

## House Pricing/Mortgage Summary

**Sales Price = Fair Market Value (per appraisal) = Sum of all mortgages**

Habitat for Humanity of Lee and Hendry Counties is a non-profit organization that facilitates homeownership for low income families by selling decent, affordable homes at market value (determined by appraisal). Homeowners contribute a small amount toward closing costs, rather than the 20% down payment required by conventional lenders. Except in cases where the homeowner uses a USDA loan which offers very low interest rates to qualified buyers/homes), the homeowner will make zero-interest payments to Habitat over 15-30 years depending on their income and the price of the home.

**First Mortgage = only mortgage homeowners pay monthly = sales price less any subsidies**

The first mortgage is the only mortgage that the homeowner makes payments on every month. It is equal to the purchase price minus any silent second mortgages (ex. government purchase assistance grants, down payment assistance grants, or affordability write down under HFHI Policy 23). The term can be 15- 30 years, depending on the homeowner's income.

**Monthly Payment = first mortgage principal + taxes + insurance + HOA dues (if applicable) = 30% or less of homeowner's income.**

Payments are set no higher than 30% of the homeowners' gross income at the time of purchase. The principal payment is written into the mortgage documents and does not automatically change if there is a change in income. An escrow account for taxes, insurance and HOA dues is required, and the amount collected may change from year to year as determined by the tax collector, insurance company and HOA.

**"Silent" or "Soft" Mortgage(s) = difference between First Mortgage and Sales Price. Repayable only if the home is sold or refinanced or there is a default on the first mortgage.**

The "silent" or "soft" second mortgage does not require monthly payments and is forgiven at the conclusion of the mortgage term. The term is determined by the funding source.

A Habitat "affordability write down" mortgage is used if the homeowner cannot afford the first mortgage. The term is for 20 years. If the homeowner pays off their first mortgage early, they can request that the Board of Directors forgive the balance of the second

mortgage, and in cases where the homeowner has been fully compliant with the terms of their mortgage, the Board typically agrees.

Additional silent mortgages are required when down payment assistance is secured from other grant sources, which do not require payments as long as the homeowner lives in the home. These mortgages have specified time periods ranging from 5 to 15 years after which they are forgiven.

## **Tools to protect Habitat and Partner Families**

The Habitat model is not profitable – nor is it intended to be – but it is effective in meeting the need. However, Habitat is prudent in implementing tools to recapture its subsidy in certain cases. Habitat encourages low income families to achieve the American dream and build equity in their home, but at the same time the organization also must protect itself from possible unfair or unintended consequences due to market fluctuations or speculative buyers. There are several tools that Habitat uses to do this.

**Shared Appreciation Mortgage - Provides that in the case of the sale of the home, a portion of the appreciated value of the home be shared with Habitat on a sliding scale over time.**

During times of rapid price escalations in a market, it is possible that a home could be sold in a fairly short period of time for a significant increase over its initial sales price (price appreciation). Effective October 2012, Habitat maintains a 20-year Shared Appreciation note and mortgage on each of its homes that requires that if the homeowner sells during that time at a price greater than the initial sales price, he/she must share a portion of the price appreciation with Habitat. The percentage of price appreciation that goes to Habitat is on a sliding scale, starting at 100% in year one, and decreasing to 0% in year 20. If the homeowner should satisfy the first mortgage prior to the expiration of the shared appreciation mortgage, he/she can request that the Board of Directors forgive the balance of the second mortgage and in cases where the homeowner has been fully compliant with the terms of their mortgage, the Board may agree.

**First Right of Refusal - Habitat has the right, but not the obligation, to match any bona fide offer on Habitat homes**

In the case where a homeowner desires to sell their home and secures a bona fide offer, he/she must disclose the offer to Habitat and give Habitat a short period of time to determine whether to match the offer and reacquire the home at that price.

This is recorded as a separate document at the time of closing.