



Habitat Developed Homeowner Manual

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Habitat Homeownership

A Lifetime Partnership

CONGRATULATIONS!

Congratulations on the purchase of your home! You have worked hard, learned new information, crossed the finish line, and closed on your home. Well done!

The following pages contain a review of important information about ownership of a Habitat developed home. This information was first shared during the homebuying process. We hope that you find the summaries useful reminders of what makes the Twin Cities Habitat homeowner journey special and unique.

In this manual you will find:

- Homebuyer Program Acknowledgement of Responsibilities
- Next Steps
- Mortgage Covenants and Deed Restrictions
- Homeowner Associations (HOA)
- Land Trusts

Habitat Homeownership Program

Acknowledgement of Responsibilities

The following agreements were acknowledged when first starting the Habitat Homebuyer Program.

I understand that all applicants (adult family members whose incomes are used to qualify for the loan) will be on the mortgage and own the home together. Applicants on a Habitat mortgage must live in the home as their primary residence and not rent out the home. Habitat mortgages are originated by TCHFH Lending, Inc., a wholly owned subsidiary of Twin Cities Habitat for Humanity.

I understand that I will be responsible for the maintenance and repairs of this home, and Habitat will not act as a landlord or property Maintenance company. All future repairs and improvements on my house will be my/our responsibility. If a maintenance concern is not under warranty, I will be responsible for hiring a contractor to do the work, not Habitat. I will also be responsible for responding to and paying for tax assessments. *(Example: City puts in a new sidewalk and assesses each homeowner a portion of the cost.)*

I understand that if I purchase with a Habitat mortgage and move before the mortgage is paid off, that I must offer to sell the home to Habitat, and Habitat has the right not to buy the home. *Habitat retains a right of re-purchase of the home from households who no longer desire to live in their current home so that affordable homeownership is possible for other homebuyers. Homes are re-purchased at Fair Market Value and are supported by a market appraisal. Details on the buy-back program will be disclosed as part of the Habitat Homebuyer program.*

This property may be in a Homeowner Association.

I understand that if the house I purchase is part of a Homeowner association, I am required to follow the rules and regulations of that association. I understand that I will be responsible for paying monthly association fees. I understand that my association may have the right to foreclose on the home if I fall behind on association fees.

This property may be in a Community Land Trust.

I understand that if the house I purchase is part of a Land Trust that I am required to follow the rules and regulations outlined in the ground lease, and that I will be required to review the ground lease documents with an attorney prior to closing.

I understand a Habitat staff member has reviewed the requirements of the Habitat mortgage with me/us. I understand that I will have to complete a loan application for the mortgage. Actual interest rates, monthly payments, and total loan amounts will be based on my income at the time of loan application. The final interest rate, monthly payment, and total loan amount will not be known until that time and will be reviewed with me by one of TCHFH Lending Inc.'s licensed mortgage originators.

Habitat Homeowner Engagement

Next Steps	Time Frame (approximate)
Finalize Utility Setup	Within days after closing
Phone service, gas and electricity, water and sewer, garbage removal/recycling, and postal service need to be transferred so they are in place when you move into your new home. Note: All bills for utilities used on the property before you own it will be paid for by Habitat. Your starting date for service is the date of your closing. If these have not taken place. Make this a priority.	
Homestead Your Property	Within Days after closing
Homestead you property for a reduced classification rate, reduced taxable market value, property tax refund, and/or special program eligibility. Complete the Homesteading process with your county.	
Monthly Homeowner Newsletters	Monthly
TC Habitat will sign you up for our monthly homeowner email newsletters which will include timely information about home maintenance, financial management, community partners and upcoming homeowner events.	
Attend Volunteer and Learn Opportunities	Monthly
The Post Purchase team provides a variety of learning opportunities for homeowners to improve their knowledge around home maintenance, financial management and community building. Volunteer and Learn with Habitat events may take place on a build site, in a meeting room, at a community building event or virtually. Attend is optional and encouraged!	
Quarterly Check-ins with Post Purchase Habitat Staff	Quarterly for First Year
The Post Purchase staff will check in via phone and email throughout your first year of homeownership to answer questions you might about non-mortgage related home issues.	
Solar Efficiency Check-In	6 Months After Closing
The project management team will reach out to verify that installed solar products are functioning correctly.	
Attend Semi-Annual Homeowner Celebration	Fall and Spring Events
All homeowners are invited to attend our Semi-Annual Home Celebrations. They may take place at different locations throughout the Twin Cities area and are a whole family event.	
Submit All Warranty Concerns	Within one year of closing
Refer to your Habitat warranty and submit any concerns to warranty@tchabitat.org within one year of closing.	

Mortgage Covenants and Deed Restrictions:

Market Equity Sharing, Owner-Occupancy and Purchase Option,

The following Mortgage Covenants or Deed Restrictions are outlined in your mortgage documents. Please reach out to the Homeowner Engagement Staff or TCHFH Lending for questions regarding any of these topics:

Market Equity Sharing

Home equity is the difference between the value of the home and all the outstanding liens/debt on the property.

There are two ways to impact your **home equity**:

1. **Principal payments:** A portion of your monthly mortgage payments that go towards your loan balance. Each payment of your principal payments increases your home equity. This is also called “principal equity.” This is yours to keep whenever you choose to sell your home.
2. **Change in market value** of your property can either increase/appreciate or decrease/depreciate your equity in the home. Over time, there has been consistent growth in values (though not guaranteed). This is also called “market equity.”

Market equity sharing is a type of affordable homeownership where the non-profit or lender and the borrower have an agreement on how the home's equity will be shared upon resale of the home.

When you buy a home from Habitat, you are agreeing to share the market appreciation (market equity) of your home whenever you choose to sell the home. When you sell the home, you will receive 25% of the market appreciation of your home's value. Habitat retains 75% of the appreciated value to enable us to keep the home affordable for future clients.

TCHFH Lending, Inc. staff are available to answer any questions you have about your equity.

Capital Improvement Credit

Capital Improvements are defined as permanent changes to a property that add to the value of the home, prolong its useful life, or adapt it for a new use. A Capital Improvement Credit (CIC) is the potential dollar value these Capital Improvements could add to your home when you decide to sell.

For a Capital Improvement Credit to be considered at the time of resale, the homeowner must obtain prior written approval from Twin Cities Habitat for Humanity, before starting a Capital Improvement project. Prior approval ensures that the proposed work meets outlined criteria and does not significantly impact the future affordability of the property. Additionally, any invoices paid, or proof of payment made related to the Capital Improvement should be retained. The homeowner must submit proof of the completion to Habitat for Humanity for the credit to be realized.

Purchase Option

If you decide to sell your home, **you must first offer to sell it back to Habitat**. Habitat may buy it back at market value at that time or, if Habitat declines, you will be able to sell it on the open market. This is an opportunity for Habitat to continue to keep homes affordable for future buyers.

Owner-Occupancy

Your Habitat-developed home must be your **primary residence** for as long as you own it.

Homeowner Associations (HOAs)

A homeowner association is a non-profit organization of people living in a common interest community. In other words, it is a group of people who live near each other and share common property.

In a homeowner association, you share ownership of common areas with your neighbors, such as a private roads/streets, lights, driveways, or sidewalks. An association is formed to maintain the common property. Each association has its own governing documents that provide guidelines on how the association should operate. The association board is made up of community members who make decisions for the community based on the governing documents.

As a member of an association, you will pay a monthly fee to the association. The money is used for maintenance of the common areas, repairs to the exterior of the homes, insurance on the buildings and land, and savings for long-term replacements such as roofs and siding. For example, most associations hire companies to plow driveways, cut grass and repair common elements. Through the board, the association will likely hire a management company to oversee these duties, collect fees, and enforce rules.

Members of the association are responsible for securing and maintaining a homeowner's insurance policy to cover the "walls-in" of the property called an HO-6. This type of policy typically covers your belongings and liability and is designed to cover losses to the structure of your unit that your association's master policy won't cover.

As a member, you will have input with the association and will be invited to attend association meetings, which are held at least once per year. Members of the association may volunteer to serve on the board of directors in positions such as President, Vice President, Secretary, and Treasurer.

All these documents pertaining to your homeowner association will be given to you before closing. State law requires you to have 10 days to review them before you choose or not to purchase your home. When you decide to purchase a home in an association, you agree to follow the governing documents of your association.

To learn more about how to be a part of a thriving HOA, consider joining <https://www.caionline.org/pages/default.aspx> (<https://caionline.org>)

The membership organization supports homeowners, board members and professional organizations who live, work and volunteer for HOAs. They provide a wealth of learning opportunities through their national and local chapter (<https://www.cai-mn.com>).

Land Trusts

“In the truest sense, a Community Land Trust (CLT) acquires land and removes it from the speculative, for-profit, real estate market. CLT’s hold the land they own “in trust” forever for the benefit of the community by ensuring that it will always remain affordable for homebuyers.”

(<http://www.clclt.org/what-is-a-land-trust/>)

The land trust model at Twin Cities Habitat for Humanity creates opportunity for Habitat to offer homes to low- and moderate-income households across the 7-county Twin Cities metro. Habitat offers a mix of land trusted and non-land trusted properties for sale.

Twin Cities Habitat for Humanity utilizes public funding from local, state, and federal agencies which supports the CLT model and allows Habitat to build, rehab and sell properties at affordable prices to low-income households.

When purchasing a land trusted property, the owner purchases the improvements on the land (house and any other structures, such as a garage) for a discounted price. Habitat, or another community land trust, continues to own the land and leases it to the homeowner. The homeowner agrees to a 99-year land lease with Twin Cities Habitat for Humanity or the outside land trust. This lease requires the household to pay a small land lease fee, usually somewhere between \$1 and \$30, and notes that the household maintains the rights to the land.

As noted in the lease, the owner is responsible for maintaining the property in its entirety (land and improvements). The owner is also responsible for paying the property taxes on the land and improvements and maintaining adequate homeowner’s insurance for the full property. As with traditional fee simple ownership, land trust owners have the opportunity to build equity through homeownership.

In exchange for buying a home at an affordable price, owners agree to abide by the covenants of the land trust. These may include selling the home to an income-qualified buyer (keeping the home permanently affordable), and market equity sharing, among others. In cases where Habitat is acting as the land trust, owners also have the opportunity to sell the property back to Habitat.

Community Land Trusts

How does a community land trust work?

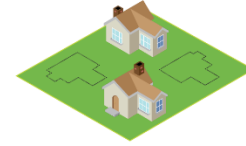
Various sources of public and philanthropic capital...

- Private donors
- Federal housing subsidies
- City-owned property
- Community foundations
- Anchor institutions

...are used by community land trusts...

CLT

...to acquire homes in a geographic focus area.

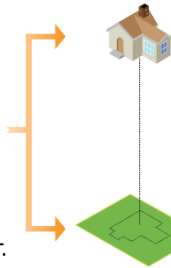


Community land trusts tweak the normal process of homebuying...

A new resident buys their house outright...



...but leases the land underneath from the CLT.



They pay an annual fee to the CLT to support its operations...

CLT

...and the CLT retains permanent ownership of the land.

Why CLTs Matter

Although the first community land trust in the US was started in rural Georgia in 1970 by civil rights leaders to help poor black farmers, today, the majority of the country's nearly 250 community land trusts are today located in urban areas.

CLTs create affordable housing while still allowing low-income residents to build equity as homeowners. Moreover, because the CLT retains ownership of the underlying land, this housing remains permanently affordable, even as the original beneficiaries of an affordable home price sell and move on. This long-term, continuing benefit makes CLTs an especially efficient use of affordable housing subsidies.

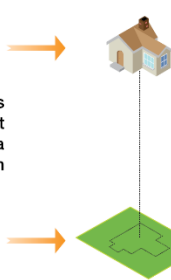
By locking in permanent access to affordable housing, CLTs can play an important role in countering the market-driven displacement associated with gentrification. And by stewarding neighborhood land for the public good, not speculative profit, CLTs have played an equally important role in stabilizing communities by preventing unnecessary foreclosures.

...to make housing permanently affordable.

Current resident sells their house at a price set by the CLT, earning a portion of the increase in value of their home...



CLT
...while the CLT retains the land.



A new resident buys the house at a price that's been kept affordable...



...and agrees to the same requirements around resale.

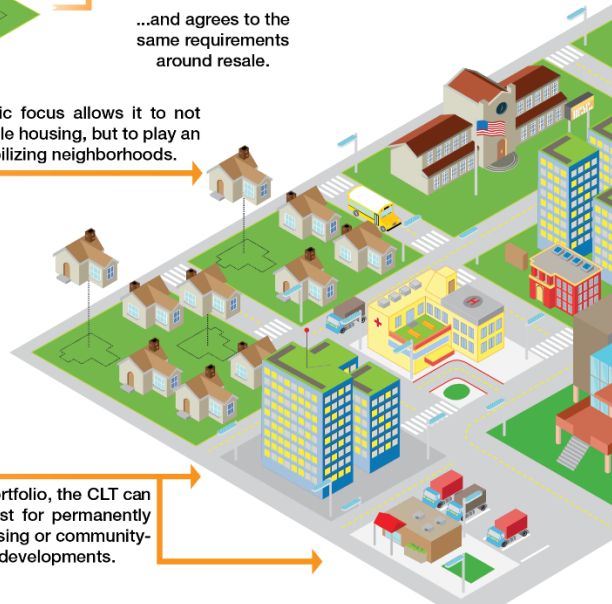
CLTs are typically governed by:



CLT

The CLT's geographic focus allows it to not only provide affordable housing, but to play an important role in stabilizing neighborhoods.

As it diversifies its portfolio, the CLT can also own land in trust for permanently affordable rental housing or community-focused commercial developments.



For more information on Community Land Trusts, see: community-wealth.org/clts
Designed by Benjamin Yi

