

Homeownership Program Selection and Deselection Policy

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Habitat for Humanity of Orange County, North Carolina (“HHOC”), is committed to providing affordable, descent housing to first-time homebuyers living and/or working in Orange County. As part of this commitment, HHOC has undertaken several initiatives including its Homeownership Program (“The Program” or “Program”), which is administered by the Homeowner Services Team (HOS). The Program is intended to provide not only the housing inventory and financing, but also educational opportunities and support services to foster long-term homeowner success. Eligibility, Recommendation, and Selection for The Program will be based upon three factors: 1) ability to repay a home loan (“Ability to Pay”) 2) willingness to partner with HHOC (“Willingness to Partner”); and 3) need for affordable housing (“Need”). Under no circumstances will eligibility, recommendation, or selection for The Program be made on the basis of race, sex, color, age, disability, religion, marital status, or whether the applicant's income is derived from public assistance programs.

Homeownership Program Eligibility Procedures

- A. Eligibility Procedures:** The Homeowner Services Team (“HOS”) will open application periods for The Program in coordination with the Construction Services Team (“CST”), based upon the CST’s construction schedule. From the applications received, HOS will identify the pool of applicants who 1) timely completed the application, and 2) met all of the objective eligibility requirements of The Program. HOS will then submit this pool of eligible applicants to the Homeownership Program Selection Committee (“HPSC”) for a subjective evaluation and ranking of each eligible applicant based upon 1) Ability to Pay, 2) Willingness to Partner and 3) Need. When completing their evaluation, members of the HPSC should consider information furnished by eligible applicants in that applicant’s completed application and through applicant interviews conducted by HHOC staff. After considering these evaluations, HPSC shall recommend a slate of eligible applicants to HHOC’s Board of Directors (“The Board”) for selection into The Program. The Board must select an eligible applicant for The Program by unanimous consent.
- B. Application Eligibility Requirements:** Applicants must timely submit the application provided by HOS for the application cycle. To be considered, the application must be clear, complete, and submitted in good faith with all required supplemental documentation. In addition, Applicants must meet the eligibility requirements of the program as identified immediately below (items 1-6).
- 1. Marital status:** All marital statuses will be considered (single, married, unmarried, divorced, widowed, and separated). Applicants will need to provide official documentation if divorced.
 - 2. Residency/Citizenship:** Applicant and co-applicant must have verifiable legal residency

status which allows the applicant the right to live / work in the U.S. and there is no immediate threat that the applicant would be deported. In accordance with the Patriot Act, applicant and co-applicant must provide two forms of identification to be verified.

Acceptable primary forms of identification are:

- Valid Driver's License
- Valid State Issued ID Card (Must include photo)
- Military ID
- Social Security Card
- Passport

Acceptable secondary forms of identification are:

- Birth Certificate
- Medicare Card
- Student ID
- Voters Registration Card
- Vehicle Registration
- Credit Card

- 3. Live/work in affiliate service area:** Applicants must have lived or worked in Orange County for at least 12 months preceding the application period. At least 75 percent of work hours must have occurred in Orange County. A household member's working or living situation cannot be used to meet this requirement.
 - a. Independent contractors:** Independent contractors (i.e. those with jobs through Uber, Lyft, DoorDash, Grubhub, etc.) who do not live in Orange County cannot use this work to meet this requirement.
 - b. Remote work:** Remote workers who do not live in Orange County must provide a letter from their employer indicating either the work address they used to report to if the same job has become remote or the work address they would report to if they worked in person. The address provided must be in Orange County to meet this requirement.
- 4. First-time homeowners:** Applicants must not have owned a home any time during the last 3 years prior to application, and must not currently own a home, either individually or jointly. Homeownership includes property purchased jointly during marriage, inherited property, and/or vacant land. Mobile Homes, for which a monthly lot fee is paid, is not considered homeownership under this definition as they are not considered "real property" and classified as "personal property" ex: "real" property, which generally includes land and the structures attached to land.
- 5. Household Income:** Household gross annual income must be within 30% to 80% of the Area Median Income (AMI) for Durham/Chapel Hill Metro Area, NC (as provided by HUD). Habitat may set additional minimum income requirements based on the cost to build the homes. This requirement may vary across developments and application cycles. The income from applicants must meet the minimum income requirement to qualify. Income from household members cannot be used to meet the minimum income requirement. The applicant and co-applicant will be on the mortgage and responsible for the home loan. Household members will live in the home but not be responsible for the mortgage. If there is a co-applicant, the combined income from the applicant and co-applicant can be used to meet the minimum income requirement. If there is only an applicant, his/her income alone must meet the minimum income requirement.
- 6. Bedroom size:** Habitat is not a custom builder and will only have a certain number and size of

homes (2, 3, 4 etc bedrooms) per application cycle. Habitat will not approve applicants for homes in which the household would be overcrowded. Overcrowded is considered to be one or more of the following situations: more than 2 children sharing a bedroom, children of different genders sharing a bedroom, children with an age gap of more than 5 years sharing a bedroom, children sharing a bedroom with adults, and/or non-married adults sharing a bedroom.

C. Review of Credit History: As part of its selection process, HHOC will obtain a comprehensive credit report that combines information from the three major credit bureaus: Experian, Equifax, and TransUnion.

1. **No Credit History** - Applicants (including co-applicants) with no credit report hits (No Hit) or with a credit report with less than two open tradelines with at least a 12-month history must provide alternative 12-month letters of credit (*Letter of credit example: ABC has been with XYZ Company since 01/01/2000 to present. ABC has made all monthly payments in a timely manner w/no lapse or disconnects etc.*)
 - a. Applicants with no credit report hits must provide two alternative 12-month letters of credit. Applicants with a credit history where none of the open tradelines have at least a 12-month history or applicants with only closed tradelines with a 12-month history must also provide three letters of credit.
 - b. Applicants with a credit report with only one open tradeline with at least a 12-month history must provide one letter of credit.
 - c. An applicant and co-applicant can use the same letter of credit if both names are on the account.
 - d. If one or both applicants cannot provide the appropriate number of letters of credit, they will be considered to have an insufficient credit history.
 - e. At least one letter of credit must be from the following sources:
 - i. Rental housing payments
 - ii. Telephone service
 - iii. Utilities (not included in rent): gas, electric, water, internet, television, etc.
 - f. If necessary, one letter of credit can be from the sources below:
 - i. Insurance premiums not included in payroll deductions
 - ii. Payment to child care providers (business) or school tuition
 - iii. Retail store credit cards
 - iv. Rent-to-own
 - v. Documented 12-month history of savings evidenced by regular deposits, not through payroll deductions, resulting in an increased balance to the account and that were made at least quarterly and did not cause insufficient funds checks
 - vi. Automobile lease
 - vii. Personal loan from an individual with repayment terms in writing and proof of payment history
2. **Debt to Income Ratio (DTI):** HHOC will calculate an applicant's DTI based off of the monthly debts shown on the credit report. Closed ended debts won't be included in the DTI if they will be paid off within 10 months and if the cumulative payments of all such debts are less than or equal to 5 percent of the applicant's gross monthly income. An applicant cannot pay down the balance in order to meet this requirement.
3. **Judgments:** Paid judgments are allowed (credit report or civil records) if paid off more than 12

months prior to application.

4. Collections:

- a. Maximum Amount: No non-medical collections (accounts and items) or unpaid repossessions totaling over \$2,000.
- b. Collections below \$2,000 must be paid 90 days prior to closing.
- c. If collections are in dispute, documentation that those have been resolved must be provided before approval to the program.

5. **Bankruptcy:** Any applicant and co-applicant who has had a Chapter 7 or Chapter 13 bankruptcy must have obtained a discharge order more than 24 months prior to applying. Proof of discharge must be provided prior to approval.

6. **Student Loans:** If currently paying on student loan(s) including any income-based repayment plan, the monthly payment is used when calculating DTI. If student loans are deferred or in forbearance, applicants must submit a letter from the loan servicer stating that the loan will be deferred for at least 3 years. If such documentation cannot be provided or if the loan is to be deferred for less than 3 years, an estimated monthly payment equaling **0.5%** of the student loan balance will be used when calculating DTI. Proof of current student loan status, from the lending institution, is required at the time of application.

7. **Lines of Credit:** If line(s) of credit show a balance on the credit report, the monthly payment will be calculated at **0.5%** of the balance and will be included when calculating DTI.

8. All credit reports are subject to a secondary review as determined applicable by Habitat staff.

D. Housing History: HHOC will request a housing history for prior 2 years and, if applicable, a housing payment history for the previous year. An applicant must demonstrate their ability manage the financial obligations of maintaining a home for at least 1 full year within the past 2 years.

1. **Traditional Rental Situations:** Lease and landlord reference are required.

- a. If current lease is less than 12 months at current rental and housing situation than 12 months prior rental verification is required.
- b. No more than 2 late rental payments in 1-year rental history.
- c. No past due balances owed rental payments at time of application.
- d. No evictions/Ejectments within 12 months of rental history.

2. **Non-traditional rental situations:** Documentation evidencing the applicant has fixed room and board payments for their current living situation. *Ex. If an applicant is living with parents, relatives, or is in a shared rental situation, the applicant must be able to provide 12 months of consecutive monthly rent payments via 12 months of bank statements, deposit receipts from Landlord; Landlord verification, or other method verifiable method (i.e. Cashapp, Paypal, Venmo, ApplePay, etc.)*

3. **Non-Rental Situation:** An applicant who is not currently renting will be considered if the

applicant can provide documentation evidencing a history of living independently for at least 12 months within the past 2 years. *Ex: Transitional Housing Programs, hotels.*

4. **Natural and man-made disasters:** Evacuees, from other counties in North Carolina, who have lost their homes within the prior 3 years due to natural or man-made disasters will be considered for homeownership. The service affiliate area residency and first-time homeownership criteria may be waived for applicants who successfully meet the other criteria.

E. Employment & Income History: HHOC will request a Verification of Employment (VOE), Paystubs, and Tax Information.

1. All sources of income should be expected to continue for at least 3 years to be considered.
2. If employed, applicants must provide employer verification for every job they are currently employed. Self-employed individuals must provide documentation demonstrating self-employment.
3. **Steady, verifiable income:** An applicant must have steady, verifiable income for at least 2 years prior to the application. The sources can be from employment or non-employment from working and/or non-working sources.
 - a. **Working income (w-2):** An applicant must have consistent income for 24 months prior to application. An applicant must have been employed steadily for 12 months prior to application, but not necessarily with the same employer. Applicants can have a two-month gap in employment and still be considered eligible for the program. An exception may be made if the applicant has changed jobs due to employer reductions, a promotion, better pay, better benefits, or other valid reasons determined by Habitat staff on a case-by-case basis. Changes of employment within the last year will require additional written documentation and review.
 1. An applicant employed by a temporary agency must have worked as a contract employee for a period of 24 months without an interruption in employment.
 2. An applicant who is self-employed must have worked consistently for a period of at least 24 months and his/her income can be verified (i.e., tax returns for 2 years and Profit and Loss). If income has declined within the previous two years; a letter of explanation from the applicant is needed and will be reviewed on a case-by-case basis to determine eligibility.
 - b. **Non-Working income (1099):** Non-working income (e.g., SSI, child support, alimony, retirement/pension benefits, and investment income) will be considered as a source of income if it is verifiable, reliable, and expected to continue for at least 3 years.
 1. Child support must be court ordered and payments must be received for at least 9 out of the past 12 months (or 75 percent) to be considered a source of income. The average of the monthly payments received will be used calculate the income from child support.

3. **Total household income:**

- a. All household members who are earning income must provide proof of income which will be calculated into Total Household Income and Total Household AMI. The Total Household AMI must be under 80%. Adult household members (those 18 years of age or older) with no income must complete and sign a \$0 income letter.
- b. **When identifying ability to repay:** Income from all **applicants** is calculated as Qualifying Income and must meet the minimum income requirements and be under the maximum DTI limit.
- c. If a household member's income is needed to meet the minimum income requirement and DTI, then they must be included as an applicant on the original application and must be included on the mortgage. Applicants, co-applicants, and household members cannot be changed after the application is submitted.
- i. **Debt to Income Ratio:** Applicants projected mortgage, escrow and current debt not to exceed 43% of their current income.

F. Criminal and Civil Records: Criminal records, sexual offender, and Office of Foreign Assets Control (OFAC) checks will be completed on all applicant(s), or any person age 18 and above who will be residing in the home.

1. Residents must not have had any drug related convictions in the past 1 year, any sexual offenses in the past 3 years, or be registered on the State sex offender registry. Any pending charges for these offenses must be resolved prior to applying for or closing on a home.
2. **OFAC:** Per Federal guidelines, all applicants will also be checked against the "No Fly" list or Office of Foreign Assets Control database, and must not appear on the list.
3. **Current Litigation:** Applicant(s) must not currently be involved in litigation that could impact his/her need or ability to pay. Applicants cannot be involved in litigation or pending litigation against Habitat for Humanity of Orange County.

G. Program Approval or Removal

1. Applicants are ultimately approved by the Board of Directors.
2. When the Board approves an applicant, the applicant should be notified in writing through a homeownership agreement which informs the applicant of their acceptance into the Habitat homeownership program and further explains the affiliate's requirements for homeownership
3. Removal from the program:
 - a. **Deselection:** Applicants may be deselected for failure to comply with all program rules or a change in income and/or job status that changes eligibility. Homebuyers who are deselected from the program do not retain previously completed sweat equity hours. Re-applying is subject to meeting the program criteria.
 - b. **Opt Out:** Homebuyers may opt out of the program for any reason. Applicants

that opt out of the program, after being approved, must complete an Affidavit for Program Exit and shall be ineligible to re-apply for a period of 12 months from the date of opting out.

- c. Any refundable monies collected, prior to removal from the program, will be refunded