



FREQUENTLY ASKED QUESTIONS

THE CONCEPT

Habitat for Humanity – Halifax Regional Municipality

Habitat for Humanity HRM is a community-based, non-profit organization working for a world where everyone has a safe and decent place to live. Our mission is to mobilize volunteers and community partners in building affordable housing and promoting homeownership as a means to breaking the cycle of poverty.

The Habitat for Humanity HRM Affiliate was established in 1992 and is a member of Habitat for Humanity Canada. Habitat for Humanity is a worldwide network that spans 100 countries, has built over 250,000 homes, and is now building a new home every 21 minutes!

Since 1992, 24 Habitat Homes have been built in the Halifax Regional Municipality, housing over 100 men, women, and children. In 2007, Habitat HRM built four homes and hosted the first Women Build in Nova Scotia, a home that is constructed primarily by women. In 2008, we will be building five more homes for five deserving families. We have a Chapter on the South Shore that is currently building homes for families in that region. We also have a ReStore, a building supply store that sells donated new and used building supplies. Proceeds from the sales go towards our Habitat builds!

How does Habitat for Humanity work?

Through volunteer labour, efficient management and tax-deductible donations of money and materials, Habitat builds and rehabilitates simple, decent houses with the help of the homeowner (partner) families. Habitat houses are sold to partner families at no profit and financed with affordable, no-interest mortgages. The homeowners' monthly mortgage payments go into a revolving fund, which is used to build more houses.

Habitat for Humanity is not a give-away program. In addition to mortgage payments, each homeowner invests hundreds of hours of their own labour, called "sweat equity", into the building of their house and the houses of others.

Who qualifies for a home?

The three criteria to qualify for a Habitat home are (1) need for affordable housing, (2) ability to repay a Habitat mortgage and (3) willingness to partner with Habitat.

Need for affordable housing is defined by a family income that is below the government-set Low Income Cut-Off (poverty line) for their particular region, and existing living conditions that are inadequate in terms of structure, cost, safety or size. The ratio of shelter expense to total income is also factored.

Ability to repay a Habitat mortgage requires that the family has a stable income sufficient to cover the monthly mortgage payments and other expenses that come with home ownership.

Homeowners must demonstrate a willingness to partner with Habitat by contributing 500 hours of volunteer labor ("sweat equity") towards the building of their home.

How are families chosen?

Families are chosen on the basis of the above criteria. Family selection occurs at the local affiliate by way of an application process.

What do families contribute and what do they receive in return?

In addition to mortgage payments, each homeowner invests hundreds of hours of their time to assist in the building of their home. In return, Habitat homeowners are given the unique opportunity to buy a home through an interest-free mortgage. Thus, gaining substantial equity they would not have if renting. They also acquire a safe, affordable place to live and the pride of ownership.

How do we acquire land?

Acquiring affordable land has been one of Habitat for Humanity's greatest challenges. Habitat seeks the assistance of governments at all levels in acquiring suitable donated or cost-reduced land. Habitat also relies on individual donors for land donations. In many cases affiliates must purchase land.

How are the homes built?

Through volunteer labour, efficient management and tax-deductible donations of money and materials, Habitat builds simple, decent houses with the help of the homeowner. Habitat houses follow standardized design criteria that maintain the "simple and decent" archetype. Most Habitat houses are single dwellings or semi-detached homes.

How does this program benefit the families and communities in the long run?

Over time, a families' equity in their home increases. Habitat families also often see an improvement in their financial situation since the percentage of their income being spent on housing remains at 30%. Prior to purchasing a Habitat home many of these families are spending over 50% of their income on rent.

A safe, healthy living environment contributes to the positive growth and development of children. Habitat has recorded many examples of children within Habitat families becoming healthier, completing a post-secondary education and establishing successful careers.

Communities benefit, as former renters become homeowners who contribute to the tax base. Habitat build projects also offer an opportunity for community members, of all walks of life, to come together and work side by side in a meaningful way.

As the poverty cycle is broken, and a family's financial situation improves their dependence on local social services is decreased. In addition, pride of ownership leads to a renewed sense of confidence, and along with their stable, long-term housing arrangement, they become long-term contributors to the community and the local economy.

THE ECONOMICS

How are the homes funded?

Habitat builds homes with volunteer labour and as much donated or cost-reduced material as possible. Fundraising takes place to help offset expenses of materials, services and land when they are not available through donations. Financial support is received from individuals, corporations, service groups and the faith community.

Mortgage payments from current homeowners are retained by the affiliate, which holds the mortgages, to fund future projects.

What does a Habitat house cost?

Currently, a three-bedroom Habitat house in Halifax-Dartmouth costs the homeowner between \$80,000 and \$100,000, including building materials and services only.

Habitat houses are affordable for low-income families because there is no profit included in the sale price and no interest is charged on the mortgage. The average length of a Habitat mortgage in Canada is 20 years.

How is the selling price determined?

The selling price is computed by determining costs in two separate areas: (a) construction and (b) site acquisitions and development. Construction costs include the cost of purchased building material, the value of donated building material, contracted labour costs (or value if donated) and administration costs.

Who Holds the Mortgages?

The local Habitat affiliate office holds mortgages until the mortgage is paid off.

How are donations distributed and used?

Donations to Habitat for Humanity HRM are used as designated by the donor. Gifts received by HFHC that are designated to a specific build are forwarded to that area. Any undesignated gifts are used where needed.

How is this a hand up, not a hand out?

Habitat houses are sold to families, not given to them free of charge. In addition, families help to build their own home.

By building homes at low cost, requiring very little or no down payment, and not charging interest on the mortgage, Habitat for Humanity is able to provide an opportunity, or a "hand up", to buy a home for families that would not otherwise qualify for a conventional mortgage.

What happens when income/financial position of families change?

The income of all Habitat homeowners is reviewed on an annual basis. If income increases, monthly mortgage payments are adjusted to remain at 25% of their monthly income. If income decreases, usually due to a temporary situation such as a job loss, similar adjustments may be made to maintain affordability during this period of decreased cash flow.

Habitat for Humanity is committed to educating and supporting partner families toward successful homeownership.

What if the family decides to sell their house at a profit, just months after they take possession?

The Habitat mortgage is designed to keep monthly payments low, encourage long-term commitment and prevent short-term profit. This is done by way of a second mortgage. The first mortgage reflects the actual cost of the house, which is usually far less than its fair market value. The second mortgage reflects the difference between the actual cost and the fair market value. Upon full payment of the first mortgage, the second mortgage is forgiven. The value of the second mortgage also decreases gradually with time, usually beginning at the 12-year mark.

If a family were to sell their house in the early years of their mortgage (within the first 12 years) the outstanding second mortgage would then be payable.

What happens if the family does not make their mortgage payments?

Habitat makes every effort to work with the homeowner families to avoid foreclosure through financial counseling, renegotiated mortgages, etc. Strategies such as payment plans and deeds in lieu of foreclosure are implemented when possible. While foreclosure is the last resort, sometimes it cannot be avoided. Ignoring homeowners' delinquencies can be unfair to other homeowners.

The Revolving Fund for Humanity

The homeowners' monthly mortgage payments go into a fund that is used to build more homes. The more homes that exist, the more cash flow there is available for further building.

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