited access.) It is recommended that affiliates do not share credit reports with applicants. For specific policies related to this, read the protocol in your contract with the credit reporting agency.

The signature block on the Habitat for Humanity standard application for housing is an "authorization and release." It authorizes the affiliate and a credit reporting agency to exchange information in order to provide the credit report to the affiliate. Photocopies of the final page of the completed and signed application may be required to accompany your requests for the release of information and are sufficient authorization to obtain the information.

Three credit reporting agencies in the United States (there may be others in your area) that can be of assistance in obtaining credit information are:

- Expérian: **experian.com** — (888) 397-3742
- Equifax: **equifax.com** — (800) 685-1111
- Trans Union Corp.: **transunion.com** — (800) 888-4213

2.11. Other selection requirements

SEX OFFENDER REGISTRY CHECK

Before conducting a sex offender registry check, the affiliate should notify and get written consent from all people subject to the check. The authorization and release on HFHI's Homeownership Application satisfies this requirement for the applicant and co-applicant only, If other household members will be checked, additional releases will be required. See the "Sample Affiliate Sex Offender Registry Policy, Procedure and Practice" included in the **Guidance Memorandum on Sex Offender and Criminal Background Checks**. Also, see **Policy 19** in the U.S. Policy Handbook.

CRIMINAL BACKGROUND CHECK

HFHI recommends that affiliates conduct criminal background checks of all potential applicants. See the Sample Affiliate Criminal Background Check Policy included in the **Guidance Memorandum on Sex Offender and Criminal Background Checks**.

GEOGRAPHIC SERVICE AREA AFFILIATION

An affiliate may choose to limit its Habitat homeownership opportunities to applicants who live or work in the affiliate's approved geographic service area, or GSA. See the HFHI **Guidance Memorandum: Residency of Applicants — Local**. If an affiliate requires that applicants live or work in its GSA to be eligible to apply for a house, the "live or work" requirement should not be for more than one year. Any limit on where applicants live or work should be supported by a board-approved policy, and the policy should be explained in messaging to potential applicants, including brochures, websites and letters.

APPLICANTS OWNING LAND

An affiliate may consider partnering with an applicant who owns land suitable for building a Habitat house. Affiliates that choose to enter into this type of arrangement must engage legal counsel to ensure that both parties' interests are protected.

The affiliate must determine whether the applicant is eligible for Habitat homeownership exactly as it would for any other applicant. During evaluation of the applicant's financial situation, the land is considered an asset. As such, its value may make the applicant eligible for a conventional loan or place him or her above Habitat's income guidelines, thus disqualifying him or her for Habitat homeownership. If the land value does not push the applicant outside of the income/asset requirements, he or she still must meet other selection criteria for Habitat homeownership.

Another aspect of this process is a thorough due diligence review. The review should be performed by the appropriate committee or committees to determine that the land is suitable for building and that the title is clear. These steps must be carried out before any commitment to build is made to the applicant. Should a decision to build on the lot be determined, it must be presented to the applicant owner for his or her approval, and terms must be agreed upon in writing. It is strongly recommended that the deed to the land be transferred to the affiliate to facilitate a smooth building schedule.

The applicant may decline to build on the lot and must then wait for another home assignment to become available. If your affiliate accepts an applicant with land on which the affiliate agrees to build a Habitat home, consult your local attorney.

HOW MANY HOMEBUYERS TO SELECT

The affiliate must have a plan each year that includes house production goals so that the Homeowner Selection committee knows how many homebuyers are needed.

The committee should approve enough applicants for the upcoming building cycle. If construction begins without a prospective homeowner, it is difficult for them to accumulate required sweat-equity hours, to develop a sense of ownership as the home is built, and to participate in the decision-making process. Additionally, the wrong size home may be built. If the affiliate does not have a prospective homeowner for the next house, construction should be delayed until an applicant is selected. This also ensures that the house is not vacant for a long period, incurring costs to the affiliate.

An affiliate should not accept applicants unless it expects to build a house with them within a reasonable time frame. A "reasonable time" should be defined in the affiliate's policy and should be based on the typical production schedule and the number of sweat-equity hours the homebuyer and family must complete. Two years is an extremely long time for an applicant to be in the program, and household dynamics change. For example, a 16-year-old child will be an adult and may be married, in college or in the military, or have a child of his or her own. A dependent parent may have moved into a care center or died. An applicant may be the parent of a new baby. Applicants may have separated or divorced. Jobs and income may have changed. Two years later, the household might not have the same need, ability to pay and willingness to partner that the affiliate approved.

What happens when the number of applicants who meet the criteria exceeds the production capacity of the affiliate? This set of circumstances prompts many affiliates to begin a pool or pipeline of approved applicants, and some may have to wait three or four years for a home. This leads to a heightened sense of anxiety and frustration on the part of the homebuyers and their families, especially if they have worked a significant number of sweat-equity hours and have contributed funds to the affiliate toward closing costs and a down payment.

Many affiliates find that a pool or pipeline of approved applicants who wait more than about 18 months brings the affiliate more disadvantages than advantages. If too many families are qualifying, the affiliate should choose those families with the greatest need (lower reaches of the income guidelines or most serious housing inadequacy). Again, an affiliate should be consistent when making these decisions. It is important to note that approved applicants must be kept informed of their status periodically by the affiliate to ensure compliance with ECOA. This can easily be accomplished by incorporating monthly meetings with the Homeowner Support mentor and approved applicants. Refer to the **Homeowner Support AOM** for more details.

The three homeowner selection criteria with measurable indicators — and other selection requirements, including laws and regulations — are essential components of the affiliate's homeowner selection process. These criteria and requirements must be applied equally to all applicants.

2.12. Homeowner selection documents

Before engaging in homeowner selection, it is essential to create and implement appropriate policies and procedures regarding the use, handling and maintenance of applicant and homeowner documents and files. The affiliate's records management policy should specify the method of storage, security and disposal of homeowner selection files, as well as the retention period for mortgage applications and their supporting documents.

As more affiliates move to using electronic communication and storage of files with applicants and homeowners, it is imperative that requirements of the federal Electronic Signature in Global and National Commerce Act, or ESIGN Act, are understood and followed. The act governs the use of electronic records and electronic signatures and provides that both can have the same legal effect as pen-and-paper records and signatures. **Affiliates must have a written policy in place to guide them when communicating electronically with applicants or homeowners.** The policy should include:

- When and how the disclosure will be provided.
- Verification of electronic delivery.
- Record retention.
- Data security concerns, such as sending nonpersonal information electronically.

Refer to the **Guidance Memorandum on Mortgage Rules and Regulations**.

APPLICANT FILES AND RECORD RETENTION

The affiliate must maintain a file for each applicant. The affiliate's record retention policy must incorporate the state and federal legal requirements for the different aspects of a credit application (ECOA and RESPA – discussed in detail in **Chapter 6**), or whether the affiliate participates in federally funded programs or grants. Generally, ECOA applications are to be retained no less than 25 months after the date the applicant was notified of the decision. Included in the file must be any information used in evaluating the applicant and a copy of the notice of action taken. RESPA applications require a different record retention: Evidence of compliance with all **initial disclosures** must be retained for **three years** after the date of consummation, and **closing disclosures,** including all documents related to the disclosures, are retained for **five years** after consummation.

Secure and confidential filing system

- Applicant files should be stored in a fireproof, locked filing cabinet in the affiliate office and should be accessible only to authorized Homeowner Selection committee members and appropriate staff members.
- Electronic applicant files should have equivalent security safeguards through physical and logical access controls. Physical controls would be minimizing access to the server or device with the information, and logical access involves password and encryption protection.
- Applicants' identities should be kept confidential until after board decisions. Applicants can be presented to the board through alphanumeric identification or other means of a unique identifier that protect identities. This practice reduces decisions based on biases, which can lead to Fair Lending claims against the violations.
- Denied or withdrawn applications — and all related documents — should be filed by applicant name in a secure location and should be purged or retained in accordance with applicable state and federal laws (consult with a local residential real estate attorney to determine an appropriate retention period).
- Approved applications and related documents should be retained and added to the permanent mortgage file of the homebuyer.

DOCUMENTS AND LETTERS

Affiliates should adopt standard documents and letters for their homeowner selection process. Such standardized letters may include a homeownership agreement, an adverse action notice (letter of denial), notice of incompleteness (request for additional or missing information from the applicant) and reference letters from banks, past employers, landlords, utility companies, etc.

Standard documents available from HFHI:

- Habitat application for housing (English)
- Habitat application for housing (Spanish)
- Request for verification of deposit (bank): See Appendix 3.
- Employment verification documents: See Appendix 4 and Appendix 5.
- Verification of public assistance: See Appendix 6.
- Landlord reference letters: See Appendix 7 and Appendix 8.
- Request for credit references. See Appendix 9.
- Homeownership agreement.

PARTNERSHIP CONTACT RECORD

Affiliates are encouraged to adopt a partnership contact record. The Homeowner Services department or Homeowner Selection committee shall maintain the contact record. It takes the form of a contact journal for each applicant, and pages are added as needed. All interactions with applicants and their family members, where applicable, are recorded in their contact journal. The purpose is to document all contact by date, name of household member, description of contact, and name of the affiliate representatives involved. This record will prove invaluable if any questions arise about past events. Moreover, it is an ideal tool for clearing up questions about willingness to partner.

STANDARD HABITAT APPLICATION FOR HOUSING

Available on Resource Warehouse:

- **Log on to MyHabitat: myhabitat.org.**
- **Select "Insite," scroll down to "Quick Links," then select "Products."**
- **Select "Resource Warehouse."**
- **Under "Custom products, click "See Products."**
- **Homeowner Applications (English and Spanish) are choices on the second page.**
- **Click on "Customize" and use the ordering wizard to place your order.**
- **Please note that you are ordering boxes of 50 applications. Therefore, ordering a quantity of "1" will result in your receiving a box of 50 customized. applications.**

ADOPTING A STANDARD APPLICATION FOR HOUSING

Affiliates are strongly encouraged to adopt the standard application for housing developed by HFHI. It has been thoroughly field-tested and meets all legal requirements, including approval and release for affiliate to obtain credit information and appropriate background checks for the applicants. The HFHI application serves two purposes:

1. To collect household information to determine eligibility.
2. To collect information on applicants to make a credit decision.

Affiliates are permitted to use, in addition to the standard application, a uniform residential loan application, Form 1003, once the RESPA Phase commences. The standard HFHI application is available for a very reasonable price at the **Resource Warehouse** on MyHabitat. See instructions for ordering in the sidebar to the left.

If an affiliate creates its own application for housing, it should be straightforward and easy to understand and should use basic language for both English and non-English versions. Application questions should focus specifically on the information related to their selection criteria. The committee should request and obtain only information relevant to the criteria. The affiliate should carefully determine if additional selection-criteria-related information is needed. Federal law requires that all applications include the government monitoring form. Affiliate-created applications should be reviewed by a residential real estate attorney.

The committee must be prepared for applicants who do not speak English, applicants who might not read or write, and applicants who have disabilities such as blindness or deafness. All applications should contain a note in the signature box informing applicants that sex offender and criminal background checks will be conducted. (See Section 12 of HFHI's standard application (**English** and **Spanish**). For affiliate-created applications, ensure that a release and authorization statement is included or on a separate form, and that it has been reviewed by an attorney.

The following pages provide specific guidance on the sections of HFHI's standard application for housing.

Application

Habitat Homeownership Program

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status or national origin.

Dear Applicant: Please complete this application to determine if you qualify for the Habitat for Humanity homeownership program. Please fill out the application as completely and accurately as possible. All information you include on this application will be kept confidential in accordance with the Gramm-Leach-Bliley Act.

1. APPLICANT INFORMATION	
Applicant	**Co-applicant**
Applicant's name 1	**Co-applicant's name** 1
Social Security number ________________ Home phone ________________ Age _____ Married ☐ Separated ☐ Unmarried (Incl. single, divorced, widowed)	Social Security number ________________ Home phone ________________ Age _____ Married ☐ Separated ☐ Unmarried (Incl. single, divorced, widowed)
Dependents and others who will live with you (not listed by co-applicant) Name Age Male Female ________ ____ ☐ ☐ ________ ____ ☐ ☐ ________ ____ ☐ ☐ ________ ____ ☐ ☐ ________ ____ ☐ ☐	**Dependents** and others who will live with you (not listed by co-applicant) Name Age Male Female ________ ____ ☐ ☐ ________ ____ ☐ ☐ ________ ____ ☐ ☐ ________ ____ ☐ ☐ ________ ____ ☐ ☐
Present address (street, city, state, ZIP code) ☐ Own ☐ Rent ________________ ________________ Number of years ________	Present address (street, city, state, ZIP code) ☐ Own ☐ Rent ________________ ________________ Number of years ________
If you have lived at your present address for less than two years, complete the following:	
Last address (street, city, state, ZIP code) ☐ Own ☐ Rent ________________ ________________ Number of years ________	Present address (street, city, state, ZIP code) ☐ Own ☐ Rent ________________ ________________ Number of years ________

2. FOR OFFICE USE ONLY — DO NOT WRITE IN THIS SPACE	
Date received: ________________ 2	Date of selection committee approval: ________________
Date of notice of incomplete application letter: ________	Date of board approval: ________________
Date of adverse action letter: ________________	Date of partnership agreement: ________________

SECTION 1

1. Applicant Information

This information should be completed in detail. Federal law imposes strict limits on an affiliate's right to inquire about an applicant's marital status. An affiliate may ask only whether the applicant is married, unmarried or separated. (The affiliate can explain that "unmarried" includes single, divorced and widowed.) The Homeowner Selection committee and the board of directors must understand and comply with limits on the use of information about marital status and an applicant's spouse. In general, an affiliate cannot ask about the marital status of an applicant unless the applicant is applying for secured credit or relying on the spouse's or former spouse's income to pay for the house or to determine if the household is in financial need. An affiliate may ask about marital status if it is necessary to determine an applicant's eligibility and the affiliate's rights under the property laws of the state. Contact your local residential real estate attorney to determine the property laws in your state.

SECTION 2

2. For Office Use Only

The affiliate should use this section to assist in processing applications. The application process should have a system in place to accurately record the date the application was submitted (date received) to ensure applications are processed in a timely manner to comply with federal law.

3. WILLINGNESS TO PARTNER

To be considered for Habitat homeownership, you and your family must be willing to complete a certain number of “sweat-equity” hours. Your help in building your home and the homes of others is called “sweat equity” and may include clearing the lot, painting, helping with construction, working in the Habitat office, attending homeownership classes or other approved activities.	**I AM WILLING TO COMPLETE THE REQUIRED SWEAT-EQUITY HOURS:** Yes No Applicant ☐ ☐ Co-applicant ☐ ☐

4. PRESENT HOUSING CONDITIONS

Number of bedrooms (please circle) 1 2 3 4 5

Other rooms in the place where you are currently living:

☐ Kitchen ☐ Bathroom ☐ Living room ☐ Dining room

☐ Other (please describe) ____

____

____

If you rent your residence, what is your monthly rent payment? $________________ /month
(Please supply a copy of your lease or a copy of a money order receipt or canceled rent check.)

Name, address and phone number of current landlord: ____________________________

____

____

____

In the space below, describe the condition of the house or apartment where you live. Why do you need a Habitat home?

____

____

____

____

____

____

____

____

5. PROPERTY INFORMATION

If you own your residence, what is your monthly mortgage payment? $____________ /month Unpaid balance $____________

Do you own land? ☐ No ☐ Yes Monthly payment $____________ Unpaid balance $____________

If you wish your property to be considered for building your Habitat home, please attach land documentation.

SECTION 3

3. Willingness to Partner

The willingness to comply with the affiliate's sweat-equity requirements is the most reliable measure of the applicant's commitment to this vital element of the Habitat ministry. An unwillingness to participate in the affiliate's sweat-equity program is a legitimate reason to deny an application.

SECTION 4

4. Present Housing Conditions

The application seeks relevant information about current living conditions to assist in determining the applicant's need for adequate housing. The affiliate should be certain that the landlord information section is complete. Before contacting the landlord, ensure that the applicant signs a release form.

SECTION 5

5. Current Residence Ownership

If the applicant owns a house, mobile home, condominium or other form of residence, it must be considered an asset. The affiliate should have a policy addressing how this type of asset will be valued and how it affects qualification in the program.

6. Land ownership

If the applicant owns land, monthly payments and unpaid balance must be completed if applicable. The affiliate should have a policy addressing how this type of asset will be valued and how it affects qualification in the program. If the applicant is requesting that the land be used for construction of the applicant's Habitat home, a separate, specific request regarding use of the land should be submitted. The affiliate should have a policy for this situation. See the section titled "**Other Selection Requirements**" for more information.

6. EMPLOYMENT INFORMATION			
Applicant		**Co-applicant**	
Name and address of **CURRENT** employer 7	Years on this job	Name and address of **CURRENT** employer 7	Years on this job
	Monthly (gross) wages $		Monthly (gross) wages $
Type of business	Business phone	Type of business	Business phone
If working at current job less than one year, complete the following information			
Name and address of **LAST** employer	Years on this job	Name and address of **LAST** employer	Years on this job
	Monthly (gross) wages $		Monthly (gross) wages $
Type of business	Business phone	Type of business	Business phone

7. MONTHLY INCOME				
Income source	**Applicant**	**Co-applicant**	**Others in household**	**Total**
Wages	$ 8	$	$	$
TANF	$	$ 9	$	$
Alimony	$	$	$	$
Child support	$ 10	$	$	$
Social Security	$	$	$	$
SSI	$	$	$	$
Disability	$	$	$	$
Section 8 housing	$ 11	$	$	$
Other: _______________	$	$	$	$
Other: _______________	$	$	$	$
Other: _______________	$	$	$	$
Total	**$**	**$**	**$**	**$**

12

PLEASE NOTE: Self-employed applicants may be required to provide additional documentation such as tax returns and financial statements.

HOUSEHOLD MEMBERS WHOSE INCOME IS LISTED ABOVE			
Name	Income source	Monthly income	Date of birth
13			

SECTION 6

7. Employment Information

The applicant should enter the name and address of his or her current employer from whom income information can be obtained. If the applicant has been working at his or her current job for less than one year, he or she should also provide contact information for the previous employer (employment information for the past two years must be collected). ***Note: An applicant does not need to be employed to qualify for the homeownership program. All that is required is evidence of legal, stable income.***

SECTION 7

8. Monthly Income

The applicant should list all current, regular, gross (before-tax) monthly income for all household members. Consideration should be given to all sources of income during the past 24 months, to determine if they are likely to continue for at least three years.

9. Temporary Aid to Needy Families (TANF)

TANF is a type of public assistance that is a federal program administered at the state level. Any household member who is a recipient of this income should declare it so that the qualification of need based on total household income can be determined.

10. Alimony/Child Support

Affiliates may request and consider alimony, child support and maintenance income of the applicant or other members of the household to satisfy eligibility requirements based on need for a special purpose credit program. However, if an affiliate is using alimony, child support or maintenance income for determination of creditworthiness (i.e., ability to pay). We recommend that the affiliate disclose to the applicant that they may require this income to determine eligibility for the program and an affordable mortgage. This is disclosure is included in the Homeownership Application (**English** and **Spanish**), or alternately, a standalone notice entitled **ECOA Special Purchase Credit Program Notice** can be used.

11. Housing Choice Voucher (Section 8 Housing)

In most cases, the Housing Choice Voucher is available only for renting, but there are cases where applicants are approved to use this program for homeownership. It is important not to consider Section 8 Housing for homeownership until it is approved, but it should be counted toward current income when considering an application. Knowledge of the applicant's receipt of this assistance also helps the affiliate understand the applicant's current financial situation.

12. Self-Employed

Self-employed applicants will need to provide additional documentation. Request their individual or business signed federal tax returns with all applicable schedules for the past two years and a current year-to-date financial statement.

13. Household Income

Affiliates should consider income from household members age 18 and older in regard to Habitat income limits (the minimum age can be set lower, but no lower than the state or federal minimum for employment) when determining eligibility for “need,” (i.e., does the total household income fall in line with area median income requirements). It is important to note that only the income of the applicant and co-applicants are used to determine their ability to pay; these will be the only names on the mortgage.

8. SOURCE OF DOWN PAYMENT AND CLOSING COSTS

Where will you get the money to make the down payment or pay for closing costs (for example, savings or parents)? If you borrow the money, whom will you borrow it from, and how will you pay it back?

14

9. ASSETS

15

Name of bank, savings and loan, credit union, etc.	Address	City, state	ZIP	Account number	Current balance
					$
					$
					$
					$
					$
					$
					$
					$
					$

10. DEBT

16

	TO WHOM DO YOU AND THE CO-APPLICANT(S) OWE MONEY?					
	APPLICANT			CO-APPLICANT		
Account	Monthly payment	Unpaid balance	Months left to pay	Monthly payment	Unpaid balance	Months left to pay
Other motor vehicle	$	$		$	$	
Boat	$	$		$	$	
Furniture, appliance, TVs (includes rent-to-own)	$	$		$	$	
Alimony	$	$		$	$	
Child support	$	$		$	$	
Credit card	$	$		$	$	
Credit card	$	$		$	$	
Credit card	$	$		$	$	
Total medical	$	$		$	$	
Other	$	$		$	$	
Other	$	$		$	$	
Total	$	$		$	$	

SECTION 8

14. Source of Down Payment and Closing Costs

The applicant should explain where the money will come from to make the down payment and cover closing costs (e.g., savings or a gift from parents). In setting its policy, the affiliate should ensure that the amount required at closing is achievable by the homebuyer and applied consistently to all applicants. It is important for the success of the homebuyer to develop financial management early in the process. The earlier applicants can start saving money, the more successful they will be.

SECTION 9

15. Assets

The applicant should list all items of monetary value. Assets include any real estate property, personal property and enforceable claims against others (including bank accounts, savings accounts, credit union accounts, stocks, etc.). This section also includes a place for regular monthly payments for these items and any outstanding balances.

SECTION 10

16. Debt

The applicant should list all the monthly debt obligations (other than current housing costs, which is captured in the section below), including regular monthly payments for these items and any outstanding balances. Affiliates should ask applicants about obligations to pay alimony, child support or maintenance as part of the determination of an applicant's ability to pay because this expense must be included in their debt obligations.

MONTHLY EXPENSES			
Account	**Applicant**	**Co-applicant**	**Total**
Rent	$	$	$
Utilities	$	$	$
Insurance	$	$	$
Child care	$	$	$
Internet service	$	$	$
Cell phone	$	$	$
Land line	$	$	$
Business expenses	$	$	$
Union dues	$	$	$
Other	$	$	$
Other	$	$	$
Other	$	$	$
Total	$	$	$

11. DECLARATIONS		
Please check the box beside the word that best answers the following questions for you and the co-applicant		
	Applicant	**Co-applicant**
a. Do you have any outstanding judgments because of a court decision against you?	☐ Yes ☐ No	☐ Yes ☐ No
b. Have you been declared bankrupt within the past seven years?	☐ Yes ☐ No	☐ Yes ☐ No
c. Have you had property foreclosed on or deed in lieu of foreclosure in the past seven years?	☐ Yes ☐ No	☐ Yes ☐ No
d. Are you currently involved in a lawsuit?	☐ Yes ☐ No	☐ Yes ☐ No
e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment?	☐ Yes ☐ No	☐ Yes ☐ No
f. Are you currently delinquent or in default on any federal debt or any other loan, mortgage financial obligation or loan guarantee?	☐ Yes ☐ No	☐ Yes ☐ No
g. Are you paying alimony or child support or separate maintenance?	☐ Yes ☐ No	☐ Yes ☐ No
h. Are you a co-signer or endorser on any loan?	☐ Yes ☐ No	☐ Yes ☐ No
i. Are you a U.S. citizen or permanent resident?	☐ Yes ☐ No	☐ Yes ☐ No
If you answered “yes” to any question a through h, or "no" to question i, please explain on a separate piece of paper.		

SECTION 10

17. Monthly Expenses

The applicant should list all regular monthly expenses. This section is used to understand the applicant's current financial situation and indicate if the current housing situation is causing undue burden on the household.

SECTION 11

18. Declarations

If the applicant answers "yes" to any one of questions A through H in this section, or "no" to question I, the affiliate should require a detailed explanation on a separate sheet of paper. A previous bankruptcy would not necessarily prevent an applicant from qualifying for a Habitat home. The affiliate's policy should address standards for accepting or denying applicants who identify that they have declared bankruptcy. The critical issue is whether the bankruptcy has been discharged and the applicant can meet the obligations of homeownership going forward.

12. AUTHORIZATION AND RELEASE

I understand that by filing this application, I am authorizing Habitat for Humanity to evaluate my actual need for the Habitat homeownership program, my ability to repay an affordable loan and other expenses of homeownership, and my willingness to be a partner through sweat equity.

I understand that the evaluation will include personal visits, a credit check and employment verification. I have answered all the questions on this application truthfully. I understand that if I have not answered the questions truthfully, my application may be denied, and that even if I have already been selected to receive a Habitat home, I may be disqualified from the program and forfeit any rights or claims to a Habitat home. The original or a copy of this application will be retained by Habitat for Humanity even if the application is not approved.

I also understand that Habitat for Humanity screens all applicants on the sex offender registry. By completing this application, I am submitting myself to such an inquiry. I further understand that by completing this application, I am submitting myself to a criminal background check.

Applicant signature	19	Date	Co-applicant signature	Date
X ______________________		__________	X ______________________	__________

PLEASE NOTE: If more space is needed to complete any part of this application, please use a separate sheet of paper and attach it to this application. Please mark your additional comments with “A” for applicant or “C” for co-applicant.

13. RIGHT TO RECEIVE COPY OF APPRAISAL

This is to notify you that we may order an appraisal in connection with your loan and we may charge you for this appraisal. Upon completion of the appraisal, we will promptly provide a copy to you, even if the loan does not close.

Applicant's name ______________________ 20 Co-applicant's name ______________________

SECTION 12

19. Authorization and Release

The applicant should read this section thoroughly and then sign and date the application in ink. By signing the form, the applicants acknowledge that all information provided is truthful. When signed, the affiliate is authorized to process the application, including screenings, checks and some verifications. Please note: The authorization and release mentions both sex offender registry and criminal background checks. The sex offender registry is required. The criminal background check is only strongly encouraged. (See the subsections of this manual titled "**Sex offender registry check**" and "**Criminal background check**.") If the affiliate's policy does not require the criminal background check, the last sentence of the authorization and release should be deleted.

SECTION 13

20. Appraisal Disclosure

Effective January 2014, the updated ECOA rules included a requirement that all applicants be provided with copies of all appraisals done in connection with the application for a loan secured by a first lien on the dwelling. The rule also requires that applicants be notified of this by way of a disclosure — the Right to Receive Copy of Appraisal — at the time of application. To comply with the notice requirement, the disclosure has been added to the application form. Delivery of the appraisal copies will be discussed in **Chapter 7: Pre-closing, Including Final Underwriting.**

14. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

PLEASE READ THIS STATEMENT BEFORE COMPLETING THE BOX BELOW: We are requesting the following information to monitor our compliance with the federal Equal Credit Opportunity Act, which prohibits unlawful discrimination. You are not required to provide this information. We will not take this information (or your decision not to provide this information) into account in connection with your application or credit transaction. The law provides that a creditor may not discriminate based on this information, or based on whether or not you choose to provide it. If you choose not to provide the information, we may note it by visual observation or surname.

Applicant	Co-applicant
☐ I do not wish to furnish this information	☐ I do not wish to furnish this information
Race (applicant may select more than one racial designation): ☐ American Indian or Alaska Native ☐ Native Hawaiian or other Pacific Islander ☐ Black/African-American ☐ White ☐ Asian 21	**Race** (applicant may select more than one racial designation): ☐ American Indian or Alaska Native ☐ Native Hawaiian or other Pacific Islander ☐ Black/African-American ☐ White ☐ Asian 21
Ethnicity: ☐ Hispanic or Latino ☐ Non-Hispanic or Latino	**Ethnicity:** ☐ Hispanic or Latino ☐ Non-Hispanic or Latino
Sex: ☐ Female ☐ Male	**Sex:** ☐ Female ☐ Male
Birthdate: __________/__________/__________	**Birthdate:** __________/__________/__________
Marital status: ☐ Married ☐ Separated ☐ Unmarried (single, divorced, widowed)	**Marital status:** ☐ Married ☐ Separated ☐ Unmarried (single, divorced, widowed)

To be completed only by the person conducting the interview	
This application was taken by: ☐ Face-to-face interview ☐ By mail ☐ By telephone	Interviewer's name (print or type)
	Interviewer's signature Date
	Interviewer's phone number

SECTION 14

21. Information for government monitoring purposes and federal monitoring requirements

The applicant should read this section thoroughly and fully understand that the information is requested but not required. By law, the affiliate cannot discriminate against the applicant on the basis of this information or on the decision to furnish it or not.

The federal ECOA requires that affiliates request certain information about applicants for monitoring purposes. Questions regarding ethnicity, race, sex, marital status and age may be listed, at the affiliate's option, on the application form or on a separate form that refers to the application. The applicants should be asked but not be required to supply the requested information. If an applicant decides not to provide the information or any part of it, that fact should be noted on the form. The affiliate should then note on the form, to the extent possible, the ethnicity, race and sex of the applicant on the basis of visual observation or surname.

The application or application monitoring form should include a statement informing the applicant that the information regarding ethnicity, race, sex, marital status and age is being requested by the federal government for the purposes of monitoring compliance with federal statutes that prohibit discrimination against applicants on those bases. The statement should also inform the applicant that if he or she chooses not to provide the information, the affiliate is required to note the ethnicity, race and sex on the basis of visual observation or surname. This information should be kept — either in the applicant's file or separately — for 25 months after notification of action taken.

The information is required for reporting purposes on federal grants and loans such as SHOP, Community Development Block Grants or HOME funds. Additionally, it is used by regulators (state or federal) to determine whether a lender engages in discriminatory practices. A separate form for this reporting is included in the standard application for housing developed by HFHI.

2.13. Developing the homeowner selection process

The best way to ensure that homeowner selection is consistent, even-handed, objective and legal is to prepare and follow a board-approved process that guides each step. The affiliate should adopt a comprehensive selection process that accomplishes its goals in support of its mission and plan. The process should include defining a completed ECOA application to ensure that affiliates know when Notice of Action disclosures are triggered in the selection period. The RESPA phase is signaled when an appraisal is ordered for the newly built or rehabilitated house. A completed RESPA application is defined by law once the affiliate has all the following information about the borrower:

- Name.
- Income.
- Social Security number (for pulling credit).
- Address of the property to be purchased.
- Estimate of the property's value.
- Loan amount.

In a typical Habitat transaction, all six items are not generally present until the home is almost completed, hence the reason for breaking the Habitat application into two phases: ECOA and RESPA.

A defined process informs the board, committee and others of exactly how the affiliate selects a prospective homeowner. It guides what is done, when it's done, how it's done, who does it and how it's documented.

The process also guides the affiliate from start to finish in every aspect of homeowner selection. This ensures that every prospective homeowner who enters the selection process is treated equally, and that all affiliate policies, HFHI requirements and laws are followed.

The affiliate's homeowner selection process will guide the work of each step of homeowner selection:

1. Prepare for homeowner selection.
2. Outreach to prospective homeowners.
3. Application processing.
4. Selecting the homebuyer.
5. Communicate the decision.
6. Preclosing, including final underwriting

An affiliate that is organized and has well-trained personnel and a comprehensive board-approved policy will find homeowner selection effective and efficient and will be likely to produce more qualified homebuyers.

3. Outreach to prospective homeowners

3.1. Promoting opportunities for homeownership

Once your affiliate has completed the preparatory work of organizing, developing the selection criteria and process, updating policies and procedures, and orienting the Homeowner Selection committee and board members, you are ready to begin the crucial work of identifying the pool of qualified applicants from whom you will select your homeowners.

It might be helpful to think of this process of outreach and communication in marketing terms. People sometimes refer to the “four P’s” of marketing: product, place, price and promotion. Your affiliate has created a great product at a great price for a particular place: a home that is affordable to low-income families in your service area. Now it’s time to work on the fourth “P”: promotion.

3.2. Your goal

The goal of your affiliate’s recruitment strategy is simple: to ensure that all families in need within your service area learn about the opportunity to apply for a Habitat house.

Achieving this goal has both moral and legal implications. Habitat’s mission statement explains that we put God’s love into action by bringing people together to build homes, communities and hope. Beyond that moral imperative, the federal Fair Housing Act requires that an affiliate publicize its program throughout the community so that everyone has a fair chance to apply for a Habitat house.

3.3. Your selection plan

As with all important, complex tasks, you will need to develop a plan or strategy. The purpose of this plan is to ensure that all parts of the promotional process are well-coordinated and that all the information that is communicated to the public is clear, accurate and consistent.

Before any communication with the public, you need to be absolutely clear about certain key elements of your homeowner selection process. Here are a few questions that you must be able to answer:

- Will the application process be open continuously, or will it be open for certain periods and closed for others?
- Will an application fee be charged?
- Does the process require the applicant to attend an orientation session?
- Where will the house be located? (This is especially important if you have a large service area.) Will there be choices in various communities? Will it be new construction or a rehab? Will it be a single-family home or a multifamily unit? Will it be an infill lot or in a Habitat subdivision? When will construction start?
- How are applications to be distributed? Some affiliates distribute and receive applications by mail or electronically.

Once you can answer these questions, you can begin to craft clear and consistent messaging for the general public and for your “target market”: people in need of affordable housing. You will also be able to coordinate the various parts of your outreach and application intake strategy.

NOTE

Orientation/application meetings are very useful for helping potential applicants understand the homeownership program. However, these meetings cannot be a condition of a consumer getting an application. When consumers are restricted in accessing credit, it can be seen as discouragement, which is prohibited by the ECOA.

3.4. Affiliate public relations

Any promotional strategy for recruiting qualified applicants takes place within the wider context of an affiliate's general public relations activities and should take full advantage of all opportunities that present themselves. Many outreach efforts are more successful if the PR committee uses its skills and expertise to assist the selection committee. Some of these opportunities will allow for the presentation of written material about homeowner selection. If a board or staff member is addressing a local service organization about the work of Habitat, he or she might be able to hand out brochures that describe the selection criteria and process in detail.

ELEVATOR SPEECH

Some public relations opportunities will allow only for a spoken message. Suppose, for example, that one of your volunteers or staff members is being interviewed by a reporter at a house dedication. Your selection brochure is not available, and the reporter doesn't have time to read it anyway. A desirable goal for your promotional strategy is that anyone from your affiliate who finds himself or herself in such a situation will be able to deliver a clear and consistent message about homeowner selection. To achieve that goal, all affiliate board members, staff members and key volunteers should be able to deliver an "elevator speech" about homeowner selection.

An elevator speech is a few sentences that are clear and concise enough to get across several important points about homeowner selection in a very short time (for example, between two floors on an elevator). It might go something like this:

> *"Habitat does not give houses away. Our qualified homebuyers help build their houses by putting in 500 hours of sweat equity. Then they purchase their houses with an affordable mortgage that we provide. Homebuyers qualify by demonstrating their need for a Habitat house, their ability to pay for it, and their willingness to accomplish their sweat-equity hours and other requirements, like completing a financial education program. We are taking applications right now. Do you have anyone in mind who would be a good candidate for a Habitat house?"*

NOTE

Anyone can provide PR for the affiliate by using an elevator speech or dropping fliers and other advertising. It must be made clear, however, that it is very easy to turn an inquiry into an application, thereby triggering ECOA disclosures. Personnel doing PR must be guided on the legal implications of outreach.

Everyone might have a slightly different way of phrasing these points, but these (and other points of your choosing) must be communicated clearly and consistently whenever a good opportunity presents itself.

Many affiliates report that homeowners are the best referral source. Homeowners can be effective and inspiring speakers, and they have compelling stories for print materials and at outreach or application events. They are evidence both of your affiliate's success and the effectiveness of the Habitat model.

3.5. Market research: Getting to know your niche market

The more you know about the habits, tastes and preferences of your target audience, the better you will be at directing your advertising and networking activities to reach them. One tool used by marketing professionals to gain an insight of habits and preferences is a "focus group." A focus group is made up of individuals from your target audience who are willing to give you honest feedback on a promotional plan.

If your affiliate is just starting out, you will have to recruit your focus group as you go along. But if you are an established affiliate with an existing group of homeowners, you might want to use some of your current homeowners for this task.

You can show them or tell them the message you are planning to use in your advertising campaign and ask them for their reactions. Show them the drafts of your brochures and posters. Ask them what radio stations they listen to, what TV stations they watch and what newspapers they read. Show them your list of networking partners and ask which ones they think will work the best.

Another effective technique of market research is simply tracking your results. When a prospective applicant calls or sends an email or shows up at a meeting, ask how they found out about you, and record the answers. You can use colors or other methods to code the tear-offs and response cards that you place in the community or mail, so that when you get one back, you know where it came from.

3.6. Action steps: advertising

Beyond taking advantage of general public relations opportunities, your promotional strategy should focus on creating the right kinds of messages and using the right kinds of media to reach your target audience. Your target audience or "market niche" consists of families who need the decent, affordable homes you offer; who meet your income qualifications; and who are willing to fulfill your partnership requirements. Affiliates must comply with federal laws and regulations such as TILA, ECOA and Fair Housing Act, along with any applicable state laws relating to advertising.

The messages you create will, of course, be dictated by the type of medium you are using and by the result you want to achieve. Here are some methods that other affiliates have found to be successful:

HOMEOWNER SELECTION BROCHURE

Create a simple, attractive brochure that covers the most important details about the selection criteria and process. The tri-fold format is common and can be easily produced with any desktop publishing software.

The aim of a brochure is to encourage consumers who might be qualified to take the next step, so it must tell them what the next step is. It might be to fill in a form that is part of the brochure and mail it in, or it might be to call a phone number, send an email or attend a meeting. Affiliate personnel who open the mail, answer the phone, read the email or hold the meeting can give those consumers more information, answer questions and, if appropriate, inform them of the next step in the process.

The text of a brochure is critical. It needs to be readable, interesting and encouraging as well as informative. You want to provide enough information to give people a good idea of how the process works and whether they might qualify. You do not, however, want to discourage consumers by making the process sound more difficult than it really is or by giving information that might easily be misread or misinterpreted.

The brochure is a great advertising tool because it can be used in so many ways:

- As a handout at informational meetings about homeowner selection.
- As a handout at public gatherings where your affiliate has been invited to have an information booth.
- Handed out at affiliate events such as speaking engagements, fundraisers or house dedications.

- Mailed or personally delivered to interested individuals or to other organizations that might come in contact with your target audience on a regular basis.
- They can be displayed in public locations where your target audience is likely to see them, such as coin-operated laundries, health care clinics, supermarkets and convenience stores, hair salons and barbershops, faith-based organizations, businesses, schools, and libraries.

OTHER FORMS OF ADVERTISING IN PRINT

Posters can also be created and placed in the same public places as your brochures. To be graphically attractive and effective, a poster should have a limited amount of text. It is best used to advertise a meeting or direct people to a phone number, website or email address in order to find out more. One popular format includes tear-off slips that people can take with them rather than having to copy information on the spot.

Newspaper ads, like posters, are best used to tell people how to find out more. You can create block ads or classifieds. You can purchase space in some papers for very affordable rates, or you might get a newspaper to donate or discount space. Be sure to explore small community newspapers, which might be more affordable and attract more readers from your target audience than the large-circulation dailies. You might also consider placing a classified ad in the "For Rent" section, since many members of your target audience are renters.

RADIO AND TV

Public service announcements by radio and television stations are free, because they are part of broadcasters' legal obligation to devote a certain amount of airtime to public service. In addition to simply airing them, many stations will help produce them. If you provide the written and visual material, the station staff might be able to provide the technical expertise to turn out a professional-quality product. Some affiliates have also gotten local advertising or video production companies to help them produce PSAs at either no charge or greatly reduced rates. Finally, HFHI produces very high-quality PSAs, which it distributes to major media markets and also makes available to affiliates so that you can "tag" them with your own contact information.

Public affairs programs are another way for you to get your message out to the public. These are feature-length programs produced by local stations that very often make use of an interview format to highlight community businesses and organizations. Sometimes they will also air audio or video footage that you provide.

Cable access channels. Though some people whiz by these channels with the TV remote, many people actually watch and respond to such programs. The radio equivalent is the community calendar, which devotes short periods of airtime to announcements of community interest. Both public and commercial radio and TV stations have them, and they are provided free of charge.

Websites. Place information on how to apply and basic qualification requirements on your affiliate website. Link your site to sponsors, churches and other faith-based organizations or supporting organizations in your community. Use news splashes or other methods to call out open application times or upcoming orientation meetings.

3.7. Action steps: networking

Another way to get your message to your target audience is by communicating it to others who frequently come into contact with that audience. Your goal here is more ambitious than just getting these third parties to pass along a specific message. Ultimately, you want these people to become your advocates, and so, they have to understand what Habitat does and what advantages and benefits you bring to your homeowners. Once they have that understanding, they are more likely to pass along your message with real conviction and enthusiasm. Here are some networking partners that other affiliates have used successfully:

- Current Habitat homeowners.
- Churches and other faith-based organizations.
- Other affordable housing organizations.
- Banks and other housing lenders.
- Local employers whose employees fall within your target income range.
- Neighborhood associations.
- Schools.
- Social service organizations such as Head Start; Women, Infants and Children; and the Department of Social Services.
- Community action agencies.
- Consumer credit counseling agencies.
- Homeowner counseling programs.
- Local HUD offices.
- Local housing authority.
- Transitional housing programs.
- Rental housing locators.
- Rural Development offices.
- Home repair programs.
- United Way information and referral program.
- Day care centers.
- Boys and Girls Clubs.
- Board of Realtors.

3.8. Legal considerations

THE DOS AND DON'TS OF ADVERTISING

The FH Act has regulations governing:

- Advertisements that state or indicate a limitation or preference based on a protected class.

The TILA has regulations governing:

- Accurate and balanced information, in a clear and conspicuous manner, about rates, monthly payments, and other loan features. It also prohibits deceptive or misleading advertising practices.

The regulations detail, through examples, what will be considered a discriminatory practice by a housing developer on groups protected by the FH Act. It is stated in the regulations that directions can sometimes imply a discriminatory preference. For example, discrimination may be implied if a creditor refers in an ad to a specific location where the real estate is located or includes statements about the location being an existing African-American community or a location known for excluding minorities. The former would be informing African-Americans that the development is exclusively black, while the latter would be informing whites that the area is predominantly white. Discriminatory practices also occur when references are made to significant landmarks.

Advertising also can be found discriminatory if a creditor uses English language media alone or exclusively uses media catering to a majority population in an area when non-English or other minority media also are available. An example of how discriminatory advertising in the media could be claimed is if a housing developer had an advertisement translated in both Spanish and English in an area with a large Hispanic population when there is also a significant Korean population present. Failing to translate the advertisement into Korean could result in discriminatory impact to a protected group.

Where an affiliate places its advertising is important. You need to be certain that you are reaching as many areas within your geographic location as possible. The regulations state that it would be considered selective geographic advertisement and create a discriminatory result if advertisements were merely placed on billboards or distributed by hand in limited areas. This means that distributing advertisements only in local churches is not enough. Even mailings cannot be limited to certain areas. When advertising in a major metropolitan area, an affiliate should take care to advertise in more than one major newspaper (if available) and should avoid advertising exclusively in a newspaper geared toward a particular segment of the community.

USING THE EQUAL HOUSING OPPORTUNITY LOGO

NOTE

Equal Housing Opportunity logos are available at portal.hud.gov/hudportal/HUD?src=/library/bookshelf11/hudgraphics/fheologo and in Appendix 11.

The FH Act states that the Equal Housing Opportunity logo must be included in all advertisements and in all printed materials, and it should also be on your affiliate website. The regulations state that all advertising of residential real estate or financing should contain an Equal Housing Opportunity logotype, statement or slogan. This is to ensure that you are educating your audience to the fact that the property is available regardless of race, color, religion, sex, handicap, familial status or national origin.

In terms of state law or municipal laws, the regulations state that the Equal Housing Opportunity statement can include statements regarding local fair housing and human rights ordinances. To find out if any local laws apply to your affiliate, you need to consult a local attorney.

In all advertising, the following standards should be used:

Size of advertisement	Size of logotypes
½ page or larger	2 inches by 2 inches
1/8 page up to ½ page	1 inch by 1 inch
4 column inches to 1/8 page	½ inch by ½ inch
Less than 4 column inches	Do not use.

If there are other logotypes in the advertisement, the Equal Housing Opportunity logo should be equal to the largest of the other logotypes. If there are no other logotypes, it should be boldly displayed and clearly visible.

Equal Housing Opportunity statement: We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status or national origin.

USING THE EQUAL HOUSING LENDER POSTER

Affiliates must also be in compliance with federal fair lending laws, because affiliates make loans to applicants for the construction and repair of dwellings. Under the regulations, banks that advertise that they extend loans for the purchase, construction, improvement, repair or maintenance of a dwelling must do so without discriminating with regard to race, color, religion, national origin, sex, handicap or familial status.

The fair lending laws also require that a poster be displayed. If the affiliate has an office with a public lobby or area, then the affiliate must display an Equal Housing Lender poster that is clearly visible to the general public when they enter the area.

If your affiliate is building more than one home in an area, note that HUD requires a poster to be displayed for creditors who offer a dwelling for sale or rental in conjunction with the sale or rental of other dwellings. If this is the case for your affiliate, (e.g., a blitz build or an area where you are building more than one house at a time), then the poster can be displayed or maintained at the model dwelling instead of at each individual dwelling.

Failure to display this poster will be considered factual evidence of discrimination should a complaint be filed with HUD against an affiliate. The English- and Spanish-language posters are in **Appendix 12** and **Appendix 13**. They also can be downloaded and printed from the HUD website: **hud.gov/offices/fheo/promotingfh/928-1.pdf** (English) and **hud.gov/offices/fheo/promotingfh/928-1a.pdf**.

3.9. Orientation

Your well-planned, well-implemented outreach campaign will generate potential applicants, and they will respond by contacting the affiliate. When they do contact you, be prepared. Be ready with both the **elevator speech** for potential applicants and a potential homeowner contact sheet. Collect enough information so that you can get in touch with the potential applicant to remind him or her of scheduled Habitat homeownership orientations or to send them an application.

Your plan to identify qualified applicants may include some form of orientation, which will give consumers a clear picture of the selection criteria, along with a summary of what happens once an applicant is selected, both before and after moving into a Habitat house. This is based on the belief that informed applicants make informed decisions. In other words, applicants who understand how Habitat for Humanity operates, what the homeowner selection criteria are, and what the steps to homeownership entail are better prepared to decide if the program works for their family.

This orientation may be conducted with individual applicants or with groups of applicants, but there are several distinct advantages to holding meetings for groups and using a script for the presentation:

- Many of the applicants tend to feel more comfortable in a group setting, where they are not the center of attention.
- Using a script ensures that each time the presentation is given, it is consistent, therefore all applicants will hear the same message.

- The group presentation method saves the committee a tremendous amount of time.

Whatever method is employed, by the end of the orientation session, some individuals already will have decided that they do not qualify based on the selection criteria or that they do not wish to partner with Habitat and disqualify themselves. Other consumers who believe that they are qualified and remain interested after the presentation are ready to move on to the next step.

The Local Initiatives Support Corp. has a publication that might prove very useful. *Building Neighborhoods of Choice: A Workbook on Marketing Neighborhoods and Affordable Ownership Housing* is available on the HUD Exchange site: **hudexchange.info/resource/27/building-neighborhoods-of-choice-a-workbook-on-marketing-neighborhoods-and-affordable-ownership-housing/**.

4. Application processing

The third step in the homeowner selection process is the application work. The committee, board and staff must be keenly aware of their responsibility to each applicant. In many situations, it is a leap of faith for applicants to fill out an application. Therefore, the affiliate has an obligation to be compassionate and timely in working with applicants, and has a legal responsibility to treat all applicants in a nondiscriminatory manner.

Application processing is often a delicate task. Clumsy, thoughtless, inconsiderate work can ruin an affiliate's reputation, result in lawsuits and alienate Habitat's most important partners: the prospective homeowners.

Often, the process begins when a potential applicant telephones the affiliate to find out more about the program. For affiliates that operate without a paid staff and rely on answering machines or voicemail, it is very important that someone reply to the inquiry as quickly as possible. Affiliate staff members or volunteers who answer the phone should be trained to manage calls from potential applicants. It is important to know that ECOA's definition of an application includes an oral request, regardless of whether the application is actually complete. This means that a telephone inquiry can trigger an application. The three selection criteria for homeownership and the application process should be explained so that potential applicants can decide if they wish to become Habitat homeowners. Do not rule out applicants or tell them they do not qualify while explaining the criteria. If you do, that inquiry becomes an application, and an adverse action notice must be provided to the applicant within 30 days. It may be beneficial to record every inquiry received about Habitat homeownership and the result of the inquiry. This information can be used for future outreach and may also be useful if a consumer makes a negative claim against the affiliate.

4.1. Loan originator

As discussed earlier in the legal issues section of this AOM, affiliate staff members and volunteers who interact with applicants for the homeownership program and, subsequently, the mortgage loan process must be qualified loan originators. Affiliates in states that must meet the SAFE Act licensure and registration requirements are to ensure that all loan originators are appropriately licensed and registered on the National Mortgage System License & Registration. Affiliates in states that are exempt from the SAFE Act must ensure that their loan originators meet the TILA loan origination qualifications. Loan originators must be qualified before originating loans. In most cases where loan origination is outsourced to a third party, loan originator activities are still performed by affiliate personnel in the homeowner selection period. Therefore, affiliates must ensure that qualification standards are met by anyone assisting applicants during the application process. For instance, an affiliate may perform tasks that offer, arrange or assist a consumer in obtaining an extension of credit before sending that consumer to a third-party lender. A qualified loan originator must be the one who sends any notification to applicants and discusses loan-related items. **When there is a reference to a loan originator, it implies a qualified loan originator.**

Board members, affiliate staff members and volunteers who do not interact with applicants during the application process are not considered loan originators. Additionally, affiliate staff members and volunteers who preform clerical or administrative tasks such as underwriting, pulling credit reports or application intake are not considered loan originators.

LET'S BEGIN

Your affiliate's goal in Chapter 3 was "to ensure that all families in need within your service area learn about the opportunity to apply for a Habitat house." Once that goal is accomplished and consumers have expressed interest in becoming Habitat homeowners, application work begins.

Document every contact and action with each applicant. This is a good practice for situations when another affiliate staff member or volunteer has to interact with the applicant; with little effort, they will be able to get a snapshot of previous actions or communications.

Use the partnership contact record to:

- List and summarize all calls, visits and receipt of documents.
- Log that applications and supporting documents were evaluated.
- Log all letters sent and received regarding the application, including all required disclosures.

This information is essential to the affiliate's application processing and may indicate decisions made about the applicants.

4.2. Obtaining completed applications for Habitat homeownership (Homeownership Assessment or ECOA Phase)

Each affiliate adopts its own plan for distributing and receiving applications. As long as the plan complies with all applicable laws and policies, affiliates are free to select the plan that best meets their needs. ECOA requires that once the first piece of information to evaluate an applicant has been received, within 30 calendar days, regardless of whether the application is actually complete, a notice of action taken must be provided to the applicant.

As noted earlier in the manual, affiliates must **define a completed ECOA application**, because various laws trigger next steps and specific timeframes based on the receipt of a "completed application." For instance, an affiliate may define an application to include a completed paper or online application, all information needed to determine an applicant's creditworthiness, attending an orientation session, a completed home visit, and board approval of the applicant. In cases where a notice of incompleteness was provided to the applicant within the first 30 days, once all items above are in place (a completed ECOA application), a decision must be made to accept or deny the applicant.

When pre-applications are used to screen for basic eligibility, ECOA still applies and treats the pre-application as an application, requiring that a notice of action taken (approval, notice of incompleteness, or denial) is provided to the applicant within 30 calendar days of receiving the first piece of information (written or oral) used to

evaluate the applicant for a credit decision. Affiliates should be cautioned when using only stated information to determine an applicant's eligibility, as it could be inaccurate. HFHI recommends that affiliates request that applicants provide evidence of income and residency (if required) in the pre-application process. When an affiliate disqualifies an applicant on information in a pre-application, that constitutes a denial, and an **adverse action notice** (letter of denial) must be sent by a qualified loan originator. When an affiliate evaluates a pre-application, determines that the applicant meets the initial requirements, and moves on to the next step, the **notice of incompleteness**, or NOI, must be provided to the applicant by the qualified loan originator. The NOI must contain all required information, a reasonable time frame for the information to be received by the affiliate, and a disclosure saying that if the requested information has not been received by the due date, the affiliate will no longer consider the application — essentially an adverse action, or denial of the application. Although the ECOA notices are required in the pre-application stage, this method moves more quickly than processing a full application for every applicant**.**

INNOVATIVE METHOD OF DISTRIBUTION

The affiliate forms alliances with community organizations such as a housing resource or family homeownership center. The agency prequalifies applicants using Habitat criteria and provides the affiliate with completed applications, with all required documents attached. It must be noted that ECOA notices still apply when a third party is performing the pre-application work on behalf of Habitat, and these organizations should not make promises of homeowner-ship to any applicant. This practice is not recommended by HFHI. Affiliates that choose to use it must ensure that there is a strong relationship with the alliance organizations and that they understand Habitat's mission and responsibilities as a lender.

OTHER POSSIBLE DISTRIBUTION METHODS

- Applications available for pickup from the affiliate office.
- Applications available at orientation sessions.
- Applications mailed on request.
- Applications available from community alliance organizations.
- Applications distributed throughout a community of need, as a means to encourage those who need Habitat homes to apply.

A LENGTHY PROCESS REQUIRING MANY DOCUMENTS

Remember that the HUD Fair Housing poster must be displayed at meeting sites and where applications are provided and received. Affiliates must include the **HUD Equal Housing Opportunity logo** or statement on materials and posters used for orientation, pre-application and full application meetings and mailings.

Sometimes applicants are slow to provide some of the required documents, and the affiliate might need to help them understand that the process cannot move forward without the required information. Also, providing application information and documents in a timely manner is a key part of "willingness to partner."

Never keep an applicant's original documents. The applicant should provide the documents in their original form, and the affiliate should make copies and immediately return all originals to the applicant.

DOCUMENTS THAT MAY BE REQUIRED BASED ON AFFILIATE POLICY

- **Marriage certificate/divorce decree.**
- **Birth certificates for applicants.**
- **Lawful residency status.**
- **IRS 4506T completed form (transcript request).**
- **Written verification of income from all sources.**
- **Pay stubs or earnings statements from previous two months.**
- **Public assistance award letters.**
- **Copies of rent receipts from the past three months or a copy of a current lease.**
- **Insurance bills or policies.**
- **Documentation of car payments.**
- **Documentation of student loan payments.**
- **Written reference from current landlord.**
- **Three references from a minister, friends, co-workers, etc.**
- **Separate credit reports for each adult who will live in the house.**

The homeowner selection process can be an anxious time for applicants. Therefore, affiliates need to carefully manage applicants' expectations during each step of the process. It must be made clear to the applicant that this is an extensive, lengthy process and that no one step actually guarantees a home. Be honest with applicants and handle all applications in a timely manner and in accordance with federal, state and local laws and regulations.

MANAGING APPLICATIONS

Many Habitat affiliates agree that the time from application to homeownership should take between five and 15 months. If it is less than five months, there is not enough time to complete the sweat-equity requirement. If it is more than 15 months, enthusiasm wanes, frustration sets in, and household dynamics and financial status or readiness may change. In this case, the board of directors might wish to analyze its program and seek ways to streamline the process.

In order to process applications in a timely manner, the affiliate should:

- Establish a time frame for acceptance of applications. The time frame will depend on the pace of house construction and the volume of applicants. Affiliates may be best served by limiting applications to one time frame per year. Other affiliates may be best served by having several time frames per year, and some may find it best to continually solicit applications. During the closed application periods, inquirers can be told when to contact the office or they can be put on a list so that the affiliate can contact them at the appropriate time. It is also important to ensure that closed application periods are posted on the affiliate's website and in the office, and that any community agencies that refer applicants should be made aware of these times. Affiliates should choose the time frame that best serves their need for applicants, and follow it consistently.
- It is necessary that the application process be designed to ensure that all methods of application intake have a mechanism to record/date stamp when an application (including any form of pre-application) is received by the affiliate. As noted earlier, the affiliate must provide a notice of action taken within 30 calendar days of receiving the first piece of information to evaluate the applicant. **It is important to note that an affiliate cannot refuse to take an application, even if it is not considered to be complete by affiliate standards.**
- Perform an initial screening of each application. A quick determination can be made by an authorized affiliate representative on key qualification requirement. Such as:
    - Household income is within area median income.
    - Section 3 of the application, willingness to partner, is affirmed.
    - Residency — if applicable per policy.
    - Immigration — if applicable per policy.

NOTE

During the remainder of the application process, some applicants will fail to meet the board-approved requirements and be disqualified. When the affiliate learns that an applicant does not meet the clearly defined requirements and is disqualified, the affiliate must send an adverse action notice within 30 calendar days of making its decision and must state the reasons for the adverse action and the procedure for reapplication. Depending on where in the process the denial occurs, the applicant may not require a home visit or review at a committee meeting.

At this point, if these items are not met within 30 calendar days of receiving the application, the affiliate's qualified loan originator must provide an adverse action notice to the applicant, stating the reasons for the adverse action and the procedure for reapplication. These applicants should not require a home visit or even review at a committee meeting. The applicant's file should be marked accordingly and filed for no less than 25 months from the date the adverse action was taken.

Should the applicant meet those requirements, then a thorough review must be conducted for the other selection criteria. Remember: The 30-day clock is still ticking.

The affiliate can provide a service to applicants with higher incomes by maintaining a reference list of lenders that offer financing programs for low-income homebuyers. The local HUD office can advise you on lenders in your area that offer such programs. A similar list of programs for lower-income applicants — affordable housing programs, public housing agencies, and emergency and transitional shelter programs — should be maintained. Both lists need to be updated annually.

INFORMATION SHARING AND SAFEGUARDING

Affiliates must have a privacy policy for protecting the confidentiality, security and integrity of nonpublic personal information about its consumers and customers. It is essential that affiliates have written homeowner selection communication guidelines so that those involved in qualification and verification checks know when and how to share information. The Gramm-Leach-Bliley Act, or GLBA, regulates the use and dissemination of "nonpublic personal information" and requires that affiliates provide a privacy notice as it pertains to the use and sharing of nonpublic information collected. The GLBA distinguishes between a "customer" and a "consumer," and further defines when notice must be provided to each. A consumer does not have an ongoing relationship with the affiliate, whereas a customer does. To further clarify, an applicant would be considered a consumer until he or she becomes a homeowner; then the ongoing relationship begins. Affiliates that use third-party lenders (e.g., USDA 502, zero equivalent mortgage lenders, etc.) should provide the privacy disclosure at the time of application; it should be included in the application package. This practice informs applicants that their information may be shared with a nonaffiliated third party. Affiliates that offer only Habitat mortgages and don't otherwise share consumer information can provide the initial privacy disclosure at the same time that RESPA initial disclosures are provided — no later than three days after receiving a completed RESPA application. Additionally, a customer must receive an annual notice for the life of the relationship once every 12 months.

The privacy notice disclosure must inform the applicant of the following:

- Types of third parties that the nonpublic information may be disclosed to.
- Categories of nonpublic personal information that is collected.
- The ways in which nonpublic information is protected by the affiliate.
- Categories of nonpublic personal information that is disclosed.
- The right of the applicant to opt out of information sharing with nonaffiliated parties.

The privacy notice can be mailed, delivered in person or posted on the affiliate's website. For more details, refer to the Guidance Memorandum on Gramm-Leach-Bliley Requirements.

NOTE

Safeguarding customer information must have administrative, technical and physical standards that address the following:

- **Ensure the security and confidentiality of customer records and information.**
- **Protect against any anticipated threats or hazards to the security or integrity of such records.**
- **Protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.**

4.3. ECOA requirements and timelines for processing applications

Applications must be processed in a timely manner to comply with federal law. The federal Equal Credit Opportunity Act requires that affiliates follow specific notification and record-keeping requirements when processing applications.

ALERT

Items 1, 2, 3, 7 and 11 below are subject to ECOA requirements. Other items are additional information that affiliates often require to complete the application.

1. SETTING UP THE APPLICANT'S FILE

When an application is received, the affiliate opens a permanent file for the applicant. All documentation concerning the applicant is kept in this file for at least 25 months after the date that the affiliate notifies an applicant of action taken. Each file should have a tracking document to help monitor the progress made on that application. The tracking document shows all application-related activity from the first contact to either an adverse action notice, a withdrawal of application, or a homeownership agreement. This file should also be used to store sweat-equity documentation and tracking, and all documents through to loan closing should be retained per legal requirements.

2. APPLICATION REVIEW

Once the application is reviewed and income documents are provided to determine if basic income guidelines and any residency requirements are met, evaluate the data to determine eligibility. (See Part C: **Qualification and verification checks**.) Applicants who do not meet these basic requirements must be provided with an adverse action notice within 30 calendar days after the affiliate receives the first piece of information to evaluate the application. If the applicant meets the basic criteria but has not included all the information necessary to make a decision, the affiliate must inform the applicant in writing that additional information is needed. Step 3 describes this further.

3. REQUIRED NOTICE: NOTICE OF INCOMPLETENESS (NOI)

Within 30 calendar days after the affiliate receives an application that is missing required information, a **Notice of Incompleteness** (NOI) must be sent to the applicant. The notice should:

- Specify the information needed to complete the application process.
- Establish a date for the applicant to provide the information to the affiliate's office. ECOA regulations require that a "reasonable period of time" be allowed for applicants to return the requested information. A reasonable period should be coordinated to have enough time to finish the application evaluation so that sufficient time will be available for the applicants to complete sweat-equity hours if they are selected.
- Inform the applicant that if the material is not provided within the specified time, the application will no longer be considered. If the applicant fails to return the requested information within the designated time, the affiliate has no further obligation to the applicant. If the applicant supplies the requested information within the designated period, the affiliate should carry on with the application evaluation, and the 30 days to provide a notice of action taken is reset. At this point, the action could be a denial; an **Informational Notice of Incompleteness** (INOI); or an approval (homeownership agreement). The INOI is used when the remainder of the information required can only be obtained or completed by the affiliate, not the applicant. (e.g., a home visit, receipt and review of credit report, etc.).

4. APPLICANT WITHDRAWAL

An applicant may withdraw the application for participating in the Habitat homeownership program at any time during the application process, right up to loan closing. Should an applicant choose to withdraw, the affiliate should request a written letter stating the reason for the withdrawal and close the file. Affiliate policy should address how withdrawn applications will be managed.

5. INFORMATION GATHERING

The application alone does not contain enough information to determine whether an applicant qualifies for a Habitat home. Affiliates should also collect the following:

- Need for adequate housing (generally determined by a home visit).
- Willingness to partner (affiliate's policy must define objective criteria that can be monitored).
- Underwriting information:
  - Personal assets. (See **Appendix 3: Sample Request for Verification of Deposit**.)
  - Income verification. (See **Appendix 4: Request for Employment Verification**, **Appendix 5: Request for Past Employment Verification**, and **Appendix 6: Verification of Public Assistance**.)
  - Credit report.
  - Credit references. (See **Appendix 9: Example Request for Credit References**.)
  - Landlord statement. (See **Appendix 7: Example Request for Landlord Reference** and **Appendix 8: Example Request for Previous Landlord Reference**.).
  - Any other information that is required by the affiliate's policy.
  - Information to create a nontraditional credit file, such as utility payments, cell phone payments, insurance payments and any other verifiable regular payment items.
- Immigration status documents, if required by policy.

Bedroom guideline considerations

Many affiliates adopt bedroom guidelines to help determine house size. *(This is a sample, not a policy. Refer to HUD's* ***Measuring Overcrowding in Housing*** *report at* ***huduser.org/publications/pdf/measuring_overcrowding_in_hsg.pdf*** *when establishing affiliate policy.)*

- Parents have a separate bedroom from other family members.
- Dependent adults have a separate bedroom.
- Female and male children do not share a bedroom.
- Same-gender children share a bedroom if the age difference is not more than five years.
- A household member with special needs might need a separate bedroom.
- Each family member will be able to sleep in a bedroom.
- The family is not expected to outgrow the house within the first year.

More information on house size is provided in the Habitat for Humanity house design criteria. See the **U.S. Sustainable Construction Standards manual** on MyHabitat.

6. LIVING OR WORKING IN THE GEOGRAPHIC SERVICE AREA

If an affiliate requires that applicants live or work in its geographic service area before they can apply for a house, the requirement should not be for more than a year. The affiliate cannot require the applicant to live in a particular neighborhood or section of the service area, because this could reinforce segregated housing patterns and be considered illegal steering.

7. UNDERWRITING

It is important that affiliates get a complete financial picture of applicants in order to accurately assess their credit risk. The underwriting information gathered in Step 5 must be analyzed and verified. The underwriting process will inform the applicant's ability to repay the loan. To determine income stability, request — as applicable — employment records, award letters, bank statements and/or court orders for the past two years. Projected future income is determined by current records. If there is no indication that income will be terminated, then it is expected to continue for at least three years. If the income is going to be terminated in less than three years, then the income does not count toward "projected income" for purposes of determining the applicant's ability to meet the monthly mortgage payment.

Credit reports can be difficult to understand, therefore, anyone who reviews and makes decisions on this information must be adequately trained. If it's determined that the applicant does not have sufficient income or that their debt load is too high and above 43 percent DTI, the applicant should be denied and an adverse action notice should be provided to them. The notice must be provided within 30 days of making the decision. (The 30-day timeline may be based on the date the application was initially submitted to the affiliate **or** to the date the NOI information was returned to the affiliate. You may have to refer to the partnership contact record.) Refer to the **Affordable Mortgage Calculator** to assist in calculating the borrower's affordability index.

It is strongly recommended to use the IRS tax transcripts for income verification. **Form 4506-T** must be completed and signed by the applicant; HFHI recommends that it be included in the application package. At least two years of tax returns should be requested for applicants. The request can be faxed to the IRS, and the transcripts will be mailed to the affiliate's office, which should be indicated on Line 5 of the form.

There are eight key items that should be determined and verified to make a sound underwriting decision:

1. What income will be used to repay the loan? How much income does the applicant receive, and will it be sufficient to carry the expected mortgage loan payments? Remember that AMI is no longer a factor.
2. Is the income that is relied on for mortgage repayment consistent and reliable? If income is from wages, is it stable? Is the employment status full-time, part-time, seasonal, overtime, self-employed? If the applicant is receiving other forms of income, stability and reliability must also be determined. Information should be collected for the past two years up to the most current month. A review of this information should show that the income has been stable and there is a reasonable determination that it will continue for at least three years. This step looks at the availability and stability of the income for loan repayment.
3. Based on a good faith effort, determine the monthly mortgage payment for the mortgage loan. In the ECOA Phase, this amount is a good faith estimate of the principal payment. This amount forms part of the front-end ratio. In some cases, the affiliate may have to determine the amount of the front-end ratio (30 percent for the applicant's gross income), then back out the escrow amounts to arrive at the affordable amount for the principal payment. The Affordable Mortgage Calculator tool can assist affiliates with this calculation.
4. Will there be simultaneous monthly payments for loans on the property? If not, this figure will be zero. If the payment is deferred to the end of the first term, the figure is

also zero. If there will be a simultaneous monthly payment, then factor that amount into the front-end ratio.

5. Determine the amount of the property taxes, insurance, flood insurance (if applicable), HOA (if applicable), and other related property costs that will be escrowed. These costs are also included in the front-end ratio, which has a cap at 30 percent of gross monthly income.
6. Determine the total debts (car payment, student loan, credit card, etc.), including alimony and child support payments and/or 401K loan payments, (if applicable). Debts are generally evidenced on a credit report; it is best to use an RMCR for the most up-to-date records. The monthly payment amounts for all long-term debts factor into the back-end ratio, which should not exceed 43 percent of gross monthly income. Affiliates that do not use an RMCR should seek additional debt information, such as judgments, tax liens or bankruptcies. This information can be researched in the public records of the state or county of the applicant.
7. Determine the overall DTI. The total of all mortgage and nonmortgage obligations should not exceed 43 percent DTI. There may be some cases in which an affiliate permits a slightly higher DTI, but the affiliate must have a policy that outlines compensating controls that must be present for this exception to be made.
8. Perform a thorough review of the applicant's credit history. As noted above, a credit report shows most debts and repayment history, or lack thereof. It is also important to follow up with the applicant on any recent inquiries shown on the credit report to determine if new credit has been established but has not yet shown up on the report. Many Habitat applicants do not use traditional credit or are new to the country, and will therefore have a "thin" credit file or insufficient credit. Affiliates must document in their policy how they will create and assess a nontraditional credit history.

8. SEX OFFENDER REGISTRY CHECK

State law may prohibit the use of information obtained from the sex offender database. Therefore, make sure you know your state and local laws before performing this check. Written permission must be obtained before conducting the sex offender check.

Affiliates must adopt and implement a written policy that addresses:

- How they will conduct the sex offender registry check.
- How they will use that information to make decisions.
- How they will communicate denial to potential homeowners.

Affiliates should apply policies and procedures consistently.

9. CRIMINAL BACKGROUND CHECK

A criminal background check is a consumer report. Therefore, compliance with the Fair Credit Reporting Act, or FCRA, is required when denying an applicant. Written approval must be obtained from the applicant before conducting a criminal check.

Affiliates that conduct criminal background checks must adopt and implement a written policy that addresses:

- How they will conduct the criminal background check.
- How they will use that information to make decisions.
- How they will communicate a denial to potential homeowners.

Affiliates should apply their policies and procedures consistently.

10. CHECKING OFFICE OF FOREIGN ASSETS CONTROLS LISTS

Affiliates are required by federal law to conduct a name check on all applicants and co-applicants in the OFAC database. HFHI strongly recommends that the check be conducted again before the loan closing. In cases where a positive match is identified from the search, contact OFAC at (800) 540-6322 for further instructions. (See the section on OFAC in Chapter 2.)

11. REQUIRED NOTICE: INFORMATIONAL NOTICE OF INCOMPLETENESS (INOI)

If the process is stalled because the affiliate has outstanding items to do (e.g., home visit) or has tasks to perform before an ECOA application is considered completed and a final decision can be made, the affiliate should send an Informational Notice of Incompleteness (INOI) to the applicant. The notice should indicate that the application is still being processed and that the affiliate has received all required documents from the applicant but still has items to complete before finalizing its decision. Additionally, the notice should include a date when the affiliate will have a decision. Select a date that takes into account the timing of the outstanding items or tasks. The INOI satisfies the ECOA requirement to keep applicants informed of where they are in the process.

12. HOME VISIT

The home visit provides the home visitors and the applicants with the opportunity to discuss the applicants' need for adequate housing, in addition to a physical assessment of the current living conditions to further corroborate the need for adequate housing. The home visitors' written report outlining the applicant family's need for housing and their willingness to partner forms a part of the application and factors into the decision.

4.4. Qualification and verification checks

Affiliates conduct qualification and verification checks of each applicant. Depending on the structure of the committee, they may review all information collected on each applicant so that they can recommend applicants for approval, or the committee may be involved in performing the verifications and passing the information on to the qualified loan originator. Whatever the structure of the committee, an overall determination has to be made whether to recommend an applicant into the homeownership program based on their need for adequate housing, their ability to pay for the home, and their willingness to partner with Habitat for Humanity. All information from the qualification and verification checks of the applicant must be collected and kept in the applicant's file, which must be adequately safeguarded. The application tracking sheet should identify all required information is in the folder, along with the timelines associated with each action.

In preparation to conduct qualification and verification checks, it might be helpful to review applicable legal documents:

- Anti-Discrimination Laws: See the **Guidance Memorandum on Mortgage Rules and Regulations**; the **American Bankers Association courses** on Fair Housing and Fair Lending; the **Guidance Memorandum on Fair Housing Act protections for people with disabilities** and **Additional Selection Requirements - Criminal Background and Sex Offender Registry Checks**
- Timeline for Processing Applications: See the **Guidance Memorandum on Mortgage Rules and Regulations** and **Guidelines for Assessing Applications**

and Notifying Applicants (which includes the Application Assessment Job Aide (ECOA Notices of Action Taken and Disclosures)
- FCRA-Denial Requirements: See the Guidance Memorandum on Mortgage Rules and Regulations.
- Immigration Status of Applicants: See Guidance Memorandum on Immigration Status of Applicants.
- Sex Offender and Criminal Background Checks: See Guidance Memorandum on Sex Offender and Criminal Background Checks.
- Specially Designated Nationals Quick Reference Summary: See Summary of OFAC SDNs Recommendations.
- Local Residency Requirements: See Guidance Memorandum on Residency of Local Applicants.
- Gramm-Leach-Bliley Act Requirements See Guidance Memorandum on Gramm-Leach-Bliley Requirements.
- Conflicts of Interest: Guidance Memorandum on Conflicts of Interest.

Evaluate all applicant information as it measures up to each criterion.

1. NEED FOR ADEQUATE HOUSING QUALIFICATION AND VERIFICATION CHECKS

Income range

Affiliates must make all reasonable efforts to serve families whose incomes do not exceed 60 percent of the AMI, as defined for the affiliate's service area by HUD, and in no cases are affiliates permitted to select households with incomes above 80 percent of AMI. Affiliates should strive to always serve the families who fall within the lowest AMI range possible. (Refer to Policy 11 of the U.S. Affiliated Organizations Policy Handbook.)

- Is the present housing of the applicant inadequate?
- Does the applicant have documented need for adequate housing as defined in the affiliate's board-approved, measurable indicators of need?

Sample indicators of need for adequate housing are listed in the Criterion 1 **section of Chapter 2.**

Additional considerations

- Trailers and mobile homes are not inherently inadequate housing. If that is the only cause of substandard housing, it might not be sufficient to demonstrate need.
- Habitat houses and lots might not be significantly larger than some present situations.
- Habitat site selections are made by Habitat and are not necessarily the first choice of potential homeowners.
- Having a reliable vehicle (asset) for transportation to and from work does not preclude an applicant from consideration.
- Living in subsidized housing does not necessarily preclude an applicant from consideration.

The loan originator will confirm the applicant's need for adequate housing as recorded in the documentation listed above, and measure that need against the affiliate's criterion on need.

DOCUMENTING THE NEED FOR HOUSING

Sample methods and resources to document need:

- **Information given in initial contact, orientation or meetings.**
- **Information given on actual application.**
- **Written report by home visitors concerning the family's need for adequate housing.**
- **Documents from building inspection office.**
- **High utility bills. Verify on-time payments and costs.**
- **Rent or house payment receipt.**
- **Medical documentation of special need.**
- **Evaluation by a bank loan official regarding eligibility for conventional financing.**
- **The partnership contact record.**
- **Input from a Building Committee member (optional).**

DOCUMENTING WILLINGNESS TO PARTNER

Sample methods and resources to document willingness to partner:

- Information given on the homeowner application.
- The partnership contact record.
- Any other related documents and contacts.

2. WILLINGNESS TO PARTNER DETERMINATION AND VERIFICATION CHECKS

Willingness to partner is best represented by the sum of all interactions between the applicant and the affiliate. Affiliates that are better able to document those interactions are also better able to measure willingness to partner.

For examples, refer to "Sample Indicators of Willingness to Partner" in Criterion 2 in Chapter 2.

Character or lifestyle is not being judged. We are asking if an applicant will participate in the affiliate's homeownership program, and we are ensuring that everyone understands up front what the program is about.

The loan originator will confirm the applicant's willingness to partner as recorded in the documentation listed above, and will measure that willingness to partner against the affiliate's criterion on willingness to partner.

3. ABILITY TO PAY THE HABITAT MORTGAGE QUALIFICATION AND VERIFICATION CHECKS

SAMPLE METHODS AND RESOURCES TO DOCUMENT ABILITY TO PAY

- Information given on the family homeowner application. (Use the partnership contact record.)
- W-2 and current paycheck stubs.
- Public assistance income documents.
- Bank references.
- Landlord references.
- Credit reports and credit references.
- IRS tax forms (verified family tax returns for the past two years). Form 4506T – Request for Transcript of Tax Return. irs.gov/uac/About-Form-4506T.
- Employment references.
- Records of liens and judgments.

Before an applicant can qualify for the Habitat homeownership program, affiliates will need to establish the applicant's ability to pay.

The affiliate must do a comprehensive analysis of the applicant's ability to pay, as defined in the board-approved indicators. This analysis will include detailed income verification, budget analysis and credit checks. The applicant must have sufficient monthly income to pay the mortgage, taxes and insurance without becoming debt-burdened.

Additional considerations

- What is the effect of Habitat partnership on public assistance benefits? Will they be reduced?
- Is a down payment required?

The loan originator will confirm the applicant's ability to pay based on written underwriting policy and guidelines and will measure that ability to pay against the affiliate's criterion on ability to pay.

4. OTHER SELECTION REQUIREMENTS QUALIFICATION AND VERIFICATION CHECKS

Mandatory and affiliate-adopted "other selection requirements" are essential components of the affiliate's homeowner selection process and must be applied to all applicants.

The loan originator will confirm the applicant's status as specified by the affiliate's required policy on sex offender registry checks and the status on any remaining "Other selection requirements" that are governed by affiliate policy.

Required notices — disqualify/deny and notify

During qualification and verification checks, some applicants will fail to meet board-approved requirements and will be disqualified. When an applicant does not meet the clearly defined requirements and is disqualified, the affiliate must send an adverse action notice within 30 days of making the decision. The notice must state the reasons for the adverse action and the procedure for reapplication. The adverse action can be discussed only with the applicant by a loan originator. It is not recommended that the committee entertain an appeal from a disqualified applicant; the affiliate has met its legal requirements by providing an adverse action notice within 30 days of making its decision.

Document and report

Staff members or volunteers who conduct qualification and verification checks on applicants should document their findings and provide that information to the loan originator for a final decision. The loan originator should create a summary report that briefly describes the applicant's eligibility on each of the three required criteria and on each applicable other selection requirement. The report should be submitted for review by the Homeowner Selection committee and the staff. The affiliate should adopt a standard template for this report.

OTHER SELECTION REQUIREMENTS

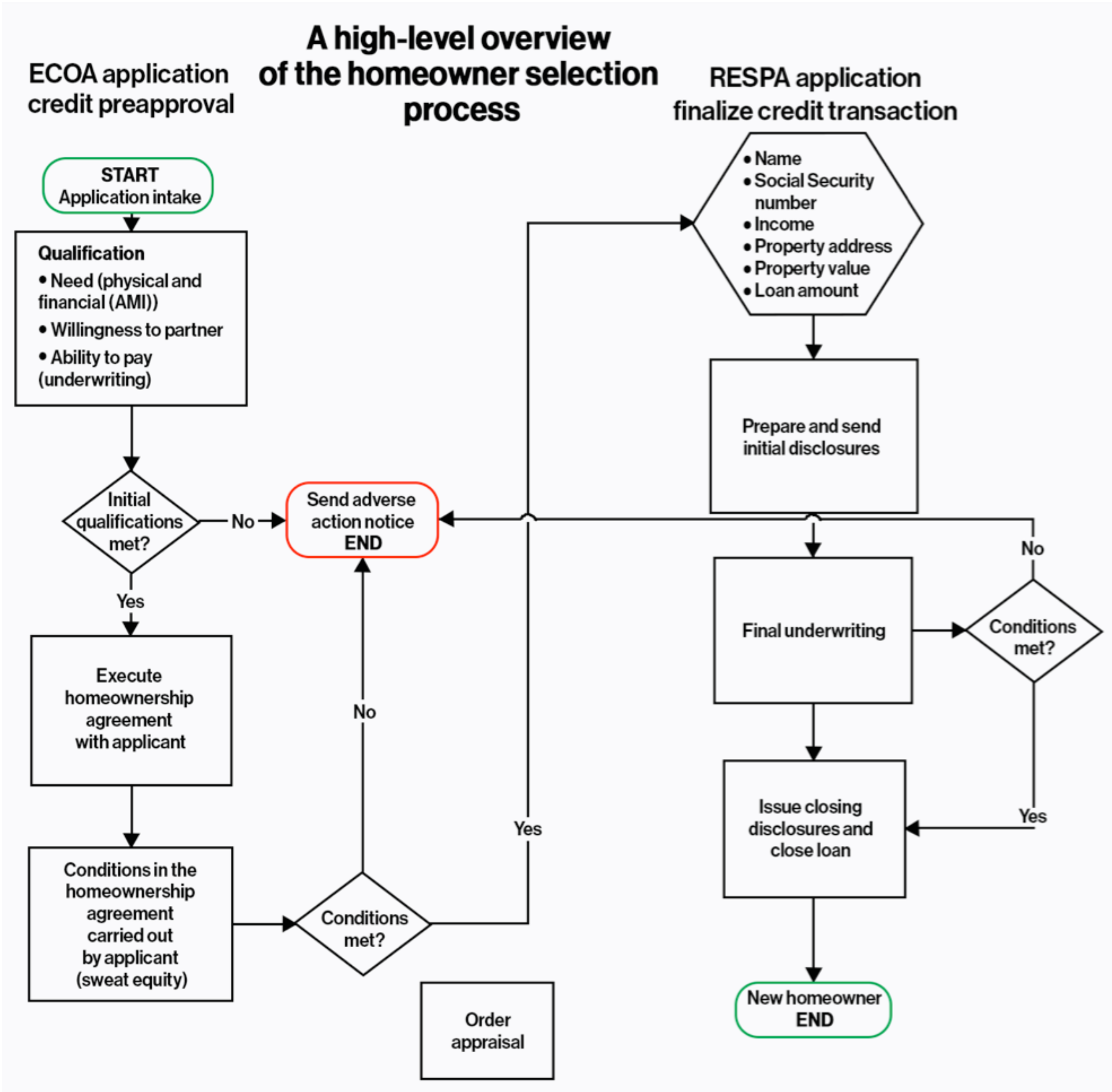
- **Sex offender registry check — required.**
- **Criminal background check — recommended.**
- **Defining the service area from which applicants may apply — optional.**
- **Applicants owning land — optional.**
- **GSA residency requirement — optional**

4.5. Finalizing the decision and notification of action taken

Once the application is complete (based on the affiliate's definition of a completed ECOA application), the committee has 30 days to make a decision, seek board approval and send a letter of notification to the applicant. An application is complete when the affiliate has received all information that it regularly uses in evaluating applications and that is clearly defined in the affiliate's policies and procedures.

Four decisions can be made on an application: **denied**, **incomplete** (An incomplete application will never be the final decision. It is either denied or approved once additional information is provided.), **withdrawn** (in which applicants notify affiliate that they no longer want to continue with the application process) and **approved**.

When the board approves an applicant, the applicant should be notified in writing through a homeownership agreement, which informs the applicant of his or her acceptance into the Habitat homeownership program and further explains the affiliate's requirements for homeownership (refer to **Chapter 6 — Communicate the Decision** for this process).



NOTE: An adverse action (denial) can be made at any point in the process, even without a completed application. If the determination to deny is made during the application intake, the notice must be provided within 30 calendar days of receiving the first piece of information to evaluate the applicant for a credit decision. If the decision is made any time after an NOI or homeownership agreement is given to the applicant, the notice must be provided within 30 calendar days of making the decision.

5. Selecting the homebuyer

Selecting the applicant should be an uncomplicated series of well-defined steps if the affiliate follows its homeowner selection process when:

- Preparing for homeowner selection.
- Reaching out to homebuyers.
- Processing the application.

5.1. The final review and recommendation

The qualified loan originator should hold a scheduled meeting with the Homeowner Selection committee and staff and provide their assessment to the committee based on the following:

- Prescreening form or pre-application/application and attached documents.
- Application tracking sheet.
- Homeownership contact record.
- Current housing evaluation form.
- Home visitors' report.
- Underwriting determination.
- Qualification and verification report and supporting documents.
- Committee and staff members who conducted qualification and verification checks.

After weighing the information that the loan originator presents on the applicant, the committee votes on whether to recommend him or her to the board. As a reminder, any decision must be based solely on need, willingness to partner, and ability to pay — not character, lifestyle or any other factor that may be perceived as discrimination.

If the committee votes not to recommend the applicant to the board, the affiliate must send an immediate letter stating the reasons for the adverse action and the procedure for reapplication. (See "**Notification — Denial Adverse Action Notice**" in Chapter 6, below.)

If the committee votes to recommend the applicant to the board, the recommendation will be presented to the board for approval. The committee will write a recommendation summary on the applicant for the board meeting.

5.2. Report to the board

The committee-approved applicant is recommended to the board for Habitat homeownership.

To enhance the board's ability to make a sound decision, the committee distributes the applicant recommendation summary to the board. The recommendation summary must include information related solely to need, ability to pay and willingness to partner. After the board has rendered its decision, the recommendation summary should be collected and returned to the Homeowner Services department.

To ensure anti-discrimination laws are not violated when discussing applicants with the board, their names should not be disclosed, nor their race, age, national origin, religion or ethnic background. This prevents any possible bias, perception of bias or any disclosure of confidential information, and protects both the families and the board members.

5.3. Board action

The board should respect the work of the Homeowner Selection committee and not redo its work.

The board is responsible for providing oversight to ensure that recommendations for homeowner selection follow both the letter and spirit of the board-approved policy, process and applicable laws.

During the presentation of the recommendation for homeowner selection, the board should focus its attention and questions on matters that confirm that the affiliate's homeowner selection process was applied faithfully, that the process was conducted in a fair and legal manner, and that it has produced a well-qualified applicant.

Finding no deviation from faithful application of the affiliate's homeowner selection process, the board should vote to approve the recommendation that the applicant be selected for Habitat homeownership.

5.4. Applicant waiting list

Federal law mandates that affiliates not maintain a waiting list of applicants who have not been accepted or denied. The Equal Credit Opportunity Act requires that affiliates notify applicants of a credit decision within 30 days of receipt of a completed application. The affiliate does not have the option of placing applicants on a waiting list. **HFHI does not recommend that affiliates approve applicants for housing beyond the current building cycle. Refer to "How Many Families to Select" in the Other Selection Requirements section of Chapter 2.**

6. Communicate the decision

6.1. Required Notification: Denial (Adverse Action Notice)

If the board does not approve the committee's recommendation, the affiliate must send the applicant an adverse action notice that should include the reason for the denial and instruct the applicant to contact the affiliate to discuss the denial. When the affiliate denies an application, the ECOA requires that the denial notification contain a statement of the action taken, the name and address of the creditor, and either:

- A statement of the specific reasons for the action taken.

or

- A disclosure of the applicant's right to a statement of specific reasons within 30 days, if the statement is requested within 60 days of the creditor's notification. The disclosure must include the name, address and telephone number of the person or office from which the statement of reasons can be obtained. If the creditor chooses to provide the reasons orally, the creditor also must disclose the applicant's right to have them confirmed in writing within 30 days of receiving a written request for confirmation from the applicant.

The notification also must contain a statement to the following effect:

> *NOTICE: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status or age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agencies that administer compliance with this law concerning this creditor is the Consumer Financial Protection Bureau, 1700 G St. NW, Washington, DC 20552 and the Federal Trade Commission, or FTC. To find the appropriate regional office for the FTC, please go to:* ***ftc.gov/about-ftc/bureaus-offices/regional-offices.***

The adverse action notice should meet the requirements of the ECOA and Fair Credit Reporting Act, as applicable. An affiliate can refer to other housing programs that might be able to work with the applicant. In doing this, the affiliate must be sensitive to the fact that these programs might have previously rejected the applicant. If the letter invites the applicant to continue his or her involvement with Habitat, the invitation must be worded so that it does not imply the likelihood of being selected for a house in the future.

GROUNDS FOR DENIAL

Habitat's only grounds for denial are:

- Lack of need for adequate housing due to:
  - Sufficient income to obtain conventional or government-assisted financing.
  - Currently living in adequate housing.
- Lack of ability to pay for a Habitat home due to:
  - Insufficient income.
  - Too much debt to pay for a Habitat house.
  - History of inability to meet financial obligations.
  - Inability to make a down payment and pay closing costs.

- Lack of willingness to partner with Habitat by:
  - Not completing the application process.
  - Not accepting Habitat's program of sweat equity.

Applicants who are declined because of lack of financial readiness can be referred to a certified consumer credit counseling service for debt analysis and assistance in building credit or restoring credit to an acceptable level. It is also important to advise disqualified applicants that they may reapply in the future, and it is equally important to not imply that the applicant will be accepted when he or she reapplies.

NOTE

Depending on the language of the affiliate's policy, an affiliate may disqualify an applicant for failure to meet other selection requirements.

If the applicant desires to know why he or she was turned down for a Habitat home, cite one or more of the legitimate reasons:

- Lack of need for adequate housing.
- Lack of ability to pay for the Habitat home.
- Lack of willingness to partner.

It is possible that an applicant will meet the qualifications set forth but not be selected because a family of greater need was chosen. In this case, the applicant can be encouraged to reapply at a later date. Under no circumstances should an affiliate keep an applicant on a waiting list to be accepted or rejected at a later date. Such a waiting list is prohibited by the ECOA.

6.2. Required Notification: Approval (Homeownership Agreement)

If the board votes to approve the recommendation of the applicant, the affiliate may send a letter or call the applicant to advise that he or she is approved for Habitat homeownership. The communication should also advise the applicant about the next steps in the process, beginning with signing the homeownership agreement.

The homeownership agreement should be presented to the applicant in a meeting attended by a member of the Homeowner Selection committee and a member of the Homeowner Support committee, along with a qualified loan originator. This meeting begins the transaction to the Homeowner Support committee.

A homeownership agreement should accomplish the following goals:

- State that the applicant has been conditionally approved to participate as a prospective Habitat homeowner.
- Explain the requirements for homeownership. (These normally include a certain number of sweat-equity hours, attendance at workshops or seminars on matters relating to homeownership, clearing judgments and liens, and paying any cash that the applicant is expected to provide at closing.)
- Describe how the affiliate finances its homes, and outline resale restrictions.
- Explain the intent of the affiliate to build a decent, affordable home in partnership with the applicant and his or her family.
- Unless the affiliate can confidently give a time frame for construction, avoid making promises or developing expectations that the affiliate might not be able to meet.
- Make the acceptance contingent on the applicant's maintaining or improving financial readiness. Require the applicant to notify the affiliate of any material change — positive or adverse — in his or her circumstances.
- Note specific conditions of an agreement with applicants who own land that will be used to build the house.
- Outline any specific provisions regarding personal property (e.g., mobile home, boat, etc.), as applicable.

The homeownership agreement formalizes the conditions and requirements of the homeownership program, and it must be acknowledged by the applicants and an authorized member of the affiliate's personnel. The agreement can help avoid problems if the prospective homeowner does not complete the requirements. The affiliate will be able to identify specific items that were not met — meaning willingness to partner was not fulfilled, leading to deselection (denial). Please note that the details in the homeownership agreement should be discussed with the applicants only by a qualified loan originator.

6.3. Deselection

Sometimes the homeownership process proves unsuccessful even after approval has been given as stated above. In those infrequent situations, the affiliate might wish to consider deselection. Affiliates may deselect homebuyers only in the following cases (Consult the **U.S. Affiliate Organization Policy Handbook**):

- Demonstrated fraud on the application.
- Failure to complete requirements set forth in the homeownership agreement — i.e., lack of willingness to partner.
- Negative change in financial condition that significantly affects the ability to pay.
- Presence on a sex offender database that disqualifies an approved applicant from the homeownership program, according to the affiliate's policy on sex offender registry checks. This policy must be approved by the board before an applicant or approved applicant is rejected or deselected for this reason.

If an affiliate deselects an applicant, the affiliate must send the applicant an adverse action notice that includes the reason for the denial/deselection as stated above in the **Required Notification: Denial (Adverse Action)** section.

Please note that an approved applicant who improves his or her financial status above the affiliate's AMI standards cannot be deselected. Affiliates must re-evaluate the applicant's ability to repay and ensure that the house is financed accordingly as per the DTI ratio of 30:43. This could mean that the applicant does not receive any subsidies in the house price, or gets a shorter loan term.

Additional guidance on deselection is provided in the following documents:

- **Policy 11** of the U.S. Affiliated Organization Policy Handbook.
- **Guidance Memorandum on Sex Offender and Criminal Background Checks**.

6.4. Transition to homeowner support

Congratulations! At this point, the affiliate has selected a potential homeowner — or several — and a lot of the heavy lifting has been completed. The potential homeowners now are transitioned to Homeowner Support to begin working with a support mentor on their sweat equity. In some affiliates, this is a separate group, while in others, homeowner support begins with the same committee members who oversaw homeowner selection.

The homeowner support mentor is key to the success of the potential homeowner. He or she provides an environment that empowers approved applicants to make the transition from being a renter to becoming a successful homeowner. For more details, refer to the **Homeowner Support AOM**.

7. Pre-closing, including final underwriting

7.1. Final underwriting (recertification) of prospective homeowner

Affiliates are all structured differently, so pre-closing activities may be performed by another area of the affiliate. However, it is still important that the Homeowner Selection committee is aware of the items that should be completed to ensure a successful closing.

The affiliate must ensure that:

- An appraisal is completed on the housing unit. Once the appraisal is accepted and approved by the affiliate, a copy must be provided to the prospective homeowner promptly, and no later than three days before closing. If more than one appraisal is done in connection with the transaction, federal law requires a copy of all appraisals to be provided to the homebuyer.
- The property title to be transferred to the homeowner at closing is free and clear of any encumbrances.
- A formal **Intent to Proceed** letter is provided to the homebuyer with the initial RESPA disclosures; closing should not proceed until this document is acknowledged and returned to the affiliate.
- Initial disclosures, including a privacy notice, are sent within three business days of a RESPA application.
- If required by a funder or investor of the transaction, a flood determination is completed and, if the property is in a special flood hazard area, a notice to the homebuyer is sent regarding insurance requirements, as applicable.
- Background checks (sex offender and criminal) and the OFAC database are re-verified as required by policy.

No more than 90 days before closing, the affiliate must prepare for closing with prospective homeowners. This timing may vary depending on your subsidy providers' requirements. **Once all six items are in place for a RESPA application, initial disclosures for RESPA, TILA and/or TRID (as applicable) are triggered and must be provided to the homebuyer within three business days.** It is important to note that when a RESPA application is identified, even if the final underwriting has not been completed or all the conditions in the homeownership agreement have not been met, initial disclosures for RESPA, TILA and/or TRID must be provided to the applicant within the prescribed timeline. Refer to the **Mortgage Origination Checklist** for details on the initial disclosures.

The standardized process for final underwriting should be no different from that of the initial underwriting. A new credit report must be pulled. As a best practice, the report should be less than 90 days old at closing. The underwriting must reassess the homebuyer's financial readiness and ensure that he or she can afford to pay the Habitat mortgage. Any financial items identified in the homeownership agreement, such as satisfying any judgments or liens, must be taken into account in the final underwriting. In some instances, the homebuyer's financial situation may have improved, meaning that they can afford to pay a higher mortgage and the affiliate can provide a smaller subsidy. Refer to the **Affordable Mortgage Calculator** tool to assist in determining loan amounts and borrower's payments.

The underwriting process must re-verify:

- Income that will be used to pay the mortgage.

- All credit obligations, including s (if student loan payments are deferred but payment will begin within one year, they must be factored into the DTI calculation).
- Debt-to-income ratios should not exceed 30/43.
- Notification from the prospective homeowner of any status changes or adjustments that might affect closing.

If a potential homeowner's creditworthiness has declined below the ability to repay the mortgage and other obligations, an adverse action notice must be provided to him or her within 30 days of deciding to deselect. Place a copy of the adverse action notice in the applicant's file and classify it as a denial. It should be retained for no less than 25 months from the date the notice was provided.

CLOSING COSTS

To prepare the good faith estimate/initial truth in lending disclosure, or GFE/ITL, or the loan estimate, or LE as applicable, a good faith determination of the costs and fees must be determined and disclosed. It's especially important to ensure the accuracy of the fees that the homebuyer will be responsible for at closing. The affiliate's policy must identify what, if any, closing costs the homebuyer will be responsible to pay for at closing. This should be included in the homeownership agreement. It is important that the prospective homebuyer understands what is expected of him or her at closing and has a general idea of what closing costs will be included. A sample **Preliminary Transaction Summary** worksheet may be used during homebuyer education to show the estimated costs of a mortgage transaction. This worksheet does not replace the good faith estimate or the loan estimate required by RESPA/TRID, and prospective homebuyers should never be led to believe that it does. Learn more about **RESPA** on MyHabitat.

Habitat affiliates usually consider the following in the cash settlement requirements for closing costs:

- Mortgage and transfer taxes (determined by your state or local taxing agency).
- Homeowner's (hazard) insurance.
- Title search and title insurance.
- Recording fees.
- Reserve (or escrow) funds for property taxes and homeowner's insurance.
- Flood insurance (if needed).
- Termite bond (if needed).
- Attorneys' fees (if needed).

Settlement costs are generally about 3 percent of the sale price of the home. In some relatively high-tax areas of the country, 5 percent to 6 percent might be more common. HFHI recommends that affiliates work with prospective homeowners during the required homebuyer education courses to provide estimates of the settlement costs.

If the buyer will be responsible for payment of all or a portion of closing costs, it is permissible for the affiliate to pay these costs in cash at closing and add the actual amount of such costs to the first mortgage amount. This is not an increase in the sales price of the house, but rather the financing of closing costs by the affiliate. This should be made clear in the settlement statement.

Although passing through loan servicing fees to homebuyers is permitted, affiliates will need to include any servicing costs paid by the homebuyer/borrower in its calculation of annual percentage rate, or APR, and disclose any such pass-through costs as costs of the financing on the initial disclosures (TIL Statement or Loan Estimate and Closing

Disclosure, as applicable). Because of the complexity of these requirements, passing through servicing costs is not recommended.

If there are any changed circumstances[2] that affect the settlement costs outside of tolerance that the homebuyer must pay at closing or the loan terms that were initially disclosed in the GFE or LE, a redisclosure may be required. If it's determined that a revised disclosure is necessary, it must be provided within three business days after the information that triggered the revision is received. With this change, the closing date must be pushed out to ensure that it does not occur within eight days after the delivery of the revised GFE/TIL statement or LE. This waiting period is required by federal law.

CLOSING

All applicants participating in the Habitat homeownership program must meet the conditions outlined and accepted in the homeownership agreement. Affiliates are permitted to delay closing until the conditions are met. They also are permitted to deny the homebuyer's application, but the affiliate's policy must clarify when the closing will be delayed and when a homebuyer will be deselected and denied.

Closing the loan transaction must be done in compliance with federal and state laws. All initial disclosures must have been delivered at least seven days before closing; an affirmed intent to proceed must have been received from the homebuyer; and if an affiliate is subject to TRID, the closing disclosure, or CD, must be delivered to the homebuyer three days before loan consummation. In addition to the closing disclosures, there are other legal documents that must be ready for closing:

- A certificate of occupancy, which should have been received before closing. A copy should have been provided to the homebuyer at closing.
- The mortgage note, which is the promise to pay, indicates the amount and terms of the loan, including the affiliate's rights if a borrower fails to make payments. A note is required for each loan for subordinate financing on the property, e.g., a "soft second."
- The mortgage or deed of trust, which is the instrument that secures the mortgage note and gives the affiliate a lien on the home. This instrument is also required for each loan securing the property.
- The initial escrow disclosure should be provided at closing, but RESPA permits it to be provided 45 days after closing. This disclosure details the specific charges

[2] "Changed circumstances" that **affect the GFE** are defined by RESPA as acts of God, war, disaster or other emergency — information particular to the borrower or transaction that was relied on for the original GFE and that changes or is found to be inaccurate after the GFE has been provided. This may include information about the credit quality of the borrower, the amount of the loan, the estimated value of the property, or any other information that was used in providing the GFE; new information particular to the borrower or transaction that was not relied on in providing the GFE; or other circumstances that are particular to the borrower or transaction, including boundary disputes, the need for flood insurance or environmental problems.

TRID rules define a changed circumstance for the purpose of revising a loan estimate as an extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction; information specific to the consumer or transaction that the creditor relied upon when providing the disclosures and that was inaccurate or changed after the disclosures were provided; or new information specific to the consumer or transaction that the creditor did not rely on when providing the disclosures.

that the borrower will pay into the account at closing and each month thereafter as part of the mortgage agreement.

- Any other instruments that are required for the transaction and are recorded separately by the affiliate, such as first right to purchase, shared appreciation agreement, and deed restriction to preserve the long-term affordability of the property.
- If a repair loan is being secured by a mortgage on the borrower's principal residence, the affiliate must provide each individual with ownership interest the right to rescind the transaction. Two copies of the Notice of Right to Rescind disclosure must be provided at closing to all individuals with ownership interest — even if they are not the borrower. This provides the owners with time to consider the risks of using the home as collateral for a loan. The transaction can be rescinded by any homeowner up to midnight of the third day after closing.

The closing must be supervised by an attorney or a professional qualified to conduct residential real estate closings in the state according to applicable laws and industry standards.

This manual provides an overview of the selection process and sound guidance on selecting well-qualified Habitat homeowners while remaining compliant with federal laws. Many federal and state laws govern parts of this multifaceted process (e.g., advertising, accepting and processing credit applications, and loan closing). Affiliates must ensure that they keep abreast of applicable laws and regulations associated with their lending model. Additionally, personnel involved in this process must be adequately trained for the responsibilities they carry out. An affiliate might encounter situations that are not specifically addressed here, but the Affiliate Support Center will be able to answer your questions or direct you to a specialist. Contact the center at (877) 434-4435 or **USSupportCenter@habitat.org**. Further, you can find a resource collection that includes the Mortgage Origination Checklist under **Homeowner Selection and Mortgage Origination.**

8. Appendices

Appendix 1: Sample Homeowner Selection Committee activity report

Month of report: ____ Date: _____/_____/___________

Person filing report: ____

Meeting notes attached: _____ Yes _____ No

Major accomplishments: ____

____

____

____

____

Goals for next month: ____

____

____

____

____

Areas of difficulty: ____

____

____

____

____

Policy decisions needed: ____

____

____

____

Request time on agenda for ______________________________________ applicant recommendations:

Committee member ___________________________________ Phone number __________________________

Committee member ___________________________________ Phone number __________________________

Prayer requests: ____

____

____

Appendix 2: Sample Policy — Confidentiality and Security of Applicant Documents

It is essential that anyone affiliated with ____ Habitat for Humanity (board, staff and committee members) commit to preserve the security and privacy of confidential information regarding our homeowners and applicants in conjunction with the Gramm-Leach-Bliley Act.

This requires that you respect the privacy rights of homeowners and applicants, and create a level of trust so that they can receive services in a respectful manner.

- Do not disclose the name or identity of homeowners and applicants to anyone outside of the organization unless a release has been signed by the homeowner or applicant.
- Do not share confidential, nonpublic or identifying information to anyone not specifically authorized to have that information, including those inside the organization.
- Do not discuss a homeowner or applicant's situation in public places. Share information only with those who need to know in order to do their jobs.
- Handle inquiries from outsiders regarding homeowners or applicants by referring them to the president, committee chair, executive director or other authorized person.
- Maintain all confidential homeowner and applicant information in secure, locked storage.

I understand these requirements and agree to hold all confidential information obtained in the course of my service to ____ Habitat for Humanity in the strictest confidence and security. I will respect the right to privacy of homeowners and applicants. I will not inappropriately disclose, discuss or mishandle any information regarding homeowners or applicants.

Name ____

Title/committee ____

Signed ____

Dated ____

Appendix 3: Sample Request for Verification of Deposit

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

[Affiliate's name, address and phone number]

[Date]

[Financial institution's name and address]

RE: [Name of applicant]

Checking account number:

Savings account number:

To whom it may concern:

The above-named person(s) has applied for housing through the Habitat for Humanity homeownership program and has given us written permission to contact you for verification of deposit. We would appreciate your help in answering the following questions. All information will be kept confidential in conjunction with the Gramm-Leach-Bliley Act. Please see the enclosed release authorization. Your prompt return of the requested information will be appreciated. A self-addressed, stamped return envelope is enclosed. Thank you for your assistance.

Sincerely,

[Name]

[Title]

VERIFICATION OF DEPOSIT

Regarding:	Applicant name Co-applicant name Applicant address City, state, ZIP	**Date of request:** **Requested by:**	(Date) Affiliate name Affiliate address City, state, ZIP

I (we) authorize the release of the following information to [affiliate name] for use in determining eligibility for the Habitat homeownership program.

_______________________________ __________ _______________________________ __________
Applicant signature Date Co-applicant signature Date

Account type	Date opened	Current balance	Average balance (3 months)	Number of overdrafts	Dates of overdrafts
Checking		$	$		
Checking		$	$		
Savings		$	$		
Savings		$	$		
Money Market		$	$		
Other		$	$		

Loan type	Date opened	Loan balance	Scheduled monthly payments	Past-due balance
Home		$	$	
Other real estate		$	$	
Car		$	$	
Car		$	$	
Other		$	$	
Other		$	$	

Please include any additional information that might help us determine the creditworthiness of this applicant:

____

____

Signature:____ Date: ____________________

Name: ____

Title: ____

The confidentiality of the information you have furnished will be preserved except where disclosure of this information is required by applicable law. The completed form is to be transmitted directly to [Habitat affiliate name] and is not to be transmitted through the applicant or any other party.

Appendix 4: Example Request for Employment Verification

Caution: This document is intended to be used as an example only. Certain provisions might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

[Affiliate's name, address and phone number]

[Date]

[Employer's name and address]

Re: [Applicant's name]

To whom it may concern:

The above-named person has applied for housing through the Habitat for Humanity homeownership program and has given us written permission to contact you for an employment verification and reference. We would appreciate your help in answering the following questions. All information will be kept confidential in conjunction with the Gramm-Leach-Bliley Act. Your prompt return of the requested information will be appreciated. A self-addressed, stamped return envelope is enclosed. Thank you for your assistance.

Sincerely,

Signature

[Name]

[Title]

EMPLOYMENT VERIFICATION

Regarding: Applicant name
Co-applicant name
Applicant address
City, state, ZIP

Date of request: (Date)
Requested by: Affiliate name
Affiliate address
City, state, ZIP

I (we) authorize the release of the following information to [affiliate name] for use in determining eligibility for the Habitat homeownership program.

___________________________________ __________ ___________________________________ __________
Applicant signature Date Co-applicant signature Date

Company name: ________________________ Type of business: ________________________

Company address: ________________________

City, state, ZIP: ________________________

Date of employment: ________________________

Present position:________________________

Current base pay

Amount: $________________________ _____ Annually _____ Per hour

Scheduled hours per week: ________________________

Earnings: $________________________ calendar year to date $________________________ last calendar year

Does this person regularly receive overtime or bonuses? _____ Yes _____ No

If yes, average number of overtime hours per month: ________________________

If yes, bonus type, payment schedule and average amount: ________________________

____

Additional comments: ________________________

____

____

____

Signature:________________________ Date: ________________________

Title: ________________________

The confidentiality of the information you have furnished will be preserved except where disclosure of this information is required by applicable law. The completed form is to be transmitted directly to [Habitat affiliate name] and is not to be transmitted through the applicant or any other party.

Appendix 5: Example Request for Past Employment Verification

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

[Affiliate's name, address and phone number]

[Date]

[Employer's name and address]

RE: [Applicant's name]

To whom it may concern:

The above-named person has applied for housing through the Habitat for Humanity homeownership program and has given us written permission to contact you for an employment verification and reference. We would appreciate your help in answering the following questions. All information will be kept confidential in conjunction with the Gramm-Leach-Bliley Act. Please see the enclosed release authorization. Your prompt return of the requested information will be appreciated. A self-addressed, stamped return envelope is enclosed. Thank you for your assistance.

Sincerely,

[Name]

[Title]

PAST EMPLOYMENT VERIFICATION

Regarding:	Applicant name Co-applicant name Applicant address City, state, ZIP	**Date of request:** **Requested by:**	(Date) Affiliate name Affiliate address City, state, ZIP

I (we) authorize the release of the following information to [affiliate name] for use in determining eligibility for the Habitat homeownership program.

______________________	________	______________________	________
Applicant signature	Date	Co-applicant signature	Date

Company name: ______________________ Type of business: ______________________

Company address: ______________________

City, state, ZIP: ______________________

Employment information:

Start date: ______________________ End date: ______________________

Start position: ______________________ End position: ______________________

Starting pay rate: ______________________ Ending pay rate: ______________________

Total gross earnings last calendar year of employment: ______________________

Reason for leaving:______________________

Voluntary termination or involuntary termination: _____ Voluntary _____ Involuntary

Eligible for rehire: _____ Yes _____ No

Additional comments: ______________________

____

____

____

Signature:______________________ Date: ______________________

Name: ______________________

Title: ______________________

The confidentiality of the information you have furnished will be preserved except where disclosure of this information is required by applicable law. The completed form is to be transmitted directly to [Habitat affiliate name] and is not to be transmitted through the applicant or any other party.

Appendix 6: Example Verification of Public Assistance

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

[Affiliate's name, address and phone number]

[Date]

Social Service Administrator

[Name of agency]

[Address of agency]

Dear Social Service Administrator:

[Name of Habitat applicant] has applied for a Habitat for Humanity home and has given us written permission to contact you for verification of public assistance. All information will be kept confidential in conjunction with the Gramm-Leach-Bliley Act. Your prompt return of the requested information will be appreciated. A self-addressed, stamped return envelope is enclosed. Thank you for your assistance.

Sincerely,

[Name]

[Title]

VERIFICATION OF PUBLIC ASSISTANCE

Regarding:	Applicant name	**Date of request:**	(Date)
	Co-applicant name	**Requested by:**	Affiliate name
	Applicant address		Affiliate address
	City, state, ZIP		City, state, ZIP

I (we) authorize the release of the following information to [affiliate name] for use in determining eligibility for the Habitat homeownership program.

___________________________________ __________ ___________________________________ __________

Applicant signature Date Co-applicant signature Date

Please complete for any benefits received by the individuals listed above:

Benefit type	Benefit start date	Monthly benefit amount	Next review date
TANF		$	
Food stamps		$	
SSI		$	
Social Security		$	
Child support		$	
		$	
		$	

Has the applicant faithfully represented its income to you since it began receiving these benefits?

_____ Yes _____ No

If [Name of Habitat applicant(s)] receives a house from Habitat for Humanity's homeownership program, will this asset (the house) affect these benefits?

_____ Yes _____ No

If yes, how?____

____

Will the home be subject to a lien by the state of [name of state]? _____ Yes _____ No

Signature:____ Date: ____________________

Name: ____

Title: ____

The confidentiality of the information you have furnished will be preserved except where disclosure of this information is required by applicable law. The completed form is to be transmitted directly to [Habitat affiliate name] and is not to be transmitted through the applicant or any other party.

Appendix 7: Example Request for Landlord Reference

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

[Affiliate's name, address and phone number] [Date]

[Landlord's name and address]

RE: [Applicant's name]

Dear [landlord's name]:

The above-named person has applied for housing through the Habitat for Humanity homeownership program and has given us written permission to contact you for a landlord reference. We would appreciate your help in answering the following questions. All information will be kept confidential in conjunction with the Gramm-Leach-Bliley Act. Your prompt return of the requested information will be appreciated. A self-addressed, stamped return envelope is enclosed.

Thank you for your assistance.

Sincerely,

[Name]

[Title]

I (we) authorize the release of the following information to [affiliate name] for use in determining eligibility for the Habitat homeownership program.

________________________	__________	________________________	__________
Applicant signature	Date	Co-applicant signature	Date

Applicant's payment history (circle one): _____Excellent _____Satisfactory _____Unsatisfactory

Rental period (give dates): From ______________________to ___________________________

Amount of monthly rent: $ ____________________________________

Additional comments: ____

____

Signature:____ Date: ________________________

Name and title: ____

The confidentiality of the information you have furnished will be preserved except where disclosure of this information is required by applicable law. The completed form is to be transmitted directly to [Habitat affiliate name] and is not to be transmitted through the applicant or any other party.

Appendix 8: Example Request for Previous Landlord Reference

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

[Affiliate's name, address and phone number] [Date]

[Landlord's name and address]

RE: [Applicant's name]

Dear [landlord's name]:

The above-named person has applied for housing through the Habitat for Humanity homeownership program and has given us written permission to contact you for a landlord reference. We would appreciate your help in answering the following questions. All information will be kept confidential in conjunction with the Gramm-Leach-Bliley Act. Your prompt return of the requested information will be appreciated. A self-addressed, stamped return envelope is enclosed.

Thank you for your assistance.

Sincerely,

[Name]

[Title]

I (we) authorize the release of the following information to [affiliate name] for use in determining eligibility for the Habitat homeownership program.

___________________________________ __________ ___________________________________ __________

Applicant signature Date Co-applicant signature Date

Applicant's payment history (circle one): _____Excellent _____Satisfactory _____Unsatisfactory

Rental period (give dates): From _____________________to __________________________

Amount of monthly rent: $ ___________________________________

Additional comments: ____

____

Signature:____ Date: _______________________

Name and title: ____

The confidentiality of the information you have furnished will be preserved except where disclosure of this information is required by applicable law. The completed form is to be transmitted directly to [Habitat affiliate name] and is not to be transmitted through the applicant or any other party.

Appendix 9: Example Request for Credit References

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

[Affiliate's name, address and phone number] [Date]

[Creditor's name and address]

RE: [Applicant's name]

To whom it may concern:

The above-named person has applied for housing through the Habitat for Humanity homeownership program and has given us written permission to contact you for a credit reference. We would appreciate your help in answering the following questions. All information will be kept confidential in conjunction with the Gramm-Leach-Bliley Act. Your prompt return of the requested information will be appreciated. A self-addressed, stamped return envelope is enclosed.

Thank you for your assistance.

Sincerely,

[Name]

[Title]

I (we) authorize the release of the following information to [affiliate name] for use in determining eligibility for the Habitat homeownership program.

___________________________________ __________ ___________________________________ __________

Applicant signature Date Co-applicant signature Date

---

1. How long have you done business with this applicant? ____

2. Are payments made regularly according to your agreement? _____ Yes _____ No

3. If unable to make a payment, did the applicant make satisfactory arrangements? _____ Yes _____ No

4. Would you consider this applicant a good credit risk? _____ Yes _____ No

5. Highest balance $________________ Present balance $________________ Monthly payment $_______________

Signature:____ Date: _______________________

The confidentiality of the information you have furnished will be preserved except where disclosure of this information is required by applicable law. The completed form is to be transmitted directly to [Habitat affiliate name] and is not to be transmitted through the applicant or any other party.

Appendix 10: Example Current Housing Evaluation Form

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

Applicant name: ______________________________ Applicant file # ______________

Applicant address: ______________________________ Visit date: ______________

City, state, ZIP: ______________________________

Phone number: ______________________________

The home visit is an opportunity to observe and document an applicant's current living situation. Please report only what can be observed by the untrained eye. You may ask the applicant and other household members for their observations of living conditions by using the additional observations/concerns or the summary section of the form. It is very important that home visitors do not make assumptions based on their observations. For example, if the temperature of the home feels cold, you should not assume this is due to lack of insulation. You should ask to see the thermostat, ask how long it has been set at that temperature, and report this information. You may report things such as drafts coming through windows if you can feel them.

The purpose of this document is to help the Homeowner Selection committee's home visit team determine if there is an actual need for housing. It focuses on inadequacy of structural and functional issues and not on correctable aesthetic details.

Evaluation question	Yes or no	Expressed by household member	Description/comments
Size of home			
Can every family member sleep in a bedroom?			
Are other rooms in the home being used as regular sleeping space?			
• If so, which rooms, and how many other rooms?			
• If so, how many individuals are sleeping in these rooms?			
Is it necessary for school-age children of the opposite sex to share a bedroom?			
Are room sizes inadequate for household size?			
Interior structural issues			
Uneven or sloping floors.			
Broken windows.			
Windows or doors are inoperable.			
Sagging ceiling(s).			

Signs of water damage in ceilings, walls or floors.			
Air leaks in or around doors or windows.			
Staircase or railing instability or damage.			
Leaking faucets or other water sources.			
Unusable toilets, sinks, shower, bathtub.			
Partially broken or unusable appliances.			
Exposed electrical wiring.			
Unusable electrical sockets.			
Odors that could be mold, or other health-relevant issues.			
Signs of rodent or insect infestation.			
Exterior structural issues			
Signs of roof damage.			
Exterior structure damage (missing siding, uneven roofline, etc.)			
Porch, carport or entryway is sagging, uneven or unstable.			
Extensive overgrown vegetation.			
Broken or clogged gutters or drains.			
Safety			
Hazardous material in close proximity to the home.			
Danger from others because of neighborhood crime.			
Danger for children because of proximity to high-traffic areas.			
Other considerations			
Lack of access to bathroom or bedroom for a household member with a physical disability.			
Lack of access into the home without assistance for a household member with a physical disability.			
Home is a temporary living situation (Explain: Landlord is selling property, household is living with family or friends, etc.).			
Additional observations/information			

Summary remarks or other comments: ____

____

____

____

____

Signature of home visitor ______________________________ Date: ______________

Name of home visitor: ____

Signature of home visitor ______________________________ Date: ______________

Name of home visitor: ____

Appendix 11: Equal Housing Opportunity graphics for printing

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities website at **portal.hud.gov/hudportal/HUD?src=/library/bookshelf11/hudgraphics/fheologo**. A four-inch logo is also available on the site.

Appendix 12: HUD Form 928.1 (English)

The Equal Housing Opportunity poster must be displayed at locations where applications are provided and received. A downloadable version can be found at **hud.gov/offices/fheo/promotingfh/928-1.pdf**.

U. S. Department of Housing and Urban Development

EQUAL HOUSING OPPORTUNITY

We Do Business in Accordance With the Federal Fair Housing Law

(The Fair Housing Amendments Act of 1988)

It is illegal to Discriminate Against Any Person Because of Race, Color, Religion, Sex, Handicap, Familial Status, or National Origin

- In the sale or rental of housing or residential lots
- In advertising the sale or rental of housing
- In the financing of housing
- In the provision of real estate brokerage services
- In the appraisal of housing
- Blockbusting is also illegal

Anyone who feels he or she has been discriminated against may file a complaint of housing discrimination:
1-800-669-9777 (Toll Free)
1-800-927-9275 (TTY)

U.S. Department of Housing and Urban Development
Assistant Secretary for Fair Housing and Equal Opportunity
Washington, D.C. 20410

Previous editions are obsolete form HUD-928.1 (2/2003)

Appendix 13: HUD Form 928.1a (Spanish)

The Equal Housing Opportunity poster must be displayed at locations where applications are provided and received. A downloadable version can be found at **hud.gov/offices/fheo/promotingfh/928-1a.pdf**.

U. S. Department of Housing and Urban Development

IGUALDAD DE OPORTUNIDAD EN LA VIVIENDA

Conducimos nuestros negocios de acuerdo a la Ley Federal de Vivienda Justa

(Acta de enmiendas de 1988 de la Ley Federal de Vivienda Justa)

Es ilegal discriminar contra cualquier persona por razon de su raza, color, religion, sexo, incapacidad fisica o mental, la presencia de niños menores de 18 años o de mujer embarazada en su familia o su origen nacional

- En la venta o renta de vivienda y terrenos residenciales
- En los anuncios de venta o renta de vivienda
- En la financiamiento de vivienda
- Amenazar o interferir con la persona para que no registre su queja
- En los servicios de corretaje que prestan vendedores de vivienda
- En la valoracion de vivienda
- Tambien es ilegal forzarle a vender o rentar su vivienda diciendole que gente de otra raza, religion o grupo etnico se estan mudando en su vecindario

Cualquier persona que sienta que fue discriminada debe de enviar su queja de discriminacion:

1-800-669-9777 (llamada gratis)
1-800-927-9275 (TDD llamada gratis)

U.S.Department of Housing
and Urban Development
Assistant Secretary for Fair Housing and
Equal Opportunity
Washington, D.C. 20410

Appendix 14: Example Committee Applicant Review Form

Caution: This document is intended to be used as an example only. Certain provisions contained herein might not be suitable for a particular affiliate or state. All legal documents should be reviewed by the affiliate's attorney.

(Note: You must decide if you want to share the name of the applicant on this form. It is recommended that in the interest of confidentiality you do not and code the recommendation instead. Get all the sheets returned after the board makes its decision!)

[Affiliate name] Applicant #______________________________

A. CURRENT HOUSING NEED

Summarize why the applicant's current housing situation is inadequate (size, location, safety, utilities, etc.):

____

____

____

Total household gross income $________________/month $________________/year
(per check stub/W-2/tax return)

Number in household ___________________________

Habitat income guidelines (for household of this size) Minimum $______________ Maximum $__________________

B. ABILITY TO PAY

Income stability (for employed applicants, time on job or in same line of work)

Applicant ____

Co-applicant ____

Total monthly household income $____

Applicant's current housing cost ratio ____%

Applicant's current total debt to income ratio ______________________________________%

Affiliate front-end ratio limit ____%

Affiliate back-end ratio limit ____%

Applicant's allowable mortgage payment, including escrow funds with Habitat home $_________________________

Applicant's back-end ratio, including Habitat housing expense __________________________%

Past due/collections/debt write-offs considered per affiliate policy

Type	Number of accounts	Total due
Past due accounts		$
Collection accounts		$
Write off accounts		$
Other		$
Other		$

Bankruptcy in the past seven years? _____ Yes _____ No If yes, how long was it discharged? ____________________

Any extenuating circumstances that should be considered? (Please explain.)____

____

____

C. WILLINGNESS TO PARTICIPATE AS A HABITAT PARTNER

Were the application and all requested materials returned within the stated period of time? _____ Yes _____ No

If no, was an explanation offered?____

____

____

Did the applicant accept the down-payment and closing-cost requirements of the affiliate? _____ Yes _____ No

Explain how the applicant will be able to contribute sweat equity. ____

____

____

____

Compensating factors (if items above are outside of guidelines, explain why the applicant should continue to be considered):

____

____

____

D. RECOMMENDATION

Accept or reject: ____

Accept with the following conditions: ____

Reasons for rejection: ____

Appendix 15: Community Needs Assessment

This worksheet is designed to determine whether a community has a need that can be met by Habitat. In order to properly answer the questions, you might need to request assistance from the local planning director, the public housing authority or community action agency. The local or state consolidated plan also will be helpful.

Completed by: ____________________ Date: ____________

Reviewed by: ____________________ Date:____________

Name of community: ____________________

Population of the community: ____________________

A. INCOME CHARACTERISTICS

What is the total number of households living in the community?____________________

What is 30 percent of the median income of the community? __________ 50 percent of the median income?__________

What is the number of households living below 50 percent of the community median (very low-income)? __________

What is the percentage of very low-income, owner-occupied households paying more than 30 percent of their monthly income on housing-related costs? ______________________________percent (cost-burdened)

What is the percentage of very low-income renter households paying more than 30 percent of their monthly income on housing-related cost?______________________________ percent (cost-burdened)

Note: If figures for housing expense above 50 percent are available, please note them, as they will be useful when defining homeowner selection criteria.

What is the median contract rent in the community being assessed? $____________________

B. HOUSING CHARACTERISTICS

What percentage of the present housing stock is considered substandard by HUD criteria? ______________percent

Is there a waiting list for subsidized housing units? _____ Yes _____ No

How many families are on the list? ____________________

What size homes (number of bedrooms) are in highest demand? ____________________

What is the median number of people per room for all occupied units? ____________________

What is the total number of owner-occupied housing units? ____________________

What is the number of vacant owner-occupied housing units for sale? ____________________

C. HOUSING ASSISTANCE PROGRAMS

List programs currently in place for:

Rental housing:____

Homeownership:____

Those who are homeless: ____

Transitional housing: ____

Housing rehabilitation (including owner-occupied): ____________________________

Education seminars for potential homeowners or “homebuyer clubs”: ______________________

Glossary for this form

Cost-burdened: Low-income households that spend more than 30 percent of their income for housing costs (including utilities other than telephone).

Median contract rent: The monthly rent agreed to or contracted for, regardless of any furnishings, utilities, fees, meals or services that might be included.

Subsidized housing: Generally, most cost-burdened households are eligible for some federal housing subsidies.

Median number of people per room: This number is achieved by dividing the total number of people in housing units by the total number of rooms. This is intended to provide a measure of use. A higher mean number may indicate a greater degree of crowding.

every hand

makes a difference

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