

Homeowner Selection Criteria

Habitat is a not-for-profit organization that works in partnership with economically disadvantaged people who meet certain eligibility requirements. Consequently, **Habitat's** homeownership and home repair programs qualify as a special-purpose credit program as defined by ECOA. Therefore, unlike traditional lenders, **Habitat** can set characteristics that applicants must meet to qualify for the homeownership or home repair loan program and request information for determining an applicant's eligibility. **Habitat** has established three basic homeowner selection criteria as an affiliate of Habitat for Humanity International to determine each applicant's eligibility for the homeownership program.

- Need for adequate housing (financial and physical)
- Willingness to partner with **Habitat**
- Ability to pay for a Habitat home or home repair

First-time homebuyers: Applicants must be first-time homebuyers according to the definition in 42 U.S.C § 12704 (14).

Affiliate service area: Applicants must reside and/or work within **Habitat's** geographic service area for 1 year prior to application. **Habitat's** service area includes central and southern Berkshire county, Massachusetts.

Background checks: In addition to these three main selection criteria, applicants must also comply with a sex offender registry check, a Massachusetts state criminal background check, and show proof of residency or citizenship.

- A. **Habitat**, in its sole discretion, will make an individualized inquiry to determine if the information on the report is related to the position and consistent with **Habitat's** business necessity, and may consider several factors, including, without limitation, one or more of the following:
 - The nature of the conviction and whether children were involved.
 - Time elapsed since the offense.
 - The extent to which the offense may affect the person's fitness.

For complete information on the background check process please refer to Central Berkshire Habitat for Humanity's board-approved sex offender registry and criminal background check policy.

All applicants must also provide proof of residency for all household members within 30 days of the initial application as part of the required supporting documentation.

Criterion 1: Need for adequate housing

The sections below outline how to determine the need for adequate housing for all applicants.

Need for housing is examined from two standpoints: financial (income level) and physical (substandard living conditions). To determine both aspects of need, Habitat first establishes the applicant's household size because it affects the calculation of total household income and the evaluation of current living conditions regarding overcrowding. Household size also affects the home size that is made available for purchase to qualified homebuyers. This information is collected through the initial Habitat for Humanity Homeownership Application.

Household size: The number of people occupying a housing unit who are expected to reside in the home over an extended period, a minimum of 3 years. This includes all adults and minors, dependents and nondependents, related or unrelated, without regard to gender identity or sexual orientation.

Income Limits: The homeownership program serves those who may not obtain adequate housing through conventional lending but can pay an affordable mortgage with additional support. Therefore, Habitat has set eligibility income limits based on total household size as well as limits on total assets. Total household income must be between 50% and 80%* of the area median income (AMI) as determined by the U.S. Department of Housing and Urban Development. Total household assets must be no greater than \$75,000.*

2024 Income Guidelines Pittsfield MSA		
Household Size	AMI 100%	80%
1	\$78,750	\$63,000
2	\$90,000	\$72,000
3	\$101,250	\$81,000
4	\$112,500	\$90,000
5	\$121,500	\$97,200
6	\$130,500	\$104,400
7	\$139,500	\$111,600
8	\$148,500	\$118,800

2024 Income Guidelines Berkshire County, MSA		
Household Size	AMI 100%	80%
1	\$76,650	\$61,320
2	\$87,600	\$70,080
3	\$98,550	\$78,840
4	\$109,500	\$87,600
5	\$118,300	\$94,640
6	\$127,050	\$101,640
7	\$135,800	\$108,640
8	\$144,500	\$115,640

Determining household income: Household income is defined as all the funds legally received on a regular schedule by all household members from all sources: salary, retirement, pension, Social Security, TANF, disability, child support, alimony, public assistance, etc., at the time of application. If household composition

changes or there is a change in household income applicants are required to inform a member of the Homebuyer Services staff. An applicant cannot be deselected for an improvement in financial position or change in household composition unless it affects their ability to pay.

Overcrowding related to family size: Habitat defines overcrowding using the Person-per-Bedroom model (PPB) as outlined in the HUD Office of Policy Development & Research report "Measuring Overcrowding in Housing". In this model, overcrowding is established when more than 2 people in the household occupy 1 bedroom, are not within 3 years of age, **and** are not of the same self-identified gender.

Living Conditions: The physical safety of the neighborhood and the physical structure in which an applicant lives are key factors in determining the need for adequate housing. When evaluating the physical living conditions, the following may be considered: Serious health challenges, substandard housing, overcrowding, cost-burden, government-subsidized housing, and homelessness.

Cost-Burdened: Being "cost-burdened" in housing refers to a situation where a person or household spends a significant portion of their income on housing expenses, which limits their ability to afford other basic needs. Specifically, this term is often defined as spending more than 30% of one's gross income on housing costs, including rent or mortgage payments, property taxes, and utilities. When housing costs exceed this threshold, it can place a financial strain on individuals or families, potentially impacting their overall well-being and financial stability.

Home Visits: The home visit or interview is only to assess the applicant's need for adequate housing or housing repair. Applicants must agree to a home visit before committee action and cannot include verification of documents, qualification questions not associated with living conditions or any other exchange of information regarding mortgage processing. A single home visit will be conducted for the homeownership program prior to the completion of any partnership hours.

*Note: each home opportunity will publish the AMI guidelines that are applicable to the home.

Criterion 2: Willingness to partner

The sections below outline how to determine the applicants' continued willingness to partner with **Habitat**.

Applicants who have applied to the program must be willing to fulfill all partnership requirements as outlined in the initial Application Letter, the signed Partner Agreement, and completion of all pre-closing requirements including partnership hours. Willingness to partner will be measured by the timeliness, completeness, and cooperation with which the applicant responds to homeowner selection-related requests, questions, and requirements. All requirements are clearly communicated to applicants both verbally and in written agreements. Completion of all such requirements is documented in the partner's application documents.

Requirements that all homeownership program applicants must complete prior to approval include:

- Full completion of the initial application packet and the submission of all relevant supporting documents.
- Participation and graduation from **Habitat's** financial education course (free to all participants) or proof of graduation from a comparable, agreed-upon financial education course.
- Active participation in **Habitat's** financial coaching program including regular communication with the chosen financial coach and participation in requested financial fitness activities.
- Participation in a home visit conducted by volunteer members of the Homebuyer Selection Committee.
- Completion of 4-6 partnership hours, in whatever approved form chosen by the applicant and staff.

Requirements that all homeownership program applicants must complete prior to closing include:

- The applicant agrees to live where the affiliate has land to build or a current housing unit resides.
- The applicant agrees to notify the affiliate of any changes in contact information, household composition, or income.
- The applicant agrees to avoid new consumer debt during this process.
- Compliance with **Habitat** policies outlined in the signed partnership agreement.
- Completion of 275 to 425 partnership hours as outlined in the **Habitat** Partnership Hours Policy.
- The applicant agrees to pay any down payment and closing costs as applicable.

Partnership equity: "Partnership equity" refers to the hands-on involvement of the applicant and his or her family in building their home, in joining the community, and in understanding the process required to build and fund affordable housing. Through partnership hours, the applicant has an opportunity to invest physically and emotionally in the mission of **Habitat**. Partnership hours are not assigned a monetary value and cannot be exchanged for money, goods, or other services at any time during or after the homeownership process. Partnership hours requirements are designed to meet three important goals and can be completed in a variety of ways.

- **Partnership:** Partnership hours work provides meaningful interaction among partner households, affiliate staff, and representatives, and associated volunteers.
- **Pride in homeownership:** Working partnership hours on their own homes or in the support of their homes helps partner households begin the transition to ownership or taking pride in their current homes.
- **Development of skills:** On the build site, household members gain a real understanding of the construction and maintenance of their homes. Potential homeowners and current homeowners will also develop important skills in financial literacy, community building, and future planning.

Below is the recommended division of partnership hours by household composition for the homeownership program. The division of hours over separate categories can be adjusted based on an applicant's ability, interest, and availability.

Partnership Hours Opportunity	1 adult household	2 adult household
Build Site	100	150
ReStore	30	60
Habitat Office	10	30
Financial Tools Education	15	30
First-time Homebuyer Education	5	10
Financial Coaching	20	40
Community Meetings	10	10
Special Events	10	10
Donated Partnership Hours	75	85
Total Hours:	275	425

Criterion 3: Ability to pay

Habitat performs due diligence on the applicant's creditworthiness to ensure that he/she can afford to pay the home repair loan or the mortgage, other property costs, and normal living expenses associated with a **Habitat**-financed or third-party financed home.

Income Evaluation: The sources of income analyzed for ability to pay is the income of the applicant(s) who will be obligated on the loan, and not the entire household, unless they are one and the same. No applicant will be discriminated against based on the source of their income and **Habitat** shall not discount or exclude from consideration the income of an applicant based on a prohibited basis or because the income is derived from part-time employment or an annuity, pension, or other retirement benefit. **Habitat** may consider the amount and probable continuance of any income in evaluating the applicant's creditworthiness. Types of income considered include Employment income, self-employment income, child support, and alimony (if applicants elect to share this information), public assistance, and any other income determined to continue for at least 3 years. All household income is evaluated to ensure it meets or does not exceed the income guidelines for the homeownership lottery.

DTI ratio: An applicant is considered to be within the debt-to-income limitations if:

- An estimated monthly housing cost (principal, interest, taxes, insurance, and condo/HOA fees if applicable) of 30% or less of the applicant's gross income based on estimates of the construction costs and a maximum mortgage term of 30 years.
- An applicant's total debt payment, including the projected housing cost payment, cannot exceed 40% of the applicant's gross income. This indicates that his or her total debt payment does not prohibit the applicant from paying for items critical to basic living.

Income eligibility: An applicant is considered to be within the income eligibility guidelines if:

- The applicant(s) produces verifiable proof of income that falls between 50% and 80% of the AMI.
- The applicant(s) do not have assets greater than \$75,000.

- The applicant(s) meets the specific income requirements of any third-party financiers or funders as applicable, i.e. USDA, FHA

Calculation methods will be applied consistently and fairly across all applications.

Credit reports: Habitat relies on credit reports to determine the applicant's creditworthiness. Applicants must have a minimum 600 credit score unless otherwise indicated by a third-party financing agency. If an applicant has no credit score available other means of establishing a credit history may be used such as rent, car insurance, utility bills, or medical expenses. Every applicant will be given the opportunity to dispute information shown on their credit report. If any information shown on the report is incorrect or out of date applicants will be encouraged to correct those errors directly through the credit reporting agency. Prospective homebuyer partners with credit issues may be selected for their anticipated future ability to pay. Applicants with outstanding collections or debts must work with financial coaches (provided free of cost) to settle or dispute those collections. If an applicant is required to remediate their credit as part of their partnership agreement, a work plan will be drafted and agreed to by the applicant and coach. Failure to progress on this plan according to the schedule will result in deselection.

Judgments or liens: An applicant with an active judgment or lien filed against him/her in any court must provide proof the judgment or lien is paid and released and/or that the judgment or lien can be satisfied and released before closing.

Bankruptcies: An applicant must not have declared bankruptcy in the last 3 years. If an applicant had declared bankruptcy prior to 3 years they must show proof of good credit since the time the bankruptcy was discharged. This time period may be waived if the bankruptcy was due to extraordinary circumstances beyond the applicant's control (i.e. death, serious illness, fire, natural disaster, etc.)