

Hello and welcome to Pathways to Homeownership. This presentation will guide you through what applying for a Habitat Cape May Home looks like and what is necessary to qualify.

The material we will cover in this presentation might be overwhelming. The odds may seem insurmountable. Keep in mind your WHY. Why do you want a Habitat home? Ask yourself the hard questions, like, can I afford to purchase a home? And then, take it one step at a time. This application process can be filled with overwhelming moments and disappointments. You may not qualify this round, but there might be a chance to re-apply and get another opportunity at owning your own affordable home in Cape May County. If homeownership is an important goal for you, keep pressing forward. During this presentation, try to keep your why at the forefront of your mind and know that we are walking with you during every stage of the process.

Habitat for Humanity has been around for 50 years and is driven by the vision that every one of us deserves a stable and affordable place to call home. The Habitat model is built on community partnerships through volunteers, the ReStore, local businesses, and other non-profit groups. We keep costs low, sell homes at no profit and provide subsidies in order to keep the pricing affordable for families in the area.

Habitat homebuyers must be active participants in building a better home and future for themselves and their families. There's several commitments in buying a Habitat home:

there's sweat equity, which is contributing your time towards habitat activities, there's submitting multiple documents throughout the mortgage process, and there's a time commitment since all of these things will be taking place over several months while the home is being constructed. Every Habitat home is an investment. For us, it is one answer to a critical need, and we believe that stronger homes will create stronger communities.

When hard-working families are supported by a proven program, determined volunteers and generous donors, a future full of opportunity is built. There are proven benefits to stable, affordable, long-term housing - such as better health, education and earnings as well as stronger communities. This is our why.

This is one of last homes we completed in Upper Township. It is an example of the type of homes we build. Habitat homes are quality, modest single family homes.

This was the second of four homes completed in Upper Township

For visual illustration, the two homes in West Cape May will be similar to this depiction. The two homes in West Cape May will also be modular construction.

There are 3 qualifications for becoming a habitat homeowner:

- NEED FOR STABLE HOUSING

▪INCOME/ABILITY TO PAY

▪WILLINGNESS TO PARTNER

Eligibility Requirements:

- My family size is between 3-6 people
- I am a United States citizen or legal permanent resident.
- I have a credit score of **620 or higher**.
- I have the ability to save approximately \$5,500
- My gross annual household income (before taxes) falls within the income guidelines.
- If I'm employed, I have been employed in the same industry for at least 2 years.
- I have a stable source of income that I do not expect to end within the next 3 years.
- If I have ever declared bankruptcy, it has been discharged for at least 3 years.
- I have not been foreclosed upon in the past 7 years.
- I have not owned a home in the last 3 years.
- I can provide proof of timely rental payments for the last 12 months.
- I intend to use this home as my primary residence for the duration of my ownership.
- All members of my household have lived together consistently for the past 12 months.
- I am willing to partner with Habitat for Humanity of Cape May

County by volunteering my time working on the construction site, participating in home owner preparation classes, attending meetings and events, etc.

- I do not have any unpaid non-medical collections or if I have any medical collections they are on a payment plan and current.

Each applicant must demonstrate a need for adequate shelter. Some examples could be unsafe structure, unsanitary conditions (other than self-imposed), unsafe neighborhood environment, overcrowded conditions, unaffordable (over 30% of gross income), or inaccessible. We provide a questionnaire as part of the application to self-affirm current living conditions, but take seriously any misrepresentation of this statement, including deselection.

The Willow Ave homes in West Cape May will serve families with income at 50% - 80% of the HUD median income for our area.

- Countable income includes regular income received by the applicant and co-applicant. Income includes gross wages, tips, alimony, regular child support, Temporary Assistance for Needy Families (TANF), Social Security, SSI, disability payments and any other form of cash payment.
- Non-cash payments such as food stamps, WIC and Section 8 rent support should also be recorded but not included as income.
- “Working” income is not a requirement for consideration of an applicant. Retirement or pension, Social Security,

TANF, disability, child support, alimony, public assistance.

- Income should be projected to continue for at least 3 years.
- The mortgage payment plus principal, interest, taxes and insurance, will not exceed 30 percent of the family's gross monthly income.

The ability to pay is an important component of buying a home through Habitat. New Jersey identifies the low to moderate income ranges for our area and these numbers are used to qualify families. We will specify the ranges on application materials once the application cycle is initiated. Qualifying credit scores and manageable debt to income ratios are also an essential part of the ability to pay. You will need to be able to obtain a mortgage through a third party lender and they will look at all of these factors to determine if you qualify for a mortgage.

Every household must be willing to complete 200 hours of sweat equity before closing on their Habitat home. This is the commitment of time and signifies the understanding of the value of this opportunity and mutual respect for the partnership. We encourage relatives and friends to assist with a certain number of these hours.

Sample indicators of Willingness to Partner are:

- applicant will provide all application information in a timely, honest manner

- the applicant provides contact information for landlords, employers, etc.

- the family will meet the sweat equity requirement of 200 hours

- the applicant will pay required down payment and

closing costs

- the applicant will avoid new consumer debt during the application process through to mortgage closing
- the applicant will live where Habitat Cape May intends to build
- the applicant will notify Habitat Cape May of any change in family composition
- the applicant will notify Habitat Cape May of loss of income
- the applicant will notify Habitat Cape May of changes in contact information
- the applicant agrees to maintain the home and positively represent themselves and Habitat Cape May
- the applicant agrees to pay the monthly mortgage without default

The selected family will embark on an education path to improve mortgage readiness utilizing our online modules seen here.

Being able to contribute to your home and even build parts of it are such a point of pride for many Habitat homeowners. Not many people can say they helped build their home!

Buying a home involves a very thorough screening process, which includes providing necessary documentation to Habitat entities and the lender when requested. Examples of necessary documentation needed are:

- Fully completed Habitat Homeownership Program

- application.
- Signed Client Authorization for Counseling and Disclosure
 - Signed criminal and sexual offender registry background check
 - Equal Credit Opportunity Act Notice
 - Signed Talent Release
 - Photocopies of applicant's photo ID, and birth certificates of all household members (including children).
 - 2 most recent Federal tax returns, including W-2's and 1099's
 - Last four most recent payroll check stubs (required for wages)
 - Copies of child support payments and/or alimony (a full year record and copy of court order); annual Social Security verification statement(s); proof of disability, pension, etc. and other reliable evidence of income.
 - 3 rent payment receipts or canceled rent checks plus landlord reference of timely payment for 12-month period.
 - 6 months current Bank Statements

The mortgage lenders will require their own set of documentation from applicants, similar to this.

A criminal record check, including a search of the National Sex Offender and OFAC (U.S. Treasury's Office of Foreign Assets Control as being a threat to national security) database, will be conducted on each household

member(s) 18 years of age or older.

Criminal convictions will be considered for selection purposes only to the extent that the crime is relevant to one of the selection criteria. Crimes involving violence, substance abuse, sex offenses or other criminal offenses will often be relevant to the applicant's willingness to partner with the affiliate in creating a safe community. Crimes involving financial matters, such as forgery or worthless checks, may be relevant to the applicant's ability to pay. The gravity of the crime, the time that has elapsed since the crime and how the applicant has conducted his/her life since the incident will be considered.

In order to keep the monthly payment affordable, the home is sold at the appraised value (FMV) but the difference between the amount financed and the appraised value is a silent second mortgage. There is no collection on the silent second mortgage. FMV may be \$300,000 but the buyer only obtains an affordable mortgage, example of \$150,000 and then Habitat provides a subsidy in the form of a silent second mortgage for the difference of \$150,000 (no payment is collected).

Payment amounts vary depending on the house and the applicant's ability to pay. Regular monthly payments include principal, interest, taxes and insurance. Payments will not exceed 30% of the families' gross income. A down payment based on a percentage of the home price is required at the time of purchase (closing). For example, on the market today a \$150,000 mortgage requires a 3% down-payment of \$4500. In addition, there are closing

costs related to fees incurred during the title and lending process and costs associated with the sales transaction. Some lenders have assistance programs for down payment.

Habitat provides a list of lenders who are willing to finance a deed restricted property. Each home buyer can choose which lender they prefer from that list, according to the program offerings (down payment assistance, interest rates, ability to close quickly, etc.) Obtaining a mortgage and going through that process is a part of the willingness to partner.

If the house needs to be sold before the expiration of the 30 year deed restriction, the municipal housing liaison will provide information about the resale process. These regulations are in place in order to prevent homeowners from “flipping” the house and gaining unfair personal profit from the discounted purchase price. Homeowners may not put liens on the property. The state of NJ regulates affordable housing through the use of property deed restrictions.

Habitat homes must be the primary residence of the home buyer and the home cannot be leased, rented or used as a short term rental, like an air BNB.

It's important for partner families to help us tell the story of our mission and the people we help. We can provide that in a more private manner without giving too much personal information or identity, but it is a very important component of the program that we stress. Providing story content, interviews and identity neutral photos). Community

connection is the foundation of Habitat for Humanity and we continue that component of our mission since our inception.

The application period for West Cape May is yet to be determined. In order to be notified of the application cycle opening, individuals will need to keep an eye on our social media outlets or our website or email us to be added to the application notification list

Here are a few of the steps that occur once the application cycle is open:

Submitted complete applications are reviewed for income eligibility.

Eligible applicants are entered into the lottery selection anonymously.

Selected applicants are verified further through credit check and debt-to-income ratio, income verification and further assurance of the ability to pay.

Once selected applicants are thoroughly vetted, background checks are conducted.

Need is established by completing the questionnaire.

The lottery occurs typically 60 days after we begin marketing. The application period will indicate the details about the house(s), income levels per number of household members and application timeline.

The process of partnering to buy a Habitat home can take anywhere from 6-18 months to the transfer/move-in date

depending on the type of build and a number of other factors. Future habitat homeowners can utilize this time to acquire sweat equity hours, save for the closing costs, and complete the documentation needed for the mortgage company and fulfill required education courses. At any time during this period, the partner family may decide to withdraw from the program. A partner family may also be “deselected” by Habitat if they are in violation of the terms in the partnership agreement (for example - creating new debt, not contributing sweat equity hours, etc.). Please note that the partnership agreement lays out the responsibilities you must uphold as part of our homebuying program. If you do not believe you can uphold those responsibilities then you will want to consider if this is the right program for you.

Families are required to attend new homeowner training and perform all required sweat equity. After moving in, families are expected to make monthly mortgage payments on time and keep the house and yard well-maintained. Homeowners are totally responsible for their property and monthly utility bills including electric, natural or propane gas, water and sewer and any other needed or added services. Habitat does not provide any additional services, other than occasional follow-up, once a homeowner closes on the property.

We will announce the application as soon as we have the permits. If you are on our mailing list, you will receive an email notification. We will also advertise in a few local papers, our website, social media, flyer postings in our

ReStore, libraries and other public spaces. We will produce paper copies of the application or copies that can be printed from our website. The information about the due date and the lottery will be included in that announcement.

We know that all of this is SUPER overwhelming and there's a risk of information overload. Just take a second and remind yourself of your why. Why do you want to own your own home? What is going to help you power through the hard moments in this process with Habitat? Is this application process going to put you closer to your goals financially? It's ok to be overwhelmed. Just take everything one step at a time.

Thoughts from a current Habitat Cape May homeowner:
"Don't give up on the process. Many people get to a point when doing applications ... that they tend to give up. They think 'Oh, I won't get chosen or I'm not meant to get the happy ending.' Do not give up, especially when you have little ones that look up to you. You are the rock that holds it together you have to stay focused on the task in front."