



HOMEOWNERSHIP GUIDE



Photo by Gene Soboleski of BigZig Photography

Upper Valley Habitat for Humanity
PO Box 1038, White River Junction
VT 05001
(802) 295-1854
info@uvhabitat.org
www.uvhabitat.org



Dear Homeownership Applicant,

We are very honored that you are considering applying to the Upper Valley Habitat for Humanity Homeownership Program. You are taking the first step in a process that will bring you to the ultimate goal of living in a home that you own.

The coming months will be a busy time as you go through the application process involving multiple stages and overseen by our Family Committee volunteers. If you are approved for homeownership, you will be working to build your own home alongside our construction team and scores of volunteers who donate their time to Habitat projects.

The first step is to complete the Homeownership Application as thoroughly as possible to help us process it expeditiously. We will review your application, run credit and background checks, and talk to your references. Finally, members of our Family Committee interview you and your family in your home before making a recommendation on your application.

If you are approved, and we hope that this will happen, you will be busy with building your new home, taking homeownership courses, and having financial coaching sessions with Katy Almstrom of Almstrom Financial Coaching, LLC. It will be a challenging time, but owning your own home is worth the hard work and effort.

You will likely have many questions as you embark on this journey. Our staff are available by email or phone to offer guidance and help as needed. Approved partner families are assigned a Support Partner (a volunteer from the Family Committee) to support them on the journey to homeownership and through the first year of homeownership. We want to be sure you completely understand everything about the process – the more you know, the more prepared you are to become a homeowner.

We understand that change happens. If your circumstances should change you must let us know because significant life factors such as finances, employment, and household makeup are taken into consideration in our partnership. Remember, it also is essential that you maintain your current sound financial footing. Just as failure to perform your sweat equity hours in a timely fashion can de-select you as a partner, so can poor financial standing.

All of us at Upper Valley Habitat are here to support you and help you become a homeowner. We look forward to being part of your journey to becoming a Habitat homeowner.

Sincerely,

Eva Loomis

Eva Loomis
Executive Director



Table of Contents

WHAT IS HABITAT FOR HUMANITY?	3
WHY HOMEOWNERSHIP?	4
UPPER VALLEY HABITAT FOR HUMANITY	5
HOMEOWNER SELECTION	6
GENERAL CRITERIA	6
UPPER VALLEY HABITAT ELIGIBILITY GUIDELINES.....	6
APPLICATION PROCESS	8
HOMEOWNER DESELECTION	8
PARTNERSHIP – WORKING TOGETHER	9
UPPER VALLEY HABITAT COMMITMENTS	9
HOMEOWNER COMMITMENTS	10
SWEAT EQUITY.....	10
BUILDING YOUR HOME	11
DESIGN	11
DESIGN DECISIONS	13
CONSTRUCTION.....	13
BECOMING A HABITAT HOMEOWNER	14
CONSTRUCTION BUDGET AND HOME SALE PRICE	14
PURCHASE AND SALE AGREEMENT.....	15
FINANCING	15
MORTGAGE LOAN ORIGATION.....	16
HOME INSPECTION	17
CLOSING COSTS.....	17
MORTGAGE AND ESCROW	19
DEDICATION	19
TERMINOLOGY	20
AGREEMENT	23





What is Habitat for Humanity?

Habitat for Humanity is a nonprofit housing organization working in 1,300 communities across all 50 states and in approximately 70 countries around the world. It was founded in 1976 by Millard and Linda Fuller, who believed everyone deserves a place they can call home. Habitat for Humanity's mission is to bring people together to build homes, communities and hope.

Habitat's vision is of a world where everyone has a decent place to live. Habitat works toward this vision by building strength, stability and self-reliance in partnership with people and families in need of a safe and affordable home.

The concept that grew into Habitat for Humanity International (HFHI) began at Koinonia Farm, a small, interracial, Christian community founded near Americus, Georgia in 1942 by farmer and biblical scholar Clarence Jordan. Millard Fuller and his wife, Linda, first visited Koinonia in 1965. They had recently left a successful business in Montgomery, Alabama to begin a new life of service. The Fullers were drawn to Jordan's small community, and, with Fuller, they developed the concept of "partnership housing" to address the problem of substandard housing.

This concept centered on those in need of adequate shelter working side by side with volunteers to build simple, decent homes. The homes would be sold at no profit, and interest would not be charged on the loans the families would repay. Building costs would be financed by the new homeowner's house payments and fund-raising activities. In 1976, Habitat for Humanity was formally founded by the Fullers.

Phenomenal Growth

In 1984, former U.S. President Jimmy Carter and his wife Rosalynn took their first Habitat work trip, the Jimmy Carter Work Project, to New York City. Their personal involvement in Habitat's work brought the organization national visibility and sparked interest in Habitat's work around the world. Since 1984, the former first couple has helped build, renovate or repair over 4,000 homes! As a result, HFHI experienced a dramatic increase in the number of new affiliates across the country. Today, Habitat is one of the largest home builders in the United States.

Through the work of Habitat, thousands of low-income families all over the world have found new hope in the form of affordable housing. Countless volunteers have joined together to successfully tackle this significant need – decent housing for all. Today, more than five million people around the world are living in Habitat homes.





Why Homeownership?

Being a homeowner is more than just having a roof over your head and a house to live in. Homeownership instills feelings of comfort, security, stability and pride. Homeownership provides substantial social benefits for families and communities:

- Predictable monthly housing expenses help increase financial stability and ability to better budget.
- Helps build wealth and ability to save for retirement.
- Homeowners tend to be more civically engaged and invested in their communities than renters.
- Generates tax revenue for the town and tax deductions for the household.
- More stable families and individuals.
- Improved health among family members and individuals.
- Higher academic achievement among children of homeowners.
- More cohesive communities and safer neighborhoods.
- Homeowners help strengthen their local economy.
- Unlike rent, your principal payments will never rise, and we normally do not charge interest. Property taxes and homeowner insurance do tend to increase over time, but not as much as rent may increase.
- Your housing budget goes towards your homeownership, not your landlord's.
- You have the freedom to make modifications to your home and landscape, invite others to stay with you, and have pets.
- In our region, Upper Valley Habitat homes are cheaper than renting.
- The home is your own and you will own the home outright once your mortgage is fully paid.





Upper Valley Habitat for Humanity

Upper Valley Habitat has been helping families in the Upper Valley area of Vermont and New Hampshire since 1986, and in that time, has built or renovated over thirty-five houses for families and individuals under Habitat's tried and true process. For two years after Tropical Storm Irene severely damaged so much of our area, we accomplished countless repairs for people who needed our help.

Our mission is to build affordable, durable, safe, healthy, economical, and energy-efficient homes; strengthen and enrich communities; and increase long-term hope, prosperity, health, and the lives of families and individuals in the Upper Valley of Vermont and New Hampshire through the stability of affordable homeownership.

All of our homes are designed to be energy efficient, built with quality materials and workmanship, yet kept affordable for our partner family. New homes are now built to meet Efficiency Vermont High Performance standards. This ensures a comfortable home for the partner family with very affordable long-term ownership costs.

Our affiliate serves the Upper Valley region specifically within these towns:

Vermont:

Barnard, Bethel, Bradford, Bridgewater, Fairlee, Hartford, Hartland, Norwich, Pomfret, Royalton, Sharon, Strafford, Thetford, Tunbridge, Windsor, Woodstock

New Hampshire:

Canaan, Claremont, Enfield, Grantham, Hanover, Lebanon, Lyme, Orford, Piermont, Plainfield

Under the motto "neighbors helping neighbors", we work in partnership with families and individuals in need of safe, affordable housing. Upper Valley Habitat for Humanity's selection process does not discriminate on the basis of race, color, religion, sex, handicap, marital status, or national origin.



Homeowner Selection

General Criteria

According to HFHI, to be eligible for homeownership, applicants must meet the following criteria:

1) Need for adequate housing (financial and physical). Examples:

- Your current housing is substandard and in poor condition.
- You are living with family or friends.
- Your house is overcrowded.
- Your rent is more than 30% of your gross monthly income.
- Inadequate conditions for a person living with disabilities.

2) Willingness to partner with Habitat.

- You must be willing to contribute the required amount of sweat equity to build or renovate your home or the home of another partner family.
- You must attend homeowner education classes.
- You must work with Upper Valley Habitat's financial coach.
- You must communicate with us and be responsive to our requests for information, meetings, and other activities as your partnership progresses.
- Have an open and honest relationship with Habitat. Know that we are here for you.
- Be an ambassador of the homeownership program in your community. Families are expected to be a good neighbor, pay their mortgage on time and maintain their home properly.
- 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.

3) Ability to pay for the Habitat home.

- You have a stable source of income that meets Habitat guidelines.
- You must be able to repay a zero-interest loan from Upper Valley Habitat.
- You must demonstrate a history of timely bill payments.
- You must not have excessive debt.
- Have no outstanding liens or judgements.

Upper Valley Habitat Eligibility Guidelines

While HFHI sets the standard for selection criteria as discussed above, affiliates set their own eligibility requirements in alignment with local community needs. Habitat partner families are selected by our Family Committee through a careful application review and interview process. Please realize that the application process may take four months or longer from date of submission to final approval.



Upper Valley Habitat will review your application using the following criteria:

1. You must demonstrate the need for an Upper Valley Habitat home, including:
 - o Your current housing situation is inadequate and substandard (overcrowded or unsafe).
 - o You are living with family or friends, or in temporary housing.
 - o You are cost-burdened: Rent is more than 30% of the household’s monthly income.
 - o The living conditions are inadequate for a person living with disabilities.
2. You are unable to access conventional bank financing.
3. Your total family income must be between 50% and 80% of HUD County Median Family Income, adjusted for the size of the family. Eligibility based on AMI will vary by house location. See the table below for further detail.
4. You commit to pay an interest-free or low-interest rate mortgage.
5. You agree to provide 300 hours of “sweat equity” into building the home (including financial and home ownership education classes). In the case of a disability or other extenuating circumstances, together we will make special arrangements to accommodate your needs.
6. You must be a resident of the Upper Valley region for at least one year prior to applying.
7. You need to have reliable and verifiable income. This includes wages, pensions, disability, TANF, SSI, child support, but does not include any form of vouchers or vendor payments such as food stamps, fuel assistance, or similar programs. You must be at your current employer for at least one year, although we will consider extenuating circumstances.
8. Once you are fully approved, we require a \$1,000 down payment to secure your commitment for a Habitat home. You will also need to demonstrate that you can save sufficient funds for closing costs when you take possession of your new home, typically between \$3,000 to \$5,000. We will help support you in this.
9. You agree to a sustainable commitment to responsible home ownership, and to an on-going partnership with Upper Valley Habitat.

Family Size – Total number of persons living in the household

COUNTY		Family Size – Total number of persons living in the household							
		1	2	3	4	5	6	7	8
Grafton NH	Maximum	\$51,900	\$59,300	\$66,700	\$74,100	\$80,050	\$86,000	\$91,900	\$97,850
	Minimum	\$32,450	\$37,050	\$41,700	\$46,300	\$50,050	\$53,450	\$57,450	\$61,150
Sullivan NH	Maximum	\$47,800	\$54,600	\$61,450	\$68,250	\$73,750	\$79,200	\$84,650	\$90,100
	Minimum	\$29,900	\$34,150	\$38,400	\$42,650	\$46,100	\$49,500	\$52,900	\$56,300
Orange VT	Maximum	\$41,800	\$47,800	\$53,750	\$59,700	\$64,500	\$69,300	\$74,050	\$78,850
	Minimum	\$26,150	\$29,850	\$33,600	\$37,300	\$30,300	\$43,300	\$46,300	\$49,250
Windsor VT	Maximum	\$44,450	\$50,800	\$57,150	\$63,450	\$68,550	\$73,650	\$78,700	\$83,800
	Minimum	\$27,800	\$31,750	\$35,700	\$39,650	\$42,850	\$46,000	\$49,200	\$52,350



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, family status, or national origin.



Application Process

Our staff and Family Committee volunteers will process your application in a thorough and comprehensive manner, and we will treat you and your application respectfully and professionally through the entire process. From receipt of your paperwork through formal approval for you to become a Habitat partner family will take at least four months, and construction of your new or renovated home can take up to another year or longer.

Step 1 – Application Review:

The Family Committee reads your application and confirms that you meet all the eligibility requirements as outlined above. If your application is approved, they proceed to the next phase. If it is not approved, we will notify you with an explanation as to why you did not qualify at this time.

Presence on a sex offender database is not an automatic disqualifier. The Board & Family Committee will investigate the offense and make determinations on a case-by-case basis.

Step 2 – Reference Checks:

Our staff or volunteer Committee members will contact and ask a series of questions of the references you provided including personal references, landlords, and employers. The Family Committee will review and assess the responses to these inquiries along with the results of your credit report and criminal background report. If there are any questions, we will follow up with you for clarification. Otherwise, the Family Committee will either approve or decline your application for the next phase based on the outcome of these checks.

Step 3 – In-Home Visit:

If you are moved to the next step of the application process, two volunteers from the Family Committee will meet with you and the family members who will be living with you. They will visit you in your current home to assess your living situation and conditions to determine your need for adequate housing. Following this visit, the Family Committee will meet and make a final determination on your application. If you are approved, they will present your application to our Board of Directors. The Board makes the final decision on applicants becoming approved for homeownership.

Should you have any questions along the way, please contact us by email or phone. It can be a daunting process and we are here to guide you through each step of this journey. Approved families and individuals will be assigned a Support Partner volunteer who will be a resource, mentor, and guide through the homeownership process. They can help answer your questions and support you emotionally.

Homeowner Deselection

Approval for partnership with Upper Valley Habitat is contingent upon certain criteria. Similarly, you may be deselected to partner with Upper Valley Habitat to build your home for the following reasons:

- Demonstrated fraud
- Failure to complete requirements





- Negative change in your financial situation
- Presence on a sex offender database (A sexual offense is not an automatic disqualifier. The Board & Family Committee will investigate the offense and make determinations on a case-by-case basis.)

Partnership – Working Together

By partnering with Upper Valley Habitat, you and volunteers will help to build you a home, and Upper Valley Habitat will sell it to you at no profit. Volunteer labor – yours included! –helps keep costs low and sweat equity on the construction site is also the best way to learn about tools, your house, the maintenance it will require, and new skills.

Like any partnership, everyone must do their part for the experience to be successful.

We want to do something WITH you, not FOR you, and you are expected to contribute to the process. We are a “hand up,” not a “handout.”

Failure to complete the sweat equity in a timely fashion or in other ways demonstrates an unwillingness to partner with Upper Valley Habitat may result in a partner family being de-selected for homeownership.

Upper Valley Habitat Commitments

Upper Valley Habitat agrees to provide:

- A buildable lot for construction of your new home, house and site plans. If we are not building a new house and are instead “recycling” a house, we will renovate the home to your needs.
- Teach you the skills you will need for owning and maintaining your home.
- Direct, manage and implement all house construction activities and inspections.
- Provide construction supervisors and on-site building instruction for you and volunteers.
- All legal work for the project itself (including permits).
- Builder’s insurance for the house during the construction of the home.
- Connect you with the required Homebuyer Education classes, including credit counseling and home maintenance courses, during the home building period.
- Connect you with your financial coach for a series of individualized financial coaching sessions.
- Obtain a professional appraisal of the home at or near completion to determine market value.
- Sell you the house with a mortgage that meets your affordability requirements.
- Ongoing support for you during the entire building period and for a year after you move in.
- A one-year warranty on your home, excluding manufacturer warranties for items such as appliances, heating system, plumbing fixtures, etc.
- A Support Partner (a volunteer from the Family Committee) who will be your guide and mentor through your first year of homeownership.



Homeowner Commitments

As an Upper Valley Habitat partner, you will agree to the following:

- Contribute the required sweat equity hours toward building your home and possibly that of another Habitat homebuyer as directed by the Construction Manager and/or work on other Habitat projects as approved by the Executive Director. Details of sweat equity are discussed separately.
- Let us know about major changes in your life leading up to purchasing your property including a job change, change in credit or debt, change in address (physical or mailing), change in marital status, or household makeup.
- Follow the direction of the Construction Manager regarding work conduct. Use your best efforts to meet construction goals, objectives and work schedules established by Upper Valley Habitat and the Construction Manager.
- Work in a safe manner at the construction site at all times.
- Cooperate with Upper Valley Habitat and conduct yourself at all times in a manner that will not disrupt or interrupt the performance of assigned tasks.
- Participate in photographs, videos and marketing campaigns for fundraising purposes (to the reasonable extent you feel comfortable).
- Write thank you notes to donors in a timely manner and in coordination with UVHFH.
- Attend a Homebuyer Education class and submit a copy of your certificate of completion.
- Actively engage in the process of working with Upper Valley Habitat's financial coach.
- Develop a budget and a debt repayment plan (if applicable) with your financial coach.
- Locate no personal property on the construction site or in the house under construction until a Certificate of Occupancy (CO) is issued by the local officials, the agreed upon sweat equity hours have been completed, and Upper Valley Habitat gives permission.
- Obtain a lawyer of your choosing to represent you as the buyer at the closing.
- Make a down payment of \$1,000 to Upper Valley Habitat, which will be applied to your mortgage principal.
- Pay closing costs between \$3,000 and \$6,000 at the time of closing on your property.
- Make timely monthly payments on your mortgage and escrow (property taxes and homeowner's insurance) and all other costs associated with homeownership.
- List Upper Valley Habitat as a contact on your utility account(s) so we can access utility usage reports to analyze house performance.
- Respect your neighbors and your neighborhood and maintain your property.
- Coordinate with UVHFH to provide an update (written, video, or other) on how, after living in your home for some time, your new home has impacted your life.
- Have an open and honest relationship with Upper Valley Habitat and be an ambassador of Habitat in your community.

Sweat Equity

Sweat equity is the work and time a partner family spends helping to prepare for homeownership and to build their own home and the homes of other Upper Valley Habitat partner families. Generally, you are expected to fulfill your sweat equity commitment by working to build or repair homes. Individuals



with conditions that prevent them from working on an active construction site will be given alternative work to complete the required hours.

You should spend as many days as possible helping to build your own home. Volunteers who work with you to build your home appreciate you working alongside them. In fact, in a Summer 2019 survey, construction volunteers said their favorite part of volunteering was meeting and working alongside the partner family.

We want you to be a successful homeowner. That's why we require you to attend homebuyer education and financial coaching sessions as part of your sweat equity. Being emotionally and financially prepared for homeownership is equally as important as other sweat equity hours.

The following count towards your sweat equity hours:

- Attending homebuyer education classes
- Financial education and coaching sessions with Almstrom Financial Coaching
- Other related classes you take
- Volunteering on the construction site
- Meetings with Upper Valley Habitat staff and volunteers
- Providing lunches for construction site volunteers
- Helping with Upper Valley Habitat events or events Upper Valley Habitat is participating in
- Office projects, if available

Your requirements for hours are:

- 300 hours total per partner family, with at least 200 hours from adults 18 and older who will be living in the home.
- Friends and extended family can contribute an additional 100 hours to help fulfill the required total of 300 hours.

Building Your Home

Design

Habitat will offer you a lot and home design based on your family size. We design our homes to make efficient use of their square footage and space.

Our homes are built to Efficiency Vermont High-Performance standards to ensure they are extremely well-insulated and energy efficient. This type of home relies solely on electric-powered cold-climate heat pumps and to heat and cool itself. A heat recovery ventilation system will exhaust stale air and provide fresh air to your home.

Our staff, Board of Directors and Committee members work hard to raise the money to purchase land and construction materials to build our houses. We receive donations from grants, foundations,

11



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, family status, or national origin.



fundraising events, mortgage payments from our partner families, and individuals, churches, businesses and service groups in our local community and beyond.

When you close on your home, you will hold a mortgage on the house and the land subject to any special conditions, such as covenants in a deed, rights-of-way or leased land.

UVHFH constructs houses to reflect the Habitat philosophy of building simple and decent houses. A typical Upper Valley Habitat home features:

- Two, three, or four bedrooms (depending on family size). The living space provided should not exceed:
 - 900 square feet for a two-bedroom house
 - 1,070 square feet for a three-bedroom house
 - 1,230 square feet for a four-bedroom house
- Maintenance-free vinyl siding and exterior trim
- Triple-paned windows
- One bathroom for homes with 3 bedrooms or fewer; 2 bathrooms for 4-bedroom homes
- Energy Star-certified electric appliances
- Construction that meets Efficiency Vermont High-Performance standards
- Lawn, graded and seeded
- A driveway and parking area
- Hookups for washer/dryer

Keep in mind that we are not a custom homebuilder and we do not build custom homes. We use the same grade and quality materials in all our homes to maintain fairness to everyone.

Septic system regulations do not allow garbage disposers. Our houses do not include a garbage disposal and we advise against installing one post-purchase, as a garbage disposal will stress your septic system and cause your septic system to fail.

Each house comes with a storage shed, which UFHFH will use during the build to store equipment and building supplies. The cost of the shed is included in the house cost.

We do not build garages. We may consider building a simple carport if a member of the partner family has a documented physical disability that calls for one.

Our new homes are built to be adaptable in the future to accommodate accessibility modifications. For instance, they include a 5' diameter circle in the bathroom; blocking in the bathroom for future grab handles; and the ability to add on an exterior ramp. We use the Habitat for Humanity International Accessible Housing Manual for guidance.



Design Decisions

You will be able to pick out some features of your house. This includes:

- Interior paint colors, from a selection we offer
- Exterior siding colors, from a selection we offer
- Cabinets and counters, from a selection we offer
- Some of the LED light fixtures, from a selection we offer
- Flooring materials or colors, from a selection we offer
- Energy Star electric appliances that must be ordered through Habitat's arrangement with Whirlpool. Appliances available through Whirlpool include:
 - Range
 - Refrigerator
 - Range Hood or an over-the-range microwave
 - Dishwasher
 - Washer
 - Dryer

All other design and construction decisions are made by UVHFH. The exterior walls, foundation and insulated ceiling of the house have been carefully designed and built. Homeowners can make modifications or upgrades after they have closed on the home but must consult with UVHFH before cutting into or modifying these areas.

Some new construction and rehabilitation jobs may provide a set of circumstances in which some of the above guidelines cannot be met, we will strive to maintain the intent and spirit of the guidelines when determining the specifics and extent of the proposed construction.

Construction

Our construction staff is responsible for working with partner families and volunteers to build quality homes in a safe and cost-effective manner. It is a challenging process, but the rewards are huge: a sense of community pride and a new home for you. Keep your eye on this prize on those sweltering hot or freezing cold days at the build site!

You will receive a daily safety briefing and on-the-job instruction for construction tasks when you are on the build site. You will not be asked to do anything you feel is beyond your ability, but you should expect to contribute to the work progress as directed.

As you work on the build site, you will become more familiar with the construction process. By the time you have completed your sweat equity, you will have a better understanding of how to properly maintain your home, perform general maintenance and deal with problems that may arise in the future.

- If you are unable to come on a day you have been scheduled to work, speak to the Volunteer Coordinator and/or the Construction Manager to let them know before you are to arrive.



- Come dressed appropriately for the build site and the weather. Construction work is sometimes dirty, cold, hot, or beautiful; be prepared mentally and physically. Always wear closed-toe shoes while on site.
- Let the Construction Manager know in advance when you want to bring friends and family to contribute to your sweat equity hours.
- Be prepared to fill out your sweat equity log with the Construction Manager at the end of each shift.

We use VolunteerUP (VUP), a volunteer management website, to manage our build events and volunteers. You will need to sign up for builds through this website. You can find the link to VUP on the “Volunteer” tab on our website (www.uvhabitat.org) and register to volunteer there.

If you’d like to stick to a set schedule, we can arrange that, too. The day’s work is planned based on the number of expected volunteers, so we need to know if you’ll be there or not. Conversely, if you don’t show up when promised, it has an adverse effect on that day’s work.

When we are working on a home, we hold regular build days on Thursdays, Fridays and Saturdays that often continue rain or shine (though inclement winter weather can cause cancellations).

Tracking Your Sweat Equity Hours

You will receive a sweat equity log from the Upper Valley Habitat office to track your sweat equity hours. The Construction Manager will sign off on your hours, and you must keep your sweat equity sheets as proof of the work you have done. Regularly submit copies of this log to the Volunteer Coordinator for recording.

Becoming a Habitat Homeowner

Once designs are complete, permits obtained, and construction is underway, you will start to look ahead to transitioning to homeownership. This will be a very busy period in your journey, and although it might seem onerous, preparing for the closing on your new home is essential and getting an early start will save you a lot of stress later.

Construction Budget and Home Sale Price

Upper Valley Habitat homes are more affordable than conventional homes because volunteer labor significantly reduces building costs. In addition, HFHI and Upper Valley Habitat can obtain some materials and subcontracted services at discounted rates or as a donation.

Upper Valley Habitat’s pricing policy is designed to assure that the homes we build are sold to homebuyers at no profit. We also need to ensure that all our costs (direct and overhead) are recouped in the mortgage that you will pay over a term of 20 to 30 years, depending on how it is structured.





In order to fulfill this mandate, affiliates may include the following costs into the calculation of the prices of their homes:

- Cash costs, or donated value of property acquisition and installation of infrastructure (streets, water, utilities, sewer).
- Legal fees, recording fees, platting costs, engineering costs and architectural costs directly attributable to the home.
- Direct construction costs for labor and materials paid for with cash by the affiliate.
- The value of in-kind material donations.
- The value of donated professional labor by individuals and firms.
- Licenses, permits, insurance and fees directly attributable to the home.
- In addition to the above “direct” or “production” costs, Upper Valley Habitat is permitted up to 10% of these total direct costs to cover indirect expenses incurred by the affiliate in the production of the home.

On the other side of this calculation, Upper Valley Habitat must recapture all direct costs plus our overhead costs (project management, administration, insurance) in a mortgage that is affordable to the homeowner. Therefore, we carefully plan and design your home to be affordable for you while also allowing us to recover our costs over the life of the mortgage. Doing so enables us to fund future home projects and benefit more families.

Purchase and Sale Agreement

Approximately two months prior to completing your home and closing on the sale, Upper Valley Habitat will provide a Purchase and Sale Agreement for you to sign. This is a contract that outlines the terms for you to purchase the home once it is complete and has a Certificate of Occupancy from the Building Department.

You will be required to pay the \$1,000 down payment to Upper Valley Habitat when you sign the Purchase and Sale Agreement. This money will be held in our attorney’s Trust Account until the closing on the home. The down payment is the part of the house’s sale price that the buyer pays in cash, which reduces the amount of the loan. We will also provide updated information on loan origination and closing costs at this time.

Financing

Your home is financed by Upper Valley Habitat through the generosity of donors who provide the funds to cover costs of construction and purchasing land. Portions of the costs also come from other mortgages that are being paid by current Upper Valley Habitat homeowners. Upper Valley Habitat originates and holds your mortgage, and Ledyard National Bank very generously services the mortgages for us at no cost.





You will make a monthly payment to Ledyard Bank, either by check or through automatic funds transfer from your bank account. The payment includes your principal payment for the mortgage and an additional amount for property taxes and homeowner insurance (held in escrow). The bank pays your property taxes and insurance from the funds held in escrow.

It is important to know that your mortgage principal amount will never increase over the life of the mortgage, but taxes and insurance will likely increase each year. The bank will send you an annual escrow analysis and advise you of any increases in payments.

An Upper Valley Habitat mortgage has significant benefits over other financing options. Our mortgages are 0% interest and have a much lower down payment requirement than conventional financing. The table below provides a comparison of these benefits:

Lender	Loan Amount	Interest Rate	Monthly Payment	Total Paid over 30 Years	Savings
Habitat	\$125,000	0%	\$347.22	\$125,000	\$77,070
Bank	\$125,000	3.5%	\$561.31	\$202,070	-

When you do not pay your mortgage in a timely manner, you are taking away from the funding stream that allows us to build our next home. Dozens of families have paid their mortgages on time in order for your house to become a reality. Please pass on that courtesy to other partner families. Additionally, it is important for you to pay your mortgage on time in keeping with the Partnership Agreement and Mortgage Deed you will sign – and to avoid foreclosure or other legal action against you.

For some home projects, there might be mortgage financing available from third party providers. One example is the US Department of Agriculture (USDA) Rural Development Program. These mortgages are at a low interest rate (below market rate) and lending terms are more favorable than a conventional bank mortgage. Upper Valley Habitat will ensure that your monthly mortgage principal and interest payment would be no more than a Habitat mortgage with this type of program, so your home is still affordable for you.

Mortgage Loan Origination

Concurrent with completing the Purchase and Sale Agreement, our Qualified Loan Originator (QLO) will launch the process to originate a mortgage for your new home. This is a service provided by a volunteer who is trained in banking and lending procedures and designated as the QLO for our affiliate by HFHI.

Our QLO will guide you through the process and will coordinate all mortgage activity from inception to the day of closing. We will provide a packet of information for mortgage origination as we near the time for starting this process.





Home Inspection

About 1 week before closing on your home, you will need to have a home inspection. A home inspection is a visual examination of the home's structure, components, and systems. This includes an inspection of the interior of the home, all mechanical systems, electrical, plumbing, insulation, ventilation, doors, windows, foundation, crawl spaces, and exterior condition of the home. This is a something you will need to pay for, which may cost around \$700.

Closing Costs

You need to plan ahead and save for costs that will be your responsibility at the closing on your home. Closing is the transaction where you take title and ownership of your new home, and we require you to have an attorney to represent you as the buyer. If you wish, we can provide names of local attorneys who are familiar with Upper Valley Habitat home purchases.

Shortly after you are approved as a partner family and once we have initial costs and construction budget established, we will provide you with a preliminary estimate of closing costs. This is usually up to a year in advance of closing to provide you with sufficient time to save for the closing. You will work with your financial coach to help save these funds.

Overall, you should expect to pay between approximately \$3,000 to \$6,000 in closing costs, depending on your choices for the items discussed below. The Executive Director and Family Committee are granted flexibility and authority when finalizing closing costs, particularly amounts paid up front by the borrower and amounts permitted to be rolled into the mortgage. Based on your financial situation, we will decide which items will be paid at closing and which can be rolled into the mortgage. Upper Valley Habitat will make every effort to advise the buyer of these items as early as possible.

Some homeowners may find that rolling more expenses into their mortgage will make their monthly mortgage payments unaffordable (more than 30% of their monthly income). To help keep your closing costs feasible and your mortgage affordable, our Family Committee and Executive Director will work with you to help you determine what you will be able to roll into your mortgage and what you should expect to pay at closing.

It is possible that grants from Vermont Housing and Conservation Board (VHCB) or New Hampshire Housing Finance Authority (NHHFA) could be available to offset a significant portion of these costs. Under special circumstances and based on a demonstrated need, some of these costs might be rolled into your mortgage but must be reviewed and approved by our Board of Directors.

Shortly before closing, Upper Valley Habitat will pull a second credit report on the applicant and co-applicant and check employer (and possibly landlord) references again to make sure the financial picture has not changed drastically and that the household remains in good standing to purchase the home.

The following items are the financial responsibility of the buyer at the time of closing:



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, family status, or national origin.

- 1) **Homeowner's Insurance:** You will need to obtain home insurance for your new home and prepay for the first year of the policy. After the first year, your renewal will be paid from your escrow account that you will contribute to on a monthly basis. You will need to secure insurance with a broker or agent and provide proof of first year insurance prior to closing.
 - a. **Estimated cost:** \$700
- 2) **Legal Representation:** Upper Valley Habitat requires every new homeowner to have an attorney represent them in the purchase of their home. Upper Valley Habitat may be able to obtain a pro-bono attorney for you or we may be able to provide names of local attorneys who may charge a discounted rate for an Upper Valley Habitat home purchase. If you are not able to obtain free or discounted legal representation, you must hire an attorney. All costs for the attorney are the responsibility of the buyer and must be paid at closing.
 - a. **Estimated cost:** \$400 - \$600
- 3) **Initial Escrow Deposit:** Ledyard National Bank services all Upper Valley Habitat mortgages and will manage your monthly payment that includes mortgage principal and escrow for property taxes and homeowner insurance. You will be required to pay the two months of escrow at closing to establish a cushion in your escrow account. This is discussed in greater detail below. The initial escrow deposit must be paid at the time of closing.
 - a. **Estimated cost:** \$1,000 - \$1,200
- 4) **Legal Filing Costs and Recording Fees:** There are fees for filing papers at the time of closing and these are arranged by your attorney and included in your bill from them. These must be paid at closing.
 - a. **Estimated cost:** \$100

The following items may be paid for at closing or added into the mortgage (to be decided by the Executive Director, Family Committee, and partner family):

- 1) **Appraisal:** An appraisal determines the value of the property. In the case of an Upper Valley Habitat home, this is for taxation purposes. Upper Valley Habitat may be able to obtain this as a donation from a local appraiser. If we cannot obtain a pro-bono appraisal, this cost can be paid at closing or rolled into the mortgage.
 - a. **Estimated cost:** \$700
- 2) **Real Estate Transfer Taxes:** In Vermont and New Hampshire, there are taxes paid to the state governments to transfer ownership of the property from Upper Valley Habitat to you. The buyer pays a portion of these taxes, as outlined in state regulations. This tax can be paid at closing or rolled into the mortgage.
 - a. **Estimated cost:** This is based on the state of residence, but homeowners can expect to pay between approximately \$1,000 to \$1,500.
- 3) **Appliances:** HFHI currently has an agreement with Whirlpool Corporation where certain models of appliances are available at no cost or at discounted prices. Typically, refrigerators and stoves are no cost, but washers, dryers, range hoods, microwaves, and dishwashers are sold at prices usually less than in retail stores. The cost of these appliances can be paid at closing or rolled into the mortgage. If the homeowner would like to reduce their closing costs and mortgage by saving



up to purchase select appliances once they have been living in the home for some time, it is possible for them to purchase discounted appliances through the Whirlpool partnership later.

a. **Estimated cost:** \$1,800

- 5) **Allowance Excesses:** In the construction budget, Upper Valley Habitat will give you the opportunity to select kitchen and bathroom cabinetry, flooring, and lighting fixtures. Each of these will be subject to an allowance that is a maximum that Upper Valley Habitat will pay for these items. If you select options that exceed the allowance limits, you will be responsible for the extra costs, either at closing or by rolling them into your mortgage.

Mortgage and Escrow

Once you close on your new home and take ownership, you will be responsible for making monthly payments to Upper Valley Habitat through our mortgage servicer, Ledyard National Bank. Normally, the monthly payment consists of four items: principal, interest, taxes, and insurance (PITI). In the case of an Upper Valley Habitat mortgage, the interest rate is 0% so you will not pay any interest charges.

For your monthly payment, the principal amount remains the same for the life of the mortgage, typically 30 years. Although you make your payment to Ledyard, they actually forward this portion to Upper Valley Habitat and as mentioned earlier, this helps us to fund future home programs. Ledyard will also manage an escrow account, which is money held in trust on your behalf to pay the property taxes (usually twice yearly) and homeowner insurance (yearly). It is important to understand the property tax and homeowner insurance rates are not controlled by Habitat, but rather by your town assessor and insurance company, respectively.

Escrow accounts are interest bearing and any accumulated interest is added to your balance. Currently, the federal government has set the interest rate at 0% for escrow accounts.

Each year, Ledyard will do an escrow analysis and adjust your escrow amount for any changes in property taxes and homeowner insurance for the upcoming year. They will notify you (and Upper Valley Habitat) of the updated amount in advance of the change occurring. Part of their calculation is to provide a two-month cushion in the escrow account for unexpected increases. This is guided by government regulation.

Shortly after closing, your mortgage account will be established at Ledyard and you will be given instructions on making your monthly payments. The first payment will be approximately 30 days after closing, as determined by Upper Valley Habitat. For your convenience, Ledyard encourages you to have your payment made automatically through a pre-authorized monthly debit to your bank account and this can be at any bank that participates in electronic payments. Alternatively, you can mail a check or pay at a Ledyard branch.

Dedication

Around the time of your closing and becoming a homeowner, Upper Valley Habitat will host a dedication ceremony to celebrate completion of your new home and to welcome you as a partner family. All the





volunteers who worked on your home (up to 200 for a project), Upper Valley Habitat Board, Committee members, staff, and local dignitaries will be invited, along with your family and friends. Our volunteers will arrange all food and coordinate the festivities. You will be recognized at the event for all your hard work and dedication over the past year or more from the day you completed your application to becoming an Upper Valley Habitat partner family.

Terminology

Appraisal

An expert judgment or estimate of the value of real estate as of a given date.

Certificate of Occupancy (CO)

Document issued by a local governmental agency that states a property meets local building standards for occupancy. You may not close or move into your home until a CO has been issued.

Closing costs

The numerous expenses which buyers and sellers normally incur to complete a transaction in the transfer of ownership of real estate. These costs are in addition to the price of the property and are prepaid at the closing day.

Closing day

The day on which the formalities of a real estate sale are concluded. The certificate of title, abstract, and deed are generally prepared for the closing by an attorney, and this cost is charged to the buyer. The buyer signs the mortgage, and closing costs are paid. The final closing merely confirms the original agreement reached in the agreement of sale.

Contractor/subcontractor

In the construction industry, a contractor is one who contracts to erect buildings or portions of them. Habitat is the contractor for your home. There are also (sub)contractors for each phase of construction: heating, electrical, plumbing, air conditioning, etc.

Credit report

A report documenting the history of how you paid back the companies you have borrowed money from, or how you have met other financial obligations. Habitat pulled your credit report when you applied to partner with us. We will also pull your credit report shortly before closing to be sure you have not incurred any debt during the build process.

Deed

A formal written instrument by which title to real property is transferred from one owner to another. The deed should contain an accurate description of the property being conveyed, should be signed and





witnessed according to the laws of the state where the property is located, and should be delivered to the purchaser at closing day.

Equity

The value of a homeowner's unencumbered interest in real estate. Equity is computed by subtracting the total of the unpaid mortgage balance and any outstanding liens or other debts against the property from the property's fair market value. A homeowner's equity increases as s/he pays off the mortgage or as the property appreciates in value. When the mortgage and all other debts against the property are paid in full, the homeowner has 100% equity in his property.

Escrow

Typically, lenders increase the size of the monthly payment to include the mortgage payment as well as an extra amount to cover taxes and insurance on the property. This extra amount is deposited into an Escrow Account. At the end of the year, when the taxes and insurance premiums are due, Ledyard National Bank which services its Habitat loans, automatically pays the bill from the buyer's account.

First Mortgage

A mortgage that has priority as a lien over all other mortgages.

Foreclosure

A legal term applied to any of the various methods of enforcing payment of the debt secured by a mortgage, or deed of trust, by taking and selling the mortgaged property and depriving the mortgagor of possession.

Hazard insurance

Protects against damages caused to property by fire, windstorms, and other common hazards.

Homeowner's insurance

Insurance including hazard coverage that insures for damages that may affect the value of a house, in addition to personal liability and theft coverage.

Interest

The cost of borrowing money. This is the amount added onto the principal of your loan. The "interest payment" is the portion of your monthly payment that is applied against the interest owed. Habitat mortgages are interest free.

Mortgage

A lien or claim against real property given by the buyer to the lender as security for money borrowed. Under government-insured or loan-guarantee provisions, the payments may include escrow amounts





covering taxes, insurance and other specified costs. USDA-RD offers 33- and 38-year mortgages to qualified borrowers. Habitat mortgages are typically for 30 years.

Mortgage Note / Promissory Note

A written agreement to repay a loan. The agreement is secured by a mortgage, serves as proof of indebtedness, and states the manner in which it shall be paid. The note states the actual amount of the debt that the mortgage secures and renders the mortgagor personally responsible for repayment.

New Hampshire Housing Finance Authority (NHHFA)

Offers grant awards to all New Hampshire Habitat for Humanity affiliates. Grant awards are used to directly reduce the purchase price of the homebuyer's house. NHHFA grant awards come with significant deed restrictions in order to keep the house perpetually affordable. All homebuyers must carefully review these deed restrictions with their attorneys in order to be fully informed about closing on their houses.

Principal

The basic element of the loan as distinguished from interest and mortgage insurance premium. In other words, principal is the amount on which interest is paid. Habitat offers zero interest loans.

Purchase Agreement

Known by various names, such as a contract of purchase, purchase agreement, or sales agreement, depending on the location or jurisdiction. A contract in which a seller agrees to sell, and a buyer agrees to buy, under specific terms and conditions is spelled out in writing and signed by both parties.

Second Mortgage

A mortgage in addition to the first mortgage. Home equity loans, credit lines, home improvement loans are second mortgage loans. The second mortgage is subordinate to the first mortgage.

Subsidy

Monetary assistance granted by a government to a person or group in support of an enterprise regarded as being in the public interest.

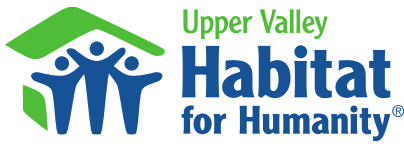
Tax

As applied to real estate, an enforced charge imposed on persons, property or income, to be used to support the State. The governing body in turn utilizes the funds in the best interest of the general public.

Title

As generally used, the rights of ownership and possession of particular property. In real estate usage, title may refer to the instruments or documents by which a right of ownership is established (title documents), or it may refer to the ownership interest one has in real estate.





Vermont Housing and Conservation Board (VHCB)

Offers grant awards to all Vermont Habitat for Humanity affiliates. Grant awards are used to directly reduce the purchase price of the homebuyer’s house. VHCB grant awards come with significant deed restrictions in order to keep the house perpetually affordable. All homebuyers must carefully review these deed restrictions with their attorneys in order to be fully informed about closing on their houses.

Agreement

To be signed by both UVHFH and the approved partner family.

Read and Understood (date): _____

Signature(s) of Prospective Homeowner: _____

Signature of UVHFH Representative: _____

Date: _____



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, family status, or national origin.