



Habitat for Humanity International—U.S. Office



U.S. Affiliated Organization Policy Handbook

**Schedule G
U.S. Affiliation Agreement**

Updated: April, 2013

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U.S. Affiliated Organization Covenant

Adoption date: October 2007

Revision date: April 2013

Covenant Between Habitat for Humanity International and U.S. Affiliated Organization,

Partner ID _____ State _____

Preface

Habitat for Humanity International and Habitat for Humanity U.S. affiliated organizations work to create decent, affordable housing in partnership with those in need and to make shelter a matter of conscience with people everywhere. This Covenant outlines the relationship between Habitat for Humanity International and its affiliated organizations in the United States.

Mission Vision

A world where everyone has a decent place to live.

Mission Statement

Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope.

Mission Principles

- (1) **Demonstrate the love of Jesus Christ.** We undertake our work to demonstrate the love and teachings of Jesus, acting in all ways in accord with the belief that God's love and grace abound for all, and that we must be "hands and feet" of that love and grace in our world. We believe that, through faith, the minuscule can be multiplied to accomplish the magnificent, and that, in faith, respectful relationships can grow among all people.
- (2) **Focus on shelter.** We have chosen, as our means of manifesting God's love, to create opportunities for all people to live in decent, durable shelter. We put faith into action by helping to build, renovate or preserve homes, and by partnering with others to accelerate and broaden access to affordable housing as a foundation for breaking the cycle of poverty.
- (3) **Advocate for affordable housing.** In response to the prophet Micah's call to do justice, to love mercy and to walk humbly with God, we promote decent, affordable housing for all, and we support the global community's commitment to housing as a basic human right. We will advocate for just and fair housing policy to eliminate the constraints that contribute to poverty housing. And, in all of our work, we will seek to put shelter on hearts and minds in such powerful ways that poverty housing becomes socially, politically and religiously unacceptable.
- (4) **Promote dignity and hope.** We believe that no one lives in dignity until everyone can live in dignity. We believe that every person has something to contribute and something to gain from creating communities in which all people have decent, affordable places to live. We believe that dignity and hope are best achieved through equitable, accountable partnerships.

(5) Support sustainable and transformational development. We view our work as successful when it transforms lives and promotes positive and lasting social, economic and spiritual change within a community; when it is based on mutual trust and fully shared accomplishment; and when it demonstrates responsible stewardship of all resources entrusted to us.

In addition, in recognition of and commitment to the global nature of the Habitat for Humanity mission, each U.S. affiliate is expected to contribute (tithe) at least 10 percent of its undesignated cash contributions to Habitat for Humanity’s international work.

Agreement to covenant

In recognition of the Mission Principles stated in this Covenant, Habitat for Humanity International and the affiliated organization _____ covenant as follows.

Habitat for Humanity International covenants:

- To support the work of Habitat for Humanity affiliated organizations through program development, communication, learning opportunities, advocacy, and protecting and promoting the good name of Habitat for Humanity;
- To coordinate global fund-raising efforts;
- To create a global movement around the need for decent and affordable housing;
- To administer tithe funds contributed by affiliates in support of the efforts of Habitat for Humanity national organizations and affiliates.

The affiliated organization _____ covenants:

- To support the work of Habitat for Humanity affiliated organizations through program development, communication, learning opportunities, advocacy, and protecting and promoting the good name of Habitat for Humanity;
- To comply with the minimum operational standards contained in an annual certification process;
- To conduct its operations within its defined service area;
- To tithe for Habitat for Humanity’s housing work outside the United States;
- To reject any support that is conditioned on deviating from the Mission Principles outlined earlier or other approved policies and practices;
- To conduct its operations in a manner that protects and promotes the good name of Habitat for Humanity and contributes to the growth of the Habitat for Humanity movement and is in the best interests of other affiliates and of Habitat for Humanity International including, but not limited to, actions that are specified in this covenant and in Habitat for Humanity policies.

This Covenant is valid upon approval by the affiliate board of directors and a designated representative of Habitat for Humanity International.

Habitat for Humanity International:

By: _____ Date _____
 (name, title)

 (affiliated organization)

By: _____ Date _____
(name, title)

I certify that the Covenant between Habitat for Humanity International and _____
(affiliated organization)

was approved by the board of directors at a meeting held on ____/____/____. _____
(date) (Secretary of the board of directors)

Members of the board of directors:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Policy 1: **Advocacy**

Adoption date: October 2007

Revision date: January 2010

1.0 Purpose

Affiliated organizations are encouraged to dedicate efforts to advocacy, which is defined as changing systems, policies and attitudes to achieve decent housing for all (Habitat for Humanity Advocacy Task Force report, July 2005, and adopted by Habitat for Humanity International's board of directors on October 2005). While affiliates are not required to engage in advocacy, if an affiliate chooses to participate in advocacy activities then this policy sets forth the requirements that apply to all advocacy efforts and clarifies what types of advocacy efforts affiliated organizations are legally allowed to engage in.

2.0 Policy

Advocacy initiatives are intended to support Habitat for Humanity's ability to carry out its mission and take into consideration the following elements: raising awareness, education, engagement and a call-to-action. Advocacy activities could include, but are not limited to, testifying at public meetings, educating others about policy issues and sending letters to decision-makers.

Before engaging in advocacy with respect to legislation, ballot issues or referendum, etc., affiliates must adhere to the following:

- Affiliated organizations must consult with the other HFH entities that could be affected by an individual affiliate's advocacy efforts. An individual affiliate that wishes to endorse a statewide initiative will consult first with its statewide support organization or the other affiliates in its state if an SSO does not exist. An individual affiliate wishing to endorse a citywide or countywide initiative must consult first with other affiliates in the city or county. In all cases, the affiliate must clearly identify that it is speaking in its own name and not in the name of Habitat for Humanity.
- Endorsement of federal policies or legislation by affiliated organizations should only take place after consultation with HFHI's Office of Government Relations and Advocacy.
- As a 501(c)(3) nonprofit, a Habitat affiliate may never engage in any political activity in support of any candidate. An affiliate is, however, allowed both to lobby its elected officials directly and to engage in grassroots advocacy (public education and letter writing campaigns, etc.), as long as the advocacy represents "no substantial part of the activities" of the affiliate. Because there is not a clear definition of "substantial part," the Internal Revenue Service looks at all facts and circumstances when deciding if the limit has been exceeded. Historically, unless a nonprofit has spent more than 15-20 percent of its total budget on lobbying, the IRS has not considered it to be substantial.
- The Federal Lobbying Disclosure Act (LDA) does not apply to volunteers and is unlikely to apply to affiliate staff. Paid staff members who spend less than 20 percent of their time on lobbying activities are exempted from the LDA. State lobby disclosure laws vary greatly, so affiliates are encouraged to verify state rules.
- No affiliated organization that receives federal funds may use those funds for the purpose of influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan or cooperative agreement. Also, employees whose salaries are paid from federal funds may not engage in any such activities during official duties.

3.0 Rationale

Habitat for Humanity successfully serves a subset of families living in substandard housing. However, HFH recognizes that home building alone will never achieve the goal of eliminating poverty housing worldwide. Habitat's second mission principle—to advocate on behalf of those in need of decent shelter—makes a strong commitment to advocate and promote housing as an opportunity to every human being, educating society on affordable housing, and influencing policy decisions within societal institutions that make poverty housing and homelessness socially, politically and religiously unacceptable worldwide.

Habitat's advocacy can and should occur at all levels of decision-making, i.e., local, state, federal and international.

Policy 2: Board of Directors Governance

Adoption date: October 2007

1.0 Purpose

To set standards for the minimum requirements of the board of directors.

2.0 Policy

Affiliated organization boards of directors must adhere to the following standards:

- Keep in good standing with organization bylaws.
- Adhere to term limits for board members which do not exceed eight consecutive years of board service.
- Sign the Covenant once a year.

3.0 Rationale

HFHI believes that good governance is necessary for a sustainable, healthy affiliate. Having term limits for boards of directors encourages new life and leadership within the board and contributes to creating and sustaining a healthy and growing affiliate. The yearly signing of the Covenant ensures that while leadership changes and affiliates may change, the mission and main tenets of HFH are followed.

Policy 3: Collaborative Development

Adoption date: October 2007

1.0 Purpose

The purpose of this policy is to create a collaborative environment for fund raising, so that parts of the Habitat organization are not competitors and are not seen by others as competitive rather than cooperative pieces of the same organization. It is also to establish standards for the ethical raising of funds.

2.0 Policy

1. Each affiliate will have a geographically defined service area, and will conduct its resource development efforts within that area.
2. Affiliates will not initiate solicitations of donors outside of their service areas without communicating with the affiliate closest to the donor. At all times, donors' decisions as to which affiliates they choose to support will be honored. Affiliates are encouraged to provide their donors with information about HFHI and its programs and about the work of nearby affiliates.
3. Affiliates will collaborate on fund raising and donor management in order to simplify and improve donors' experiences with Habitat for Humanity and to increase the likelihood of ongoing support.
4. Affiliates that have relationships with donors who reside outside their service areas are encouraged to maintain those relationships and to introduce them to affiliates located near where the donors live.

These policies apply to affiliated organization fund raising in the areas of direct mail, telemarketing, major gifts, planned gifts, corporate support, foundations, congregations, faith communities, denominations, Internet and online, special events and ReStores.

3.0 Rationale

A collaborative fund-raising environment flows from the principle of partnership and a belief that collaboration is essential to our continued growth and success. It recognizes that even greater collaboration is needed between all members of the Habitat for Humanity organization in order to maximize the amount of financial support that can be generated in pursuit of Habitat's vital mission.

Supporting resources:

[Collaborative Development Handbook](#)

Policy 4: **Communications and Technology**

Adoption date: October 2007

1.0 Purpose

The purpose of this policy is to establish basic expectations for affiliate communications and technology.

2.0 Policy

Each affiliate must have a publicly accessible central office with a dedicated mailing address where the affiliate's documents are stored. The office may be shared with another organization, but there should be exterior signage identifying it as a Habitat affiliate. Records such as board and committee minutes and IRS 990s should be available to any member of the Board of Directors in this space.

The affiliate must have access to a computer with commonly used word processing and spreadsheet software and Internet access. The affiliate must have an e-mail address (as opposed to using the e-mail of one of the members of the board or of staff), and there should be a clear protocol around the use of this e-mail address and clear procedures around who checks the account, and how access to it is transferred.

The affiliate must maintain a unique telephone number in the directory under "Habitat for Humanity (and the affiliate's name)" connected to voice mail or an answering machine.

3.0 Rationale

It has become essential that every HFHI affiliate have an office that is accessible to the public; an email address that can be read by staff and/or board members, a telephone line with an answering machine or voice mail capability and Internet access. To do the work that is required of each affiliate, the public needs to have access to the affiliate. In addition, documents must be stored at a central location where each member of the Board of Directors can have access to documents, including meeting minutes, at any time. Finally, in order to be part of HFHI and have access to the opportunities that are available to each U.S. affiliate such as training, newsletters, grant opportunities, etc., access to the Internet has become important. Such basics of communication and technology are now considered important for basic affiliate functioning.

Policy 5: Comprehensive Financial

Adoption date: *October 2007*

1.0 Purpose

The purpose of this policy is to set standards for affiliate financial management.

2.0 Policy

Affiliates must follow the standards and guidelines set forth in the [Affiliate Operations Manual: Financial Policies and Procedures](#) specifically on the topic of financial controls:

- Cash
- Bank accounts
- Credit cards
- Payables
- Excess cash
- Monthly/annual reports
- Independent audits
- Insurance

3.0 Rationale

This policy covers the protection of assets and includes everything from ensuring that funds aren't misappropriated, to protecting inventory from being stolen, to maintaining insurance coverage against these risks. Steps to minimize risks to an affiliate's financial stability must be put in place to protect assets.

The rationales for protecting affiliate funds are both vitally important and varied:

- Every dollar lost because of theft is a dollar that is taken away from building houses.
- Habitat for Humanity is entrusted with donated funds in order to carry out our mission. Our donors expect us to be good stewards of those funds and to make sure they are used in an appropriate manner.
- Habitat for Humanity has pledged that the house payments each homeowner makes will be used to help other people in need of shelter. If there is a failure to protect those funds, then the pledge and partnership with homeowners is broken.

Supporting resources:

[Affiliate Operations Manual: Financial Policies and Procedures](#)

Policy 6: Conflict of Interest

Adoption date: October 2007

1.0 Purpose

The purpose of this policy is to set a standard of ethical behavior for affiliated organizations which will protect the good name of Habitat for Humanity.

2.0 Policy

Affiliated organizations need to avoid conflicts of interest and even the appearance of impropriety. To that end, affiliated organizations must have a board-approved Conflict of Interest policy that restricts activity in the following areas:

- **Corporate Opportunity:** Director takes advantage of a business opportunity that rightfully belongs to the affiliate.
- **Private Inurement:** Director or staff member benefits financially from the affiliate's work.
- **Hiring of Relatives—Nepotism:** While affiliates may not choose to prohibit the employment of or the volunteering of relatives or persons with close personal relationships to current volunteers or employees, it is important to recognize that these situations may not be conducive to a healthy environment in many instances. The following does not foreclose opportunities for families and friends to successfully contribute to the Habitat mission but are designed to ensure that all employees and volunteers perceive that they will receive fair, impartial and unbiased treatment:
 1. Immediate family* members cannot report to each other, simply because such a situation may result in conflict, discomfort or feelings of mistrust of other staff.
 2. Immediate family members cannot be in positions where they are making decisions that affect their own family members (i.e. salary setting, hiring, promotions, time off).
 3. To ensure effective stewardship of funds, immediate family members cannot be in positions where opportunities exist to approve financial transactions (i.e. purchases, travel advances, reimbursements).
 4. Staff members who are related should not be in significant management positions within the same department.
 5. There may be some specific jobs which, by their nature, should not be filled by anyone with family members working for Habitat.

**For purposes of this policy, "immediate family" is defined as a spouse, mother-or father-in-law, sister-or brother-in-law, child, grandchild, sibling, parent, step-parent, or any individual sharing the same home.*

Further guidance in this area and sample policies can be found in the documents cited below.

3.0 Rationale

Given the increased scrutiny of both for-profit and nonprofit organizations, it is incumbent upon Habitat for Humanity organizations to monitor their own affairs and have the highest possible standards. Habitat for Humanity is committed to having integrity in all that we do and avoiding even the appearance of impropriety. Working in the area of construction, there are many opportunities for contracting and subcontracting, for sales, and for employment. Each of these potential transactions must follow proper procedures and comply with strict standards of fairness which do not create inappropriate financial gains for anyone connected with the affiliate.

This national policy, therefore, is not only to set the tone and the policy, but also to require affiliates to discuss the issue and develop their own policies.

Supporting resources:

[Legal Advisory: Conflicts of Interest](#)

Policy 7: Construction Standards

Adoption date: October 2007

1.0 Purpose

To set the basic requirements for construction practices for Habitat for Humanity affiliates.

2.0 Policy

- Affiliate builds to HFHI house design criteria, with exceptions for local and community requirements and ordinances.*
- Affiliate builds to a minimum ENERGY STAR® and healthy indoor air quality standard.
- Affiliate builds to minimum durability standards that address local geographic, climatic and disaster issues.
- Affiliate adopts and implements a written safety policy.
- Affiliate utilizes a written construction management program.
- Affiliate provides construction, home operation and maintenance training.

3.0 Rationale

As stated in the Covenant, construction practices should reflect the Habitat philosophy of building simple and decent houses. Affiliate construction practices and procedures should follow the examples and processes described in the [Affiliate Operations Manual: Construction](#).

Supporting resources:

[Affiliate Operations Manual: Construction](#) (see especially the section on house design)

* Policy variance until Dec. 31, 2013

If viewing this policy electronically, [click here](#) to read letter (posted on My.Habitat) dated July 20, 2009, to U.S. affiliated organizations from Larry Gluth, vice president, U.S./Canada Area Office, HFHI.

Policy 8: Donor Intent

Adoption date: October 2007

1.0 Purpose

The purpose of the Donor Intent policy is to ensure that Habitat for Humanity organizations adhere to standard and ethical fund-raising practices.

2.0 Policy

Affiliates will use all contributions for the purpose designated by the donor.

3.0 Rationale

Trust is one of the foundational principles in the relationship between nonprofit organizations and their supporters. This trust includes the level to which a donor can trust that their contributions are used in accordance with the organization's expressed purpose and the donor's intent. To dishonor the expressed designation of a donor's contribution erodes this trust, along with the integrity of the affiliate and Habitat for Humanity in general. Such erosion compromises the organization's ability to raise funds effectively in the future.

Any affiliate that is unsure of its ability to guarantee donors that their designations will be honored should make clear the purposes for which contributions will be used. To do otherwise would represent a breach of trust on the part of the affiliate and be potentially viewed as deceit of donors.

Policy 9: Financial Reporting to HFHI

Adoption date: October 2007

Revision date: August 2012

1.0 Purpose

The purpose of this policy is to assist Habitat for Humanity International in preparing a consolidated financial and activity report to the public and various not-for-profit oversight groups.

2.0 Policy

Each affiliate is required to submit an annual IRS Form 990 to HFHI. On an annual basis, send a copy of your IRS 990 form via electronic mail to: FS_990@habitat.org.

Or send a hard copy to:

Habitat for Humanity International
Finance Department (Attention: Cheryl Scott)
270 Peachtree Street, NW; Suite 1300
Atlanta, Georgia 30303

3.0 Rationale

Habitat for Humanity International and Habitat affiliated organizations are under increased scrutiny by individual and organizational donors. Therefore, it is important to include the financial and programmatic activities of the affiliates and support organizations in overall Habitat financial accounting. By reporting financial information to Habitat for Humanity International, Habitat affiliated organizations are assisting in creating the accurate and comprehensive picture of Habitat for Humanity's activities.

Policy 10: Government Funds

Adoption date: October 2007

1.0 Purpose

The government funds policy redefines the parameters within which affiliates can use government funds and ensures that an affiliated organization has no single external source of revenue, including government funds, which exceeds 30 percent of the affiliate budget.

2.0 Policy

Habitat for Humanity International welcomes partnerships with governments that include accepting funds and other resources to help provide houses for God's children in need, provided these partnerships do not limit our ability to demonstrate the love and teachings of Jesus Christ, and further provided that affiliated organizations do not become dependent on or controlled by government funds or other funding sources. Local Habitat for Humanity affiliates or Habitat for Humanity International may adopt more specific guidelines as deemed necessary to avoid such dependence or control.

Affiliated organizations should have no single external source of revenue, including government funds, which exceeds 30 percent of the affiliate budget.*

3.0 Rationale

This policy holds fast to the Christian mission and principles of Habitat for Humanity by ensuring that no government funds will be accepted if they put at risk our ability to express and to demonstrate our Christian foundations through our work, or threaten to become the sole source for funding. The policy also protects Habitat's grassroots structure, leaving it to each affiliate to decide whether or not, based upon local situations and conditions, to use government funds for construction. It leaves the determination—as a matter of conscience and action—to affiliates.

Supporting resources:

[U.S. Affiliated Organization Covenant](#)

* **Policy variance until Dec. 31, 2013**

If viewing this policy electronically, [click here](#) to read letter (posted on My.Habitat) dated July 20, 2009, to U.S. affiliated organizations from Larry Gluth, vice president, U.S./Canada Area Office, HFHI.

Policy 11: Homeowner Partner Selection

Adoption date: October 2007

Revision date: January 2010

1.0 Purpose

The purpose of this policy is to define Habitat for Humanity's homeowner partner selection criteria as well as to emphasize that U.S. affiliates must comply with the provisions of federal housing law.

2.0 Policy

Affiliates are expected to comply with the Fair Housing Act and all Fair Housing Laws, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Privacy Act and the Americans with Disabilities Act and any applicable local laws.

Affiliates must develop their own local selection criteria and create a local policy that must include the following elements:

Need: Affiliates must define the specifics of "need" in their own communities, taking into consideration the following factors: housing conditions that are physically inadequate, unsafe, overcrowded, expensive or any other applicable local factor. Homeowner partner selection should not be limited to first-time homeowners. Partners should not qualify for other/conventional mortgage financing.

Ability to Pay: Affiliates must make all reasonable efforts to serve families whose incomes do not exceed 60 percent of the area median income (AMI), as defined for the affiliate's service area by the U.S. Department of Housing and Urban Development (HUD), and in no cases are permitted to select households with incomes above 80 percent of AMI.

Affiliates should strive to always serve the families who fall within the lowest AMI range possible.

Habitat affiliates shall perform appropriate due diligence in determining the ability to pay and credit worthiness of their homebuyers. Such due diligence must include, and is not limited to: income verification, credit reporting and assessment of all other household debt; projected utility costs, homeowner association dues (if any), special assessments and other costs directly associated with the ownership of their home.

Willingness to Partner: Affiliates must require no less than 200 hours of sweat equity per household, including 100 hours in construction, with appropriate accommodations made for partners with physical limitations in accordance with the Americans with Disabilities Act (ADA). Other examples of objective criteria that may be used to measure willingness to partner include: completion and return of application in a timely manner, acceptance of down payment and closing costs (according to affiliate requirements), completion of educational classes, etc.

Deselection: Affiliates may deselect partners only in the following cases: demonstrated fraud on the application, failure to complete requirements set forth in the letter of acceptance, negative change in financial condition that would significantly impact the ability to pay, or presence on a sexual offender database.

(These and other important guidelines and procedures can be found in the [Affiliate Operations Manual: Family Selection](#). Affiliates should contact the Affiliate Support Center for help with designing and implementing criteria.)

3.0 Rationale

Historically, some affiliates have experienced tension between being "a Christian ministry" and the provisions of federal law regarding discrimination in housing and lending and in lending decisions. The resolution of the U.S. Affiliate Committee (the predecessor to the U.S. Council) acknowledges the applicability of the federal laws and the need for a consistent definition of the basic homeowner selection criteria.

The Habitat for Humanity family selection process is a unique and defining characteristic of the ministry. As such, basic foundational guidance is essential to each affiliate so that it may support the Habitat ministry, comply with the laws, and

consistently and uniformly conduct family selection. Therefore, the Homeowner Partner Selection policy is established to provide that guidance.

Supporting resources:

[Affiliate Operations Manual: Family Selection](#)

Policy 12: Liability Waiver Usage

Adoption date: October 2007

1.0 Purpose

To set minimum requirements and best practices for U.S. affiliates regarding releases and waivers of liability.

2.0 Policy

Affiliates must have volunteers sign a Release and Waiver of Liability at least once per year. Volunteers must sign a sign-in sheet every day prior to working on the construction site. Additionally, affiliates must carry Volunteer Accidental Medical coverage.

3.0 Rationale

The Release and Waiver of Liability can be an effective tool for management of risk for the Affiliate and HFHI, and informs the volunteer of the dangerous nature of the construction site. The Volunteer Accidental Medical provides no-fault insurance for the volunteer if he or she is injured. The affiliate is also strongly encouraged to obtain Volunteer Disability Insurance.

This protects HFH from lengthy and expensive litigation that would drain funds from its charitable mission, and from which the volunteer might not recover damages anyway. However, HFH wants to safeguard its volunteer resources and encourage people to participate in its Christian mission. Therefore, it offers medical insurance to protect the volunteer. This insurance is no-fault, meaning that it protects the volunteer regardless of who is at fault for the injury.

Supporting resources:

[HFHI Legal Advisory: Volunteer Release & Waiver of Liability](#)

Policy 13: Logo Adoption

Adoption date: October 2007

1.0 Purpose

To ensure that affiliated organizations have officially adopted the global HFH logo and use the new logo in place of its previous logo on all materials.

2.0 Policy

The affiliate, campus chapter and national logos are authorized adaptations of the new global logo and must be used by the Habitat organization for which it is most appropriate.

The arrangement order of the logo elements, as well as proportions, may never be altered.

Together, the global logo and its adaptations provide a consistent presentation of the logo across the organization and to its audiences.

All affiliated organizations must be fully utilizing the new brand and logo and following the brand guidelines available on the BuildBrand intranet site.

3.0 Rationale

While Habitat for Humanity is an organization known for individuality, its branding efforts need to promote unity in appearance, look and feel. To do otherwise diminishes one of the strongest brands in the nonprofit sector. In order to protect our trademark rights, use of the global logo is mandatory and strictly controlled by Habitat for Humanity International. Each affiliate, state support organization and designated partner will adopt the use of the appropriate extended brand mark (authorized brand extensions such as the name of affiliate, etc.). [The BuildBrand website](#) (accessible via My.Habitat) is available for all partners to develop their brand extension and assist in developing their logo within the parameters of the policy.

Supporting resources:

[BuildBrand Resource Center on My.Habitat](#)

Policy 14: **Affiliate Restructuring**

Adoption date: October 2007

1.0 Purpose

To establish that all affiliate restructuring plans must be approved by the U.S. Office prior to initiation.

2.0 Policy

All efforts toward affiliate restructuring must be approved by the U.S. Office prior to initiation.

3.0 Rationale

Since affiliate restructuring is a powerful tool that should be applied judiciously, it should never be pursued solely because a donor demands it, affiliate leadership has arranged it, or board members or friends discussed it among themselves and thought it was a good idea. Affiliate restructuring should be considered when:

- The level of integration and synergy sought by the participating affiliates cannot be achieved through lesser means.
- The community already perceives the participating affiliates as the same organization, confusing their identities.
- A larger affiliate is needed to compete with other large nonprofits or government entities or businesses.
- Either affiliate has lost steam, experienced a scandal or otherwise cannot sustain and renew itself.
- Two or more affiliates can better achieve Habitat's mission as one merged organization, while maintaining characteristics of a community-based agency.

“Affiliate restructuring” for the sake of this policy is defined as any changes to the affiliate structure including outright mergers, asset transfers to another organization, interlocking boards with another organization and parent-subsidary arrangements.

Oftentimes, either participating affiliate may not be able to identify themselves as a partner in a prospective affiliate restructuring. Therefore, assigned staff from the U.S. Office will work with the affiliates, determine whether a restructuring is the appropriate avenue for the affiliates to take and, if so, will approve accordingly.

Policy 15: Minimum Production Standards

Adoption date: October 2007

Revision date: September 2010

1.0 Purpose

The purpose of this policy is to establish minimum production standards for HFH affiliates so that the integrity of the ministry is preserved and Habitat can continue to serve families and revitalize communities for many years to come.

2.0 Policy

Affiliates must serve at least one family per year through one of the following housing interventions:

- New home construction.
- Rehabilitated home.
- Repaired home.
- Weatherized home.

A minimum of one family served over a three-year period must be through a rehabilitated home or new home construction.

3.0 Rationale

An affiliate's long-term sustainability and growth depends on its ability to continually engage local volunteers in its mission. According to HFHI studies, affiliates that maintain an active construction program are significantly more likely to have the needed involvement of volunteers, potential partners, donors and the general public for an extended period of time.

This policy reflects the broad spectrum of ways that Habitat affiliates serve families in order to be good stewards and to maximize the impact toward fulfilling our mission.

Supporting resources:

[U.S. Construction Definitions](#)

Policy 16: Employment and Volunteer Practices

Adoption date: October 2007

1.0 Purpose

The purpose of the Employment and Volunteer Practices policy is to ensure compliance with local, state and federal laws regarding compensation, sexual misconduct and nondiscrimination, and to set forth requirements to assist affiliates in employing staff in a fair, open and nondiscriminatory manner.

2.0 Policy

Every affiliate board of directors must assure that the affiliate abides by and is in compliance with all local, state and federal laws that pertain to employment practices and workplace conditions.

Affiliates must adopt a set of personnel policies or an employee handbook that pertains to paid and unpaid employees and volunteers and spells out the affiliate's adherence to factors concerning, but not limited to, nondiscriminatory hiring and treatment of employees and volunteers, sexual misconduct in the workplace, disciplinary and supervisory mechanisms, grievance procedures, compensation and benefits.

All affiliated organizations must adopt and fully comply with board-approved processes for hiring, employing and terminating staff that include the following:

- Hiring
 - Advertising for the position
 - Recruitment for the position
 - Development of written job description
 - Standard protocol for publishing job vacancies
 - Standard protocol for interviews and hiring
- Employing
 - Annual performance appraisal
 - Annual job plan/goal setting
 - Disciplinary protocol
 - Grievance protocol
 - Termination protocol

3.0 Rationale

Documenting affiliate practices and policies related to paid and unpaid staff encourages sound management and sets the foundation for positive employer/employee management. Current and future staff and board need to be able to reference policies to operate in a consistent and professional basis. When work conditions are unclear, the potential for disharmony, confusion and unmet expectations is increased.

Key unpaid staff positions need to be covered by this policy in addition to any paid positions. This inclusion recognizes the importance of these roles. These staff members merit the same benefits of performance evaluations and clear workplace standards.

Supporting resources:

[Example: Affiliate Employee Handbook](#)

Policy 17: Records Retention

Adoption date: October 2007

1.0 Purpose

The purpose of the Records Retention policy is to outline the requirements for retaining important records for HFH affiliated organizations.

2.0 Policy

Affiliate boards must create record-keeping procedures for filing, tracking and updating. These procedures must be available and accessible for review. Such records should include but are not limited to:

- Articles of incorporation
- Bylaws
- Minutes
- Calendar of events
- Correspondence
- Contracts, deeds
- Scrapbooks, photo albums
- Publications, brochures
- Journals (general, cash receipts, payroll, disbursement)
- General ledger
- Bank statements
- Canceled checks
- Cash register tapes
- Receipts and invoices
- Purchase agreement for assets
- Depreciation schedules

An affiliate's record-keeping system should include a summary of all business transactions. This summary is ordinarily made in an affiliate's books (for example, accounting journals and ledgers). The books must show gross income as well as deductions.

Record-keeping is the most important aspect of maintaining a solid internal-control structure as well as accurately and completely filing Forms 990, 990PF, 990-T, 940, 941, 945, W-2, W-3, W-2G, 1099, 730, and 11C.

Failure to maintain adequate books and records may result in penalties or the loss of an affiliate's tax-exempt status.

Affiliates should also take care to follow any appropriate record retention requirements from grant programs in which they are participating.

3.0 Rationale

Three distinct aspects of affiliate operations are impacted by records retention issues. Business decisions—such as strategic planning, house pricing and budgeting—rely on the retention of specific types of documentation, often for several years. Legal requirements, such as the Equal Credit Opportunity Act, the Federal Housing Act and the IRS Code, direct that identified documents be retained for a defined period. Storage space issues confront the affiliate with the need both for secure storage and for disposal schedules and methods. Therefore, a records retention policy is established to guide these decisions.

Supporting resources:

[QA Approved Example Records Retention Policy](#)

Policy 18: **Safety**

Adoption date: October 2007

1.0 Purpose

To set the basic requirements for safety practices for Habitat for Humanity affiliates.

2.0 Policy

Affiliates should follow the procedures and requirements set forth in the [Affiliate Operations Manual: Construction](#), which sets out a complete listing of safety procedures and protocols. The list below covers the main sections:

Each volunteer at an HFH affiliate work site should:

- Comply with all safety rules and regulations.
- Report all accidents and injuries immediately.
- Obtain the proper tools and personal protective equipment for the job at hand.
- Report all unsafe conditions to the supervisor in charge.
- Know what emergency telephone number to call in case of fire or an accident (911 service is not available everywhere).
- Help maintain a safe and clean work area.

Each supervisor at an HFH affiliate work site should:

- Monitor the work site's safety status by personally conducting daily safety inspections of the work site and initiating needed corrective action.
- Conduct accident investigations and analyze the causes and formulate recommendations for corrective and preventive action.
- Maintain accurate records of all accidents.
- Conduct on-site safety training for all volunteers.
- Monitor the safety performance of all subcontractors to ensure compliance with the affiliate's safety standards.

Each affiliate should:

- Begin each workday with prayer.
- Provide safety training for all volunteers.
- Appoint a safety committee or safety supervisor to oversee the affiliate's safety program.

3.0 Rationale

It is necessary for the safety of all Habitat partners that a certain level of work-site safety be maintained at all U.S. Habitat for Humanity affiliates.

Safety is everybody's concern and is always an important consideration at any construction site. Building construction can be one of the most dangerous occupations. Since Habitat work crews normally have a high proportion of inexperienced people, everyone must pay particular attention to safety. Affiliates must strive to be conscious of the safety of everyone on site. An observer can often see danger better than the worker involved in the project. Affiliate staff and volunteers must be cautious at all times and ask questions. Volunteers are advised not to go ahead with a task if he/she is uncertain how it is done, or unable to do it.

Safety is based on knowledge, skill and an attitude of care and concern. Supervisors should instruct each worker about the correct and proper procedures for performing each task. This should familiarize the worker with the potential hazards of doing the tasks and advise him or her as to how such hazards can be minimized or eliminated. It is very important that all at Habitat know about safe work practices and follow them.

Supporting Resources:

[Affiliate Operations Manual: Construction](#)

Policy 19: Sexual Offender Registration Check

Adoption date: October 2007

1.0 Purpose

The purpose of this policy is to emphasize that affiliates should check a sex offender database against names of board members, staff, key volunteers and potential homeowners.

2.0 Policy

Affiliates are required to check the names of potential homeowners, board members, staff members and key volunteers in the sexual offender databases. An affiliate may choose to de-select a homeowner if they are registered in a sexual offender database. Additionally, an affiliate may remove board members, staff members and key volunteers if they are located in a sexual offender database.

3.0 Rationale

Registered sex offenders pose a unique threat to other homeowners, their children and volunteers. Affiliates should not place neighboring homeowners and their children at risk. In addition, laws in most jurisdictions place limits on how close a registered sex offender can live to an area frequented by children. These laws can affect where an affiliate can build and, therefore, affiliates should check with their local attorney to get more information on all the laws that pertain to sex offenders.

Policy 20: Speculative House Sales

Adoption date: October 2007

1.0 Purpose

To set minimum standards and acceptable practices for the sale of Habitat for Humanity houses on the open market.

2.0 Policy

Affiliates may not sell newly built or newly rehabilitated houses (“rehab”) to buyers other than those qualifying under established Habitat for Humanity income criteria.

3.0 Rationale

The affiliate Covenant stipulates that Habitat for Humanity sell houses for no profit, which is violated when the affiliate sells new construction or rehabs speculatively. Speculative house sales are outside Habitat for Humanity’s charitable mission (other than to raise funds) and are therefore at risk of being taxed as unrelated business income. In addition, such sales send a mixed message to volunteers and donors, who expect their funds and labor to benefit low-income families.

In interpreting the above policy, the following activities are permitted by affiliates:

1. Selling a donated house or property that is unsuitable for use by the affiliate as a Habitat for Humanity house.
2. Selling houses reclaimed through the affiliate’s foreclosure process that are unsuitable for reuse as Habitat for Humanity houses.
3. Selling newly constructed houses or rehabs that become unsuitable for use as Habitat for Humanity houses after construction due to circumstances beyond the reasonable control of or not foreseeable by the affiliate.
4. Participating in mixed-income developments which further the mission of Habitat for Humanity in compliance with Habitat for Humanity International policies on mixed-income developments (to be determined).

Policy 21: Youth Involvement on HFH Affiliate Work Sites

Adoption date: October 2007

1.0 Purpose

The purpose of this policy is to ensure the safety of children on the work site by adhering to limitations on the activities that may be performed by children of a certain age.

2.0 Policy

In recognition of federal labor laws regarding children and the potential risk to children's safety on a construction site, no one under the age of 16 is allowed on a construction site while construction is going on. Further, no one under the age of 18 should be allowed to do any ultra-hazardous activities, which include the use of power tools or motor vehicles, demolition, roofing or working from a height of six feet or more, or excavation operations.

In addition, during blitz builds many tasks are going on simultaneously and it is difficult to limit teenagers to age-appropriate activities. Therefore, blitz build volunteers must be at least 18 to participate.

Affiliates must also make sure that there is always adequate supervision and training for any children working with the affiliate. Affiliates may want to establish certain ratios, such as one adult for every three or four teenagers on the construction site. If affiliates do have 14- and 15-year-olds painting or landscaping a Habitat house, affiliates should schedule these groups for days when there is no active construction going on at the site.

3.0 Rationale

While it is important that children be directly involved with the work of Habitat for Humanity, it is also important that they be involved only in age-appropriate activities. Affiliates should keep in mind that the most important issue is the safety and well-being of any children involved with an affiliate. Federal regulations limit the times at which a child may be employed and the types of work that children are allowed to do. Under the regulations, children ages 14 and 15 are only allowed to work outside school hours and for a limited number of hours during a school week. (It should be noted that 14 is the minimum age of employment allowed by federal regulations.)

As for the types of work allowed, no one under the age of 18 is permitted to do any work that the secretary of labor has said is too hazardous for children. Also, federal regulations specifically prohibit children ages 14 and 15 from working in general construction. However, they may engage in limited activities such as clearing lots, landscaping or painting.

Policy 22: Closing and Servicing

Adoption date: October 2007

Revision date: January 2010

1.0 Purpose

The purpose of this policy is to provide standards for the transfer of homes and servicing of mortgages for affiliates.

2.0 House sales procedure

2.1 Closings

Closings must be supervised by either an attorney or another qualified, state-recognized real estate professional. Affiliates must have properly recorded, enforceable mortgages or other appropriate security interests in place, with marketable title transferred to the homeowner. Closings must be conducted in compliance with applicable state and federal law. [See Note 4.1 below.](#)

2.2 Title protection

Affiliates must be able to convey marketable title to the homeowner at closing. Original warranty deed, or its local equivalent, should be transferred to the homeowner. [See Note 4.2 below.](#)

2.3 Maintenance of original documents

Affiliates must maintain originals of the promissory note and mortgage document or trust deed. Documents must be kept in a centrally located, secure location that is accessible by an appropriate number of Habitat for Humanity representatives. Affiliates must maintain copies of all other recorded documents. Bank safe deposit boxes; fireproof, locked filing cabinets or similar storage of documents is required. [See Note 4.3 below.](#)

Examples of unacceptable storage practices include, but are not limited to:

1. Giving the original promissory note to the homeowner (the original note is generally needed to enforce the mortgage); however, the homeowner should get copies of all the documents;
2. Storing documents in a board member or employee's personal residence;
3. Storing documents anywhere only one person has access to the documents; and
4. Distributing documents to any party without making complete copies first.

3.0 Mortgage servicing procedures

3.1

Servicing of mortgage loans may be conducted by the affiliate, or by a third-party servicer. Direct costs incurred for servicing loans may be passed along to the homebuyer and incorporated into their monthly mortgage payment, provided that no additional mark-up is imposed by the affiliate, and that the initial monthly payment, including loan servicing costs, does not exceed 30% of the homebuyer's gross income.

3.2

Affiliates that make more than \$1 million in mortgage loans per year (including second mortgages, if applicable) must comply with the Real Estate Settlement Procedures Act (RESPA). Affiliates that make less than \$1 million in mortgage

loans per year (including second mortgages, if applicable) must ensure mortgages are serviced in a professional manner, according to Generally Accepted Accounting Principles (GAAP) rules and the [Affiliate Operations Manual: Financial Policies and Procedures](#) (i.e., separate escrow accounts, cash management, asset protection controls). [See Note 4.4 below.](#)

3.3 Delinquency/foreclosure procedures

Affiliates must have board-approved procedures that meet all legal requirements set forth for the state and jurisdiction in which the affiliate operates. That policy should have definite times after which the loan is called and the affiliate may foreclose.

3.4 Transfer of title

Title of the completed house shall be transferred to an approved applicant upon occupancy or on a specific time frame after occupancy.

3.4.1

If extenuating circumstances require a deviation from this standard, a specified time to resolve the issue and complete the closing shall be stated and appropriate legal mechanisms used to allow occupancy as soon as practical upon resolution of such issues.

Examples of such circumstances might be:

- Unforeseen processing delays by local government entities that relate to the land or structure.
- Repossession of existing Habitat for Humanity homes requiring rapid occupancy by a newly approved buyer.
- Other circumstances, such as environmental or title issues not revealed during initial due diligence, that are beyond the affiliate's reasonable control.

Installment land contracts and contracts for deed are prohibited. [See Note 4.5 below.](#)

3.5 Professional-quality loan servicing

Servicing of the mortgage loans that Habitat affiliates establish with homebuyers must meet professional industry standards, as Habitat for Humanity International will identify. These standards shall include explicit procedures for the efficient collecting and recording of mortgage payments, and shall include written procedures for responding in the event of late or missed payments. Furthermore, Habitat affiliates are expected to establish systems and procedures that are conducive to homeowners making their payments in full and on time every month, and to taking corrective action promptly in the event of missed payments or other violations of provisions of the mortgage agreement.

3.6 Right to intervene

Servicing In cases where third-party entities establish a lien position in the chain of mortgage financing provided to Habitat homebuyers, the Habitat affiliate must establish a provision that permits the affiliate to intervene on behalf of the homebuyers in the event the homebuyers default on their obligations to the third-party lender.

4.0 Notes and explanations

4.1

Most states have a requirement that sales be supervised by a professional of some type. Because of the complexity of real estate transactions, it is important for an affiliate to use an expert for the protection of both the affiliate and the homeowner.

4.2

Most jurisdictions use a form of warranty deed. “Quitclaim” deeds are generally unacceptable. In some cases, however, certain states have different names for such documents (some states have a “Quitclaim Deed with Covenants,” which actually acts as a warranty deed rather than a quitclaim deed). Marketable title may be demonstrated by a title policy or title opinion with standard and reasonable exceptions allowed.

4.3

Some Accelerated Asset Recovery programs (programs that leverage the affiliate’s mortgages to raise up-front funds) require the affiliate to relinquish the original note and mortgage. This is permitted, although it is recommended that the affiliate keep copies.

4.4

The Real Estate Settlement Procedures Act (RESPA) applies to certain mortgage lenders. RESPA requires certain disclosures prior to closing, escrow requirements and other notices. The law is applicable to affiliates if the affiliate makes more than \$1 million in mortgage loans per year.

4.5

It is strongly encouraged that affiliates transfer title upon occupancy. Selling the home immediately upon occupancy has the following advantages:

- It conveys the fact that the relationship between the affiliate and the homebuyer is an equal partnership, while lease-to-purchase transactions places the affiliate in a superior position to the partner family.
- It reinforces the idea that clear ownership of one’s homes is one of the most important benefits that the partner family receives.
- It avoids the risk that the affiliate will delay the closing even further, which experience has shown can raise serious legal and public perception issues.
- Lease-to-purchase transactions leave the affiliate legally responsible for maintaining the home, paying non-homestead property taxes and other responsibilities required of landlords.
- Because the affiliate still owns the home, it could be held liable to third parties because of the occupant’s actions.

Installment sales contracts or contracts for deed are prohibited due to the fact that they do not convey title to the property until the homeowner has made all of the payments to the affiliate (i.e., title transfer upon the maturity date).

Supporting resource:

[Affiliate Operations Manual: Financial Policies and Procedures](#)

[Policy Advisory Statement – Rental Housing Projects](#)

Policy 23: House Pricing

Adoption date: October 2007

Revision date: January 2010

1.0 Purpose

The purpose of this policy is to present to affiliates what is required in the setting of house prices according to Habitat for Humanity principles and standards.

2.0 Policy

Affiliates shall conduct their home sales and mortgage financing transactions in such a way as to assure that the initial monthly payment of a purchaser of a Habitat home shall not exceed 30 percent of the household's gross income. Included in this initial monthly payment calculation are loan principal, local real estate/property taxes and homeowner's hazard insurance, and, where applicable, mortgage insurance and loan servicing fees. *See Note 3.1 below.*

This policy is designed to assure that the homes produced by Habitat for Humanity affiliates are sold on a no-profit basis. In order to fulfill this no-profit mandate, affiliates may include the following costs into the calculation of the prices of their homes:

- Cash costs, or donated value of property acquisition and installation of infrastructure (streets, water, utilities, sewer, etc.).
- Legal fees, recording fees, platting costs, engineering costs and architectural costs directly attributable to the home.
- Direct construction costs for labor and materials paid for by the affiliate with cash.
- The value of in-kind material donations.
- The value of donated professional labor by individuals and firms.
- Licenses, permits, insurance and fees directly attributable to the home.
- In addition to the above "direct" or "production" costs, the affiliate is permitted to include up to 10 percent of these total direct costs, to cover indirect expenses incurred by the affiliate in the production of the home. *See Note 3.2 below.*

The total repayable price of the home, i.e., the total amount the homeowner will repay to the Habitat affiliate over the life of the mortgage, may be less than but must not exceed the total development costs of the home, as defined above. This amount does not include amounts collected pursuant to second mortgages or other equity recapture language. *See Notes 3.3, 3.4 and 3.5 below.*

3.0 Additional notes and explanation

3.1

Two ratios exist in the housing industry: The housing expense ratio, which counts principal, taxes and insurance, and the cost burden ratio, which adds to the previous items the cost of utilities (excluding telephone bill). For the purposes of determining affordability, the affiliate should use at least the housing expense ratio. However, the affiliate may also use the cost burden ratio, and may also even consider other known recurring expenses, such as mandatory homeowner's association fees, annual termite inspection deposits, etc.

3.2

This policy has been prepared taking into consideration the idea that affiliates may need to include in the house price additional administrative expenses that may not be attributable to the specific house. Examples might include infrastructure development for a site that is eventually subdivided into several units, general equipment for construction

supervisors, and other soft or indirect overhead costs. Therefore, affiliates have the discretion to add up to 10 percent for administrative costs. For further explanation, please consult the resources listed below.

3.3

Provided it can comply with the policy stated in 2.0, an affiliate is permitted to establish a uniform house cost for a house type if, in the affiliate's judgment, this will make operations more expedient and transparent to applicants and the general public. As an example, an affiliate could therefore decide that all standard three-bedroom houses would cost the same amount for a given year.

3.4

Any charges in addition to those listed above would constitute profit for the purposes of defining the terms "no profit, no interest," and, as such, would not be allowed under this policy. In addition, affiliates are asked to include as many of the permissible costs that are possible while still keeping the house affordable to the homeowner. Keeping the repayments and the house cost closely tied together reinforces the hand up, not a handout philosophy.

3.5

An exception may be allowed for cases of urban blight where, in very depressed real estate markets, the appraised value may actually be less than the costs to the affiliate. In this case, the affiliate may in its discretion set the mortgage amount at cost even if it exceeds the appraised value, provided that the house is still affordable according to the standards above.

This policy has been drafted with consideration of, and contains modifications to, the following supporting resources:

[Affiliate Operations Manual: Construction](#)

Supporting resources:

[Policy Advisory Statement: Policy 23 – House Pricing](#)

Policy 24: Mortgage

Adoption date: October 2007

Revision date: January 2010

1.0 Purpose

The purpose of this policy is to define the terms and conditions that are required in a Habitat mortgage.

2.0 General principles

The affiliate's mortgage document, or equivalent document according to local law ([see Note 5.1 below](#)), must adhere to the practices below.

This policy is designed to assure that the homes produced by Habitat for Humanity affiliates are sold on a no-profit basis. In order to fulfill this no-profit mandate, affiliates may include the following costs into the calculation of the prices of their homes:

2.1 Cost of financing

Affiliates shall not be permitted to charge interest on any mortgage financing they provide directly to Habitat homebuyers.

2.2 First mortgage term

The term of the mortgage may not be less than 15 years. Affiliates are permitted to establish mortgages up to 40 years in length, if necessary to achieve the income and affordability thresholds.

2.3 Fully amortizing first mortgage loans

The loan secured by the first mortgage must fully amortize (i.e., pay off completely) over the set term of the mortgage.

2.4 Balloon loans prohibited

Loans which require full payment before the end of the term of the loan, because the monthly payments are insufficient for the full amortization of the mortgage, are prohibited. [See Note 5.2 below.](#)

2.5 Equity protection

Affiliates should utilize some form of equity protection as described in the four options in 3.0 below.

2.6 Use of Habitat house

The affiliate should require that the homeowner use the house as their principal/primary residence, and the mortgage document should include as an event of default use of the house as rental housing.

3.0 Permitted variations

Permitted variations of the Habitat for Humanity equity restrictions (subject to compliance with local laws).

3.1 Option 1: Second mortgages

This option requires that upon completion of construction and before sale, affiliates must have a licensed appraiser perform an appraisal of the completed home, or have a market assessment or the prevailing standard in the affiliate's

service area for determining real estate fair market value. In the event that the amount of the first (amortizing) mortgage established with the homebuyer is less than the appraised value of the home at the time of sale, affiliates are expected to place a lien on the property in the form of a subordinate mortgage. [See Note 5.3 below.](#)

3.1.1 Down payment assistance programs

Other parties are allowed to record subordinate mortgages against the house in certain circumstances. [See Note 5.4 below.](#)

3.2 Option 2: Shared appreciation

Affiliates may incorporate into the mortgage (or have as a separate document) a shared appreciation provision, allowing the affiliate to claim some percentage of the increase in the appreciation in the value of the home over and above the initial appraised value of the home and excluding capital improvements made to the home by the homeowner. [See Note 5.5 below.](#)

3.3 Option 3: Land trust or leasehold mortgage

Affiliates are permitted to participate in, and even establish, Affordable Housing Land Trusts. Land Trusts are a method of preserving long-term affordability of homes by separating the ownership of a residential structure from the ownership of the land on which the residence is located. In such situations, title to the land is owned by a community-based entity or the affiliate itself. [See Note 5.6 below.](#)

3.4 Option 4: Deed restrictions and restrictive covenants

Affiliates are also permitted to use Deed Restrictions or Restrictive Covenants running with the land that preserve affordability of the homes and /or perform the same function as a second mortgage or shared mortgage, as defined above.

4.0 Other mortgage issues

4.1 Right of repurchase

Affiliates are required to incorporate a right of repurchase into the documents which convey title to the property to the homebuyer. The repurchase price should, at a minimum, be equal to the equity that the homeowner has paid into the mortgage. [See Note 5.7 below.](#)

4.2 Habitat for Humanity as first lien holder

As affiliates establish a first lien position with their first mortgage, the affiliate may not subsequently subordinate that first lien position to any other parties. In the case of a third-party lender providing a purchase money mortgage to the homebuyer, it is understood that the third-party entity may have a first lien position in the chain of mortgages and that any second mortgages that the affiliate may have would be a subordinate lien. [See Note 5.8 below.](#)

4.3 Predatory lending prevention

Affiliates are also advised to consider and utilize additional measures to prevent predatory lenders from taking advantage of the equity positions the homebuyers have in their homes.

4.4 Third-party interests and restrictions in sales transactions

Affiliates are free to allow third parties to retain certain interests in the property, so long as the restrictions allow the affiliate to grant to the homeowner title to their home, to fully capture the principal portion of their home payments upon any subsequent sale of the home, and provided the interests of the third parties do not alter the other conditions of this Policy or the rights of the affiliate. [See Note 5.9 below.](#)

4.5 Mortgage insurance

Affiliates are permitted to require homebuyers to pay for mortgage insurance if the amount of the total indebtedness (including all amortizing and deferred mortgages) the homebuyer may have on the property exceeds a loan-to-value (“LTV”) ratio of 80 percent. Affiliates are not permitted to require mortgage insurance if the loan-to-value ratio falls below 80 percent, and are required to cancel such insurance when the LTV ratio reaches the 80-percent level.

5.0 Additional notes and explanation

5.1

What is commonly referred to as a *mortgage* may have different names in different states. The two most common names are *deed of trust* and *mortgage*.

5.2

Balloon Mortgages are prohibited because they are commonly used by sub-prime and predatory lenders to force refinancing to a higher interest rate. This creates a negative public perception of Habitat for Humanity. In addition, most affiliates find that the homeowner is unable to pay the balloon payment most of the time, so the economic benefit for the affiliate is minimal.

5.3

The amount of the second mortgage is equal to the difference between the amount of the total price of the house expected to be repaid by the homeowner ([see the House Pricing Policy](#)) and the house’s value based on the market appraisal or other market assessment. The affiliate is permitted to establish this second mortgage as a non-interest-bearing lien that is payable in full in the event of sale, default, transfer of title or refinancing of the first mortgage by a third-party lender. As such, it is expressly permitted that the subordinate mortgage may or may not be forgiven, in whole or in part.

5.4

Sometimes, other organizations provide down payment assistance funds to Habitat home-buyers. These amounts reduce the amount of the first mortgage owed by the homebuyer to the affiliate and generally must take the form of either a forgivable or a deferred non-interest bearing mortgage that is subordinate to the affiliate’s first mortgage. Sometimes such down payment assistance mortgages are not forgivable, and the amount of this down payment assistance mortgage must be paid in full to the affiliate upon sale, transfer of title, or full payment or refinancing of the home or the first mortgage. Examples of programs that do this are the Community Development Block Grant (CDBG) and Federal Home Loan Bank (FHLB).

5.5

The affiliate’s claim to the value of the shared appreciation of the home may only be exercised upon foreclosure, sale, transfer of title, or full payment or refinancing of the home or the first mortgage. It should also make sure to include all of these circumstances as a trigger for the shared appreciation provision. Depending on whether an affiliate’s priorities lean toward perpetual affordability of the property or economic empowerment of the homeowner, then the percentage of shared appreciation that is actually “shared” with the homeowner may vary.

5.6

In Land Trust transactions, the home itself is sold to the homebuyer, who is then provided a long-term lease to the use of the land on which the home is located, typically for a nominal fee (\$1/year). Land Trusts can increase housing affordability by charging the homebuyer only the costs of the residence itself, not the cost of the underlying land. Consequently, when homeowners decide to sell their home, they would be able to sell only the home, not the land on which the home is located. Further, since ownership of the land is held by the Land Trust, it can determine future and

ongoing uses of the land. Affordable Housing Land Trusts typically stipulate that subsequent sale of the residences located on its land be restricted to households of low to moderate incomes. The house price is still repaid by the homeowner, and is secured by a “Leasehold Mortgage.”

5.7

A right of first repurchase provides the affiliate with the first option to repurchase the home in the event the initial buyer chooses to sell the home. This is sometimes called a right of first refusal. This allows the affiliate to retain the home as an affordable unit of housing, and can inhibit predatory lenders from gaining a controlling interest in the property.

5.8

When considering taking a subordinate position among the parties financing the home, affiliates are advised to assure that the total indebtedness on the home does not exceed the home’s appraised market value.

5.9

From time to time, during the course of producing Habitat homes, a third-party entity may want to preserve an interest in the property in exchange for some initial and beneficial contribution to the development of the property. Such interests can take the form of deed restrictions, land trusts, subordinate liens or encumbrances. This is done when the third-party entity is advancing funds to cover part of the cost of the property to keep the house affordable. However, it should only be for legitimate government agencies and lenders. Therefore, an affiliate could not accept a gift of property on the condition that the property is to be restricted in a discriminatory manner.

Supporting Resources:

[Policy Advisory Statement: Policy 24 Mortgage](#)

Policy 25: Family Support

Adoption date: October 2007

1.0 Purpose

To ensure that systems and policies are in place at each affiliate to effectively support, guide and encourage each homeowner to a successful home buying and owning experience.

2.0 Policy

Affiliates must have within their program and operating structure the human resources and mechanisms to provide for quality “family support.” Habitat for Humanity defines family support as follows:

“A set of programs and practices designed and administered by local Habitat for Humanity affiliates that provide homeowners with the procedures, support and skills necessary for buying a Habitat for Humanity home and becoming successful long-term homeowners. Family support programs may include sweat equity, pre- and post-purchase education, mentorship, construction skills training and more.”

This work is facilitated by a family support committee. An affiliate’s family support program should be designed within the established parameters as set forth in the [Affiliate Operations Manual \(AOM\): Family Support](#).

The minimum program features should include:

- **Homeownership process** that is organized, easily understood and communicated to everyone in the affiliate, including approved applicants. When appropriate, pertinent information and resources should be available in alternative languages. The process should be monitored with a Tracking System and Tool to help homebuyers, family support staff and affiliate leadership follow each family’s progress through the entire homeownership program.
- **Letter of acceptance** that is used to provide all approved applicants an orientation to expectations and next steps. The document must be signed by each homebuyer and the affiliate. The letter will include a Basic House Description, which outlines in writing the features that will be included in the home to be built or renovated,
- **Broad-based homeowner education program**, delivered either by the affiliate or by a community-based strategic ally, that would include pre- and post-purchase counseling.
- **Sweat-equity program** with clearly defined requirements and a system to track and report hours completed ([see AOM: Family Support](#)).
- **Grievance procedure** to resolve conflicts must be in place and communicated to all. The affiliate should have clear channels of communication and decision-making processes to effectively and confidentially address issues as they arise.

3.0 Rationale

Family Support is critical to the success of the Habitat home ownership model. Therefore, when first affiliated, each U.S. HFH affiliate is required to have in place a Family Support Program. It is the cornerstone of an effective long-term homeownership program.

In addition, expanding research in the homeownership industry points to the need for pre- and post-purchase counseling to assist low- and very low-income buyers to achieve success.

Supporting resources:

[Affiliate Operations Manual: Family Support](#)

[HabitatLearns e-courses](#): Family Services Overview and Family Support Orientation

Policy 26: Equal Treatment of Habitat Homebuyers

Adoption date: October 2007

1.0 Purpose

To require that affiliates implement a policy of equal treatment of Habitat homebuyers that ensures, at a minimum, that Internal Revenue Service laws governing donations to nonprofit entities are not violated.

2.0 Policy

Affiliates must implement a policy of equal treatment of Habitat homebuyers to encourage equitable treatment of partner families and to ensure, at a minimum, that an affiliate will not receipt as a “donation” any gift made to a particular individual or family by a third party.

3.0 Rationale

As outlined in [Affiliate Operations Manual: Family Selection](#) regarding gifts, “Habitat for Humanity builds relationships and fosters generosity. Our program, however, can be undermined when a house sponsor or other partner seeks to add an amenity to the house that is not a part of the affiliate’s basic house design. Major appliances, rooms of new furniture or other expensive gifts may give the impression that Habitat is running a lottery and could bring about ill feelings among other Habitat homeowners, or create a relationship of dependence and excessive expectations.

“From the beginning the affiliate should ensure that an unambiguous gift policy has been established and is understood by everyone. A dollar value limitation on gifts, such as \$100, can provide clarity. Less expensive gifts such as a toolbox, garden rake or snow shovel are allowed.”

In addition, gifts beyond the “dollar value limitation” and/or given to a particular individual or family may not be legally tax deductible due to their hyper-specificity. Affiliates potentially threaten their tax-exempt status — or the tax-exempt status of Habitat for Humanity International — by receipting as donations gifts that are not specified to the affiliate but to an individual or particular family instead.

Supporting resources:

[Affiliate Operations Manual: Family Selection](#)

IRS tax code

To be tax-exempt under Section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for purposes set forth in Section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.

Direct contributions to needy individuals are not deductible. Contributions must be made to qualified organizations in order to be tax deductible.

Policy 27: Organizational Compliance

Adoption date: October 2007

The purpose of having a disciplinary policy is, as with all policies, to ensure fairness, accountability and tracking information for purposes of organizational development and clarity. This policy, therefore, includes four sections:

- A. Clarification of the obligations of partnership with HFHI on the part of affiliated organizations.
- B. The process of protocol for lodging complaints against affiliated groups.
- C. The disciplinary options to be employed.
- D. A grievance process that allows review of decisions reached.

A. Obligations of partnership

Habitat for Humanity International is highly visible and therefore highly vulnerable. In the mind of the public, the name “Habitat” is not tied to one community or one part of the organization. Actions or events by any affect the whole — for good or for ill. It is, therefore, important that we retain a sense of our mutual responsibilities. It is not possible to allow each affiliate to determine its own rules or path or relationships without regard for the entire organization.

The rules governing the conduct of affiliated organizations are spelled out in the Covenant and in the individual policies passed by the U.S. Council and contained in this handbook. Without accountability and consequences for disregarding them, they become merely words. For the protection of all, this part of the policy handbook spells out what is expected of affiliated organizations and the consequences for violations, along with a grievance procedure to review decisions.

Policies are areas of responsibility that are vital to the good work and good name of Habitat for Humanity. Violation of these policies creates a danger for the organization at large and/or may also transgress U.S. Foundational Principles. The Quality Assurance Checklist and the Core Tenets should be regarded as important parts of maintaining high-functioning organizations and strengthening the name and work of Habitat. Violations of policies will be more systematically enforced. These standards allow for verbal warnings and planning for how improvements will be made.

B. Protocol for making complaints

Habitat encourages the parties involved to handle conflicts or concerns. Other people are brought in only when issues cannot be resolved by the participants.

While this protocol follows from the least serious type of complaint and response to the most serious, the process may be started at any point.

Complaints may be lodged against any part of the organization by the public, by any of our partners and by other parts of the organization. When a complaint is against an affiliated part of the organization, it generally begins as a Notice of Complaint. (NOTE: Since this procedure dates from 2005, situations may have progressed from this primary level without beginning with an NOC). A Notice of Complaint is received by the Affiliate Support Center and communicated to the affiliated organization that is the object of complaint. A time limit is given for a response by the affiliated organization, with documentation going to the appropriate field or support staff. When issues are listed as high-risk, the NOC will go to the Risk Prevention and Response Unit (RPRU).

If there is no response or an inadequate or inappropriate response, the field or support staff will notify the affiliated organization of their concerns in writing and set a time table for appropriate response.

If there is activity or behavior that is seen as violating the Covenant or policy, an associate director of field operations (ADFO) or director of field operations (DFO) or senior management may move directly to a written warning, probation letter or disaffiliation, identifying the actions that prompted the complaint and giving a time table for rectification.

C. Disciplinary response

Normally, Habitat will utilize five steps for Covenant and policy compliance:

1. **Formal discussion**
2. **Verbal warnings**—Verbal warnings, although by themselves not a basis for further action, will be recorded in the affiliated organization's file as part of its record for reference and review. These reports remain part of the affiliate's records for a minimum of three years. If no similar compliance issues occur in that time, they will be removed from the organization's record. It is the responsibility of the ADFO to send a written summary of any verbal warnings to the RPRU.
3. **Written warnings**—Whenever there is a Covenant, policy, Core Tenet or Quality Assurance infraction requiring more serious action than a verbal reprimand, the affiliated organization will receive written notice. The organization will have a stated period of time to comply with the directed action or to state its disagreement. These reports remain part of the organization's records for a minimum of three years. If no further infractions occur in that time period, they will be removed from the organization's record.
4. **Probation**—An affiliated organization may be placed on probation for up to six months. Probation may occur when an affiliated organization commits a serious violation of Habitat for Humanity policies or the Covenant or fails to meet the stated requirements of formal warnings or endangers the work or name of Habitat for Humanity. Probation is determined by the Disciplinary Committee, which consists of a representative from Legal, the senior vice president (SVP), three affiliate representatives, RPRU, the DFO and a representative from the USC. The Disciplinary Committee makes a recommendation to the SVP to place an affiliate on probation. An affiliate placed on probation will not be eligible to apply for any grant that is administered by HFHI such as Capacity Building funds or SHOP, and current participants in such grants may have funding suspended or withdrawn, depending on the circumstances. An automatic suspension or withdrawal can cause additional hardship to the grant program administrator, especially in situations with strict timelines. Similarly, affiliates on probation cannot participate in the national or statewide AmeriCorps program; cannot participate in any national corporate sponsorships where HFHI has discretion over what affiliates receive donations; and cannot participate in any national fund-raising initiatives such as Thrivent. An ADFO may request that the organization be granted a waiver so that it can fulfill program requirements, but such a waiver must be approved by the DFO, for reasons that protect the national organization.

A letter sent to the affiliate will outline the violations, the conditions of the probation and the specific expectations of the affiliate, including a time frame for resolution. Probation is viewed as a period of increased scrutiny by HFHI and opportunity for change by the affiliate. If the concerns listed are not addressed satisfactorily, disaffiliation is the next step.

5. **Disaffiliation**—[See U.S. Affiliation Agreement.](#)

D. Appeals process

Warnings

If the affiliated organization believes that a written warning is unwarranted, it may ask that the matter be reviewed by the DFO. Such request must be submitted in writing within 30 days of the date the affiliate is notified of the action. The affiliated organization may submit any material in writing it believes supports its position. A decision will be made within 30 days of receiving the request for re-evaluation.

Probation

If the affiliated organization believes that probation is unwarranted, it may ask that the matter be reviewed by the SVP. Such a request must be submitted within 30 days of the date the organization is notified of the action. The organization may submit any material in writing it believes supports its position. The SVP may request that the RPRU conduct an assessment. After reviewing the matter, the SVP will make a decision with respect to the original compliance action. Such decision will be made within 15 days, unless the affiliate is notified that a longer period of time is required, and the senior vice president's decision will be final.

Challenge to termination

[See U.S. Affiliation Agreement](#)

Dispute resolution and arbitration

[See U.S. Affiliation Agreement](#)

Policy 28: Subsidy and Sustainability

Part 1: Mortgage Finance

Adoption date: January 2010

1.0 Purpose

This document represents the first part of the U.S. Subsidy and Sustainability Policy that Habitat for Humanity International's board of directors has called for each national organization to produce. The focus of this part of the Policy addresses issues associated with the mortgage financing activities of U.S. affiliates and state support organizations (SSOs). Subsequent parts of the Policy will address the sustainability of our environment and the communities in which we work.

While this document represents some changes from what our previous program had permitted, much of this document merely reiterates our current policies and practices. In addition, virtually this entire document reflects what many affiliates have requested, and for which they are seeking Habitat for Humanity International's support. The most important contribution this document makes is to assemble these critical aspects of our work into a coherent policy, one that aligns with, and further advances, strategic imperatives that the board of directors has adopted. We believe that this document strikes the right balance in attaining the best results for the families we serve, improves the impact we have on the communities in which we work and strengthens the organization's ability to meet the housing needs of low-income families now and for years to come.

The U.S. Council hereby adopts the following as core purposes of this part of the Sustainability Policy:

- Increase the prospects of families served by Habitat affiliates achieving long-term success by living in housing that is affordable, healthy, and in a safe and productive environment.
- The programs and business practices of Habitat affiliates will be conducted in ways that form the basis for increasing the effectiveness of affiliates now and in the future.

2.0 Requirements

2.1 Initial affordability

In accordance with current U.S. policy (*see [House Pricing Policy](#) and [Quality Assurance Checklist](#)*), affiliates shall conduct their home sales and mortgage financing transactions in such a way as to assure that the initial monthly payment of a purchaser of a Habitat home shall not exceed 30 percent of the household's gross income. Included in this initial monthly payment calculation are loan principal, local real estate/property taxes and homeowner's hazard insurance, and where applicable, mortgage insurance and loan servicing fees. *See [Policy 23, House Pricing, Section 2.0](#).*

2.2 Income thresholds

In addition, as is referenced in other Habitat for Humanity U.S. policies, including the Homeowner Partner Selection Policy and the U.S. Quality Assurance Checklist, affiliates must make all reasonable efforts to serve families whose incomes do not exceed 60 percent of the area median income (AMI), and in no cases are permitted to select households with incomes above 80 percent of AMI. *See [Policy 11: Homeowner Partner Selection; 2.0 \(Ability to Pay\)](#).*

2.3 Cost of financing

Affiliates shall not be permitted to charge interest on any mortgage financing they provide directly to Habitat homebuyers. *See [Policy 24, Mortgage, Section 2.1](#).*

2.4 Professional-quality loan servicing

The servicing of the mortgage loans that Habitat affiliates establish with homebuyers must meet professional industry standards, as HFHI will identify. These standards shall include explicit procedures for the efficient collecting and recording of mortgage payments, and shall include written procedures for responding in the event of late or missed payments. Furthermore, Habitat affiliates are expected to establish systems and procedures that are conducive to homeowners making their payments in full and on time every month, and to taking corrective action promptly in the event of missed payments or other violations of provisions of the mortgage agreement. [See Policy 22, Closing and servicing, Section 3.5.](#)

2.5 Must retain right to intervene if borrower encounters difficulty in making monthly payments

In cases where third-party entities establish a lien position in the chain of mortgage financing provided to Habitat homebuyers, the Habitat affiliate must establish a provision that permits the affiliate to intervene on behalf of the homebuyers in the event the homebuyers default on their obligations to the third-party lender. [See Policy 22, Closing and servicing, Section 3.6.](#)

2.6 Perform due diligence in assessing ability to pay

Habitat affiliates shall perform appropriate due diligence in determining the ability to pay and credit-worthiness of their homebuyers. Such due diligence must include, and is not limited to: income verification, credit reporting and assessment of all other household debt; projected utility costs, homeowner association dues (if any), special assessments and other costs directly associated with the ownership of their home. [See Policy 11: Homeowner Partner Selection; 2.0 \(Ability to Pay\).](#)

2.7 Habitat for Humanity as first lien holder

As affiliates establish a first lien position with their first mortgage, the affiliate may not subsequently subordinate that first lien position to any other parties. In the case of a third-party lender providing a purchase money mortgage to the homebuyer, it is understood that the third party entity may have a first lien position in the chain of mortgages and that any second mortgages that the affiliate may have would be a subordinate lien. [See Policy 24, Mortgage; 4.2.](#)

3.0 Permissions granted

3.1 Length of mortgage

The maximum length of mortgage provided to a Habitat homebuyer. Affiliates are now permitted to establish mortgages up to 40 years in length, if necessary to achieve the income and affordability thresholds stated above. [See Policy 24, Mortgage; 2.2.](#)

3.2 Subordinate mortgage recapture

In the event that the amount of the first (amortizing) mortgage established with the homebuyer is less than the appraised value of the home at the time of sale, affiliates are expected to place a lien on the property in the form of a subordinate mortgage. The affiliate is permitted to establish this second mortgage as a non-interest-bearing lien that is payable in full in the event of sale, default, transfer of title or refinancing of the first mortgage by a third-party lender. As such, it is expressly permitted that the subordinate mortgage may or may not be forgiven, in whole or in part. [See Policy 24, Mortgage; 3.1 and 5.3.](#)

3.3 Mortgage insurance

Affiliates are permitted to require homebuyers to pay for mortgage insurance if the amount of the total indebtedness (including all amortizing and deferred mortgages) the homebuyer may have on the property exceeds a loan-to-value (“LTV”) ratio of 80 percent. Affiliates are not permitted to require mortgage insurance if the loan-to-value ratio falls below 80 percent, and are required to cancel such insurance when the LTV ratio reaches the 80 percent level. [See Policy 24, Mortgage; 4.5.](#)

3.4 Loan-servicing costs

Servicing of mortgage loans may be conducted by the affiliate, or by a third-party servicer. Direct costs incurred for servicing loans may be passed along to the homebuyer and incorporated into their monthly mortgage payment, provided that no additional mark-up is imposed by the affiliate, and that the initial monthly payment, including loan servicing costs, does not exceed 30 percent of the homebuyer’s gross income. [See Policy 22, Closing and servicing; 3.1.](#)

3.5 HFHI-authorized financing options

HFHI’s U.S. Area Office may authorize affiliates to participate in selected mortgage financing programs in partnership with third-party lenders. Authorized programs are set forth in [Policy 29](#). Policy 29 may be amended from time to time to add or delete authorized programs and such additions or deletions shall be announced in a timely manner by the U.S. Area Office.

4.0 Best practices

The standards in this section are best practices and not mandatory for all affiliates to incorporate. However, should affiliates choose to exercise best practices, these practices must be executed as outlined below.

4.1 Judicious and intentional uses of subsidy

Affiliates should periodically analyze the extent to which the homes they build and sell to targeted families must be subsidized to achieve the affordability thresholds called for in this Policy. Affiliates should also be explicit and intentional in choosing the form of subsidy they will provide, and the depth of the subsidy required to achieve their strategic goals. HFHI shall provide affiliates with analytical tools necessary to enable affiliates to account for the full range of resources that are used to produce Habitat homes. Affiliates should use these tools to assess the size of the subsidy required to serve the target population, and to make a conscious decision as to the method and manner it will use to provide this subsidy.

4.2 Ability to build equity over time

Habitat mortgages should be written in such a way as to clearly state the degree to which homebuyers are able to build equity over time, providing the homebuyers keep current with their mortgage payments.

4.3 Pre-purchase counseling and post-purchase support

Affiliates should provide each partner family with counseling and education prior to purchase. HFHI will periodically update the standards that this counseling must meet. In addition, affiliates should be expected to develop a program of post-purchase support for buyers of the homes it produces and sells, either directly or through collaborative partners.

4.4 Provisions for renegotiating mortgages

Habitat affiliates should develop policies and procedures for responding to the needs of its homebuyers who may be unable to stay current with their mortgage payments, including the terms under which they would negotiate forbearance agreements or re-negotiate the terms and conditions of the mortgage and promissory note, so as to increase the likelihood of long-term success for the homebuyer. The affiliate should also establish clear and fair provisions for the repurchase of

homes it sells to homebuyers, and should make these provisions known to the homebuyer prior to that initial homebuyer closing the sale of the home.

5.0 Rationale

Family Sustainability

The policy statements put forth above are intended to achieve Habitat for Humanity's mission statement which states, in part: "Habitat for Humanity works in partnership with God and people everywhere, to develop communities with people in need...in which every person...can live and grow into all that God intends." These statements represent a continuation of Habitat for Humanity's commitment to partnering with those in need, and doing so in ways that provide immediate improvement in their housing conditions, providing a platform from which the families served by Habitat for Humanity can achieve long-term success and fulfillment of their deepest aspirations.

These policy statements also recognize that the cost of providing safe, decent and affordable housing to low-income families exceeds the financial means of these families to pay the full costs of this housing. The Joint Center for Housing Studies at Harvard University estimates that one out of every six U.S. households lacks decent, affordable housing (State of the Nation's Housing, 2009). In other words, these households must spend an inordinate share of their income on their housing (thus depleting their ability to cover the costs of food, clothing, transportation and health care); or they live in housing that fails to meet basic living standards. The persistent gap between what decent housing costs and what low-income families can afford is why a subsidy is needed. For the purposes of this policy, subsidy is defined as those resources used to fill this persistent gap in affordability, i.e., the difference between what the home actually costs and what the homebuyers are asked to pay for it.

HFH and other affordable housing producers assemble resources from third parties – the public sector, foundations, corporations, congregations and individuals – to bridge this affordability gap by providing a financial subsidy to the individual family. HFH's success at obtaining support from so many different sources makes it possible to provide a substantial subsidy to the families who purchase HFH homes. Sources of subsidy that HFH routinely provides include, but are not limited to, donated materials, volunteer labor, discounted sales prices and discounted costs of financing. Habitat for Humanity International's board of directors has challenged the entire organization to understand and make judicious use of these subsidies, so that as many families as possible are able to experience improved housing conditions through HFH's efforts.

In particular, these policy statements are intended to fulfill the intent of the board of director's for each national office to adopt a sustainability policy which will:

"Ensure loan affordability for Habitat's traditional home partners who have no access to affordable home loans through the conventional lending market. Habitat for Humanity loans may not be usurious nor profit from the poor..."

And which also:

"...preserves the Fund for Humanity for use by future home partners. National subsidy strategies shall be developed as appropriate in the local context. These subsidies can be reflected in the sales price and/or lending costs as appropriate to ensure affordability. Subsidies may include land, infrastructure, entitlement fees, construction, loan costs and other costs."

Organizational Sustainability

In addition to achieving Habitat's mission, the policy statements are also designed to help fulfill the mission principle of "promoting dignity through full partnership with Habitat homeowners and future home partners."

The work of HFH will be every bit as urgent in the future as it is today. In order for the organization to be capable of meeting future needs, it must consistently apply measures that ensure its organizational sustainability for years to come.

6.0 Conflicts with other U.S. policy

6.1

In the event of any inconsistencies or conflicts between the provisions of this Sustainability Policy and the provisions of any other previously adopted U.S. Policy, the terms of this Sustainability Policy shall prevail.

Policy 29: **Authorized Financing Options**

Adoption date: *January 2010*

1.0 Purpose

The purpose of this policy is to establish the authority of Habitat for Humanity International’s U.S. Area Office to identify and approve financing programs that involve partnerships with third-party lenders and financial institutions.

2.0 Policy

HFHI’s U.S. Area Office may authorize affiliates to participate in selected mortgage financing programs in partnership with third-party lenders. Authorized programs are set forth on Addendum A to this policy. Addendum A may be amended from time-to-time to add or delete authorized programs and such additions or deletions shall be announced in a timely manner by the U.S. Area Office.

3.0 Rationale

As is stated in HFHI’s strategic plan, HFHI will work to “mobilize new capital to the affordable housing market.” When new programs and financing opportunities arise, clarity will be needed to verify which programs and approaches are in the best interest of the organization. The U.S. Area Office is in the best position to evaluate such opportunities, and will identify those which hold the best promise for our work, and those which would not.

Supporting resources:

Authorized Financing Options, Addendum A

Addendum A: Authorized financing options

Adoption date: January 2010

Authorized programs shall be:

- A) United States Department of Agriculture (USDA) Rural Development 502 Direct Loan program
- B) Zero-Equivalent Mortgage program

The U.S. Council and the U.S. Area Office vice president may authorize additional financing options in which affiliates may participate. Such additional options will be subject to a three-year time limitation, unless extended by the U.S. Council and U.S. Area Office vice president. Any such options approved by the U.S. Council and the U.S. Area Office vice president shall comply with the income and affordability thresholds.

Policy 30: Habitat for Humanity ReStore Retail Operations

Adoption date: January 2010

1.0 Purpose

The purpose of this policy is to establish the notification, approval and operational requirements that apply to Habitat for Humanity ReStore retail operations (“Habitat ReStore”). The term Habitat ReStore used in this policy refers to any resale or retail store or any venture involved in the sale of goods or merchandise and operated by a Habitat for Humanity affiliate or otherwise operating under the Habitat for Humanity name.

Sufficient capacity, planning and infrastructure are critical to successful Habitat ReStore retail operations. Adequate investment in the store startup process is necessary to mitigate various legal, operational and reputational risks that are inherent when an affiliate undertakes retail operations serving the general public. These risks are potentially serious and can threaten the mission and the ability of the affiliate to continue its operations.

This policy seeks to set forth basic standards aimed at mitigating the legal and operational risks associated with running a retail operation as well as ensuring compliance with applicable laws and Habitat for Humanity International’s policies. More specifically, the policy requirements are intended to:

- Support affiliates in mitigating risk by encouraging affiliates to establish sufficient infrastructure and safeguards when operating any Habitat ReStore retail operation.
- Support and ensure affiliate compliance with federal, state and local laws, thereby reducing the potential for damage to an affiliate’s tax-exempt status as well as the reputation of the Habitat for Humanity family as a whole.
- Support and assist affiliates in reducing the risk of crises related to retail operations, especially given the nature and scope of the Habitat ReStore retail operation.

2.0 Policy

2.1 Governance

The board of directors of any Habitat for Humanity affiliate has ultimate accountability and responsibility for all activities of the affiliate. Each affiliate is required to establish an appropriate infrastructure to govern the activities of its Habitat ReStore retail operation and to ensure compliance with applicable laws and HFHI policies and procedures. In addition, the affiliate may not establish a separate corporate entity, including but not limited to wholly owned subsidiaries (with its own board of directors or governing body), that oversees the operations of the Habitat ReStore retail operation. The Habitat ReStore retail operation must be a division or branch of the affiliate’s operations.

2.2 Notification and approval

2.2.1

In an effort to mitigate legal and operational risk, affiliates planning to open a Habitat ReStore retail operation for the first time must contact HFHI for appropriate technical assistance if needed and for approval prior to opening a Habitat ReStore.

2.2.2

Affiliates that have previously attempted to open a Habitat ReStore retail operation and were unsuccessful must provide notice to and receive approval from HFHI to move forward with such plan.

2.2.3

All affiliates that intend to establish any additional Habitat ReStore retail operation must provide advance notice to HFHI.

2.3 Operations

Habitat ReStore retail operations must abide by applicable policies set forth in the U.S. Affiliated Organization Policy Handbook.

2.4 Policies and procedures

The affiliate's board of directors must establish policies and procedures that govern the operation of the Habitat ReStore retail operation and that ensure compliance with applicable laws and HFHI policies and procedures, including but not limited to the following:

- Store operations (e.g., sales policies, safety policies, customer service, donation collections, the types of products sold, etc.).
- Facilities (e.g., warehouse, maintenance, safety, etc.).
- Finance (e.g., budget, cash handling, reconciliation between checks and balances and purchased goods, employee and volunteer discounts, tax implications of purchased products, and tax implications of the amount of time and resources supporting retail operations and reinvestment of profits into retail operations). The Habitat ReStore retail operation must comply with the standards set forth in the [Affiliate Operations Manual: Financial Policies and Procedures](#).
- Insurance coverage. The affiliate must at all times maintain sufficient insurance coverage in such amount that adequately covers the Habitat ReStore retail operation, particularly given the types of products sold by the affiliate.
- Demolition and deconstruction (if applicable) as set forth in further detail in [Section 2.5](#) below.
- Staffing and support (e.g., volunteers, marketing, office policies, etc.).

2.5 Demolition and deconstruction

To the extent that demolition and deconstruction may be a component of an affiliate's Habitat ReStore retail operation, the affiliate's board of directors must establish policies that apply to the affiliate and its agents or subcontractors and include but are not limited to the following:

- Developing and implementing a safety plan consistent with reasonable commercial practice for each demolition or deconstruction project, which includes sufficient oversight of safety management.
- Developing and implementing a plan to ensure compliance with all federal, state and local environmental, health and safety rules and regulations; particular attention should be given to those related to hazards such as asbestos or mold.

Demolition, for purposes of this policy, is defined as activity that involves tearing down of a building or other structures. Deconstruction is defined as activity that involves taking apart, disassembling or dismantling a building for the purpose of salvaging or removing construction materials and components for reuse or resale. It also encompasses activity more commonly known as "cherry-picking," which involves stripping out or removing highly accessible recyclable, reusable or historic materials.

2.6 Lead-based products

All Habitat ReStore retail operations must comply with all applicable laws and regulations, including laws and regulations that relate to lead-based paint and other lead-based products. Any products with a lead content exceeding any

applicable legal limit are not to be sold in Habitat ReStore retail operations. Affiliates must adopt and follow a reasonable screening process for all incoming products to detect those that may contain lead paint. [See Section 2.10 of this Policy.](#)

2.7 Receipt of stolen property

Habitat ReStore retail operations may not knowingly accept or sell items that have been stolen.

2.8 Recalled products

Affiliates may not knowingly sell any products in their Habitat ReStore retail operation that have been recalled by the manufacturer, the Consumer Product Safety Commission or other regulatory agency.

2.9 Sale of other regulated or hazardous products

Habitat ReStore retail operations must take reasonable steps to comply with applicable laws and regulations and to mitigate any risks associated with the sale of other regulated or hazardous products.

2.10 Screening process for unsafe/prohibited products

All Habitat ReStore retail operations must adopt and follow a reasonable screening process for all incoming items to detect those that may be unsafe. This process should include, but is not limited to, screening for the following:

- Items that may contain lead-based paint.
 - This process should, at a minimum, consider the intended use of each product and whether the product is suspected of containing lead paint. Specifically, if a product is intended for children (e.g., cribs; baby carriages; clothing with rhinestones, buttons, snaps or zippers; toys; games; children’s jewelry; school supplies) or if children may put the product in their mouths and the product likely contains lead paint, the product should not be sold in the ReStore. Furniture articles for consumer use (e.g., beds, bookcases, chairs, chests, tables, dressers, desks, sofas) should also be screened during this process.
- Items that have been recalled by the manufacturer, the Consumer Product Safety Commission, or any other regulatory agency.
 - Affiliates should be aware of all items that have been recalled and should not accept or sell any recalled items. Such awareness can be obtained by regular review of the Consumer Product Safety Commission’s website and other published materials.
- Items that may be stolen property.
- Items that are otherwise regulated or hazardous.

3.0 Rationale

3.1 Governance

Habitat ReStore retail operations are part of the affiliate’s housing program, mission and operation and must comply with HFHI policies to ensure accountability on all levels, protect the name and image of Habitat for Humanity, and ensure advancement of the Habitat mission. This includes maintaining control over all aspects of the affiliate’s operation, including its Habitat ReStore retail operations.

3.2 Notification and approval by HFHI

A significant number of affiliates are on Habitat for Humanity International’s group exempt roster. This means affiliates’ tax-exempt status is derived from HFHI’s tax-exempt status. Noncompliance with federal tax laws and regulations would negatively affect other affiliates and HFHI. For example, improper operation of a Habitat Restore retail operation could cause an affiliate to lose its tax-exempt status, thus jeopardizing other affiliates and Humanity for Humanity as a whole. As such, HFHI must ensure that affiliates have in place certain policies, processes and procedures that ensure compliance

with all applicable laws so that the tax-exempt status and reputation of the Habitat for Humanity family as a whole is not compromised.

In addition to the risks related to tax-exempt status, and in order to be successful, affiliate boards need to be fully aware of the legal, fiduciary and programmatic requirements of starting and operating a Habitat ReStore retail operation. Similarly, it is important that an affiliate's board of directors make well-informed decisions regarding the impact that a Habitat ReStore retail operation may have on the affiliate's overall operations and mission. By contacting HFHI prior to initiating plans for such an operation, the affiliate will be provided with resources to help the affiliate board make these determinations. HFHI will also work with affiliates during the approval process to ensure that affiliates that are opening Habitat ReStore retail operations are in the best possible organizational position to be successful. In addition, in order to efficiently and effectively support Habitat ReStore retail operations, HFHI needs to have accurate and current information and data on Habitat ReStore retail operations. This information will be used to strategically distribute gifts-in-kind, provide reliable statistical information, and deliver effective training, among other things.

3.3 Operations

The goal of this policy is to maximize the financial performance of an affiliate's Habitat ReStore retail operation, while managing risk. This includes not only managing risk to the affiliate, but also managing risk to the Habitat for Humanity name, as Habitat ReStore retail operations have the potential to both positively and adversely affect the affiliate and Habitat for Humanity as a whole. The affiliate must develop procedures and practices for the Habitat ReStore retail operations that not only enhance the operation but also minimize the risks to the operation and to the Habitat for Humanity name and tax-exempt status.

3.4 Insurance coverage

All affiliates, including those using HFHI's group insurance plan, must purchase sufficient liability/insurance coverage in order to appropriately mitigate risk associated with operating a retail store.

3.5 Demolition and deconstruction

Demolitions and deconstruction are becoming components of some affiliates' Habitat ReStore retail operations. Some affiliates find that they can be a good source of reusable materials, which can also be sold in the Habitat ReStore retail store.

There are certain hazards associated with demolitions. For this reason, federal, state and local governments have addressed these concerns in specific regulations that apply to entities in general and construction industries. Deconstruction, while less hazardous, also has some risks in terms of health and safety. Like demolitions, there are federal, state and local laws that govern deconstruction activity. For these reasons, it is paramount that affiliates comply with all environmental, health and safety regulations and implement policies that ensure the safety of all staff and volunteers involved in an affiliate's demolition and deconstruction activities.

3.6 Lead-based products

Lead is a toxic chemical, and exposure to lead dust can lead to serious illnesses, including brain damage, particularly in children. Habitat ReStore retail operations run the risk of receiving and selling lead-based paint and other lead-based products inadvertently or unintentionally. Accordingly, like other entities in the reused building materials business, affiliates must always be concerned about lead-based paint.

Based on guidance HFHI has received from the U.S. Consumer Product Safety Commission, all Habitat ReStore retail operations must mitigate this lead risk by adopting and following a reasonable screening process for all incoming products that will detect products containing lead paint. At a minimum, this process should screen for any product containing paint that:

1. Was designed or intended primarily for children ages 12 and under.
2. Is a furniture article intended for consumer use.
3. Is any other type of consumer product suspected of containing lead paint.

If, during the screening process, the Habitat ReStore retail operation determines that a painted product is a children's product, is a furniture article intended for consumer use, or is otherwise suspected of containing lead paint, the Habitat ReStore retail operation should either test the product, contact the product's manufacturer to obtain information regarding the content of the product, or not accept or sell the product.

If necessary, HFHI may issue additional requirements or restrictions relating to the sale of lead-based products to reflect current laws, regulations and best practices or to ensure that the risks associated with the sale of certain products are adequately mitigated.

3.7 Stolen property

Most local, state and federal laws and regulations prohibit individuals from knowingly transporting, accepting or reselling stolen property. Habitat ReStore retail operations must have policies dealing with stolen property, and employees must be adequately trained on the state and federal laws where stores are located to ensure that such laws are followed.

3.8 Sale of recalled products

Many local, state and federal laws and regulations prohibit the sale of products that have been recalled by the manufacturer, the Consumer Product Safety Commission or other governmental agencies because of safety concerns or other defects. Habitat ReStore retail operations must establish policies dealing with acceptance, purchase and sale of recalled products. If necessary, HFHI may issue additional requirements or restrictions relating to the sale of recalled products to reflect current laws, regulations and best practices or to ensure that the risks associated with the sale of certain products are adequately mitigated.

3.9 Sale of other regulated or hazardous products

In addition to lead-based products, stolen property and recalled products, other regulated or hazardous products may present safety and compliance risks to Habitat ReStore retail operations. Such products may include goods such as cars, boats and other vehicles that present different risks from the sale of used building supplies or home goods. Habitat ReStore retail operations must establish policies that address the types of goods that will be accepted for resale and must take reasonable steps to mitigate the risks associated with the sale of other regulated or hazardous products. If necessary, HFHI may issue additional requirements or restrictions relating to the sale of other regulated or hazardous products to reflect current laws, regulations and best practices or to ensure that the risks associated with the sale of certain products are adequately mitigated.

3.10 Screening process for unsafe/prohibited products

HFHI has received guidance from the U.S. Consumer Product Safety Commission that all resellers must adopt and follow a reasonable screening process that will detect potentially unsafe and prohibited products. If unsafe or prohibited products are detected during the screening process, the products should not be accepted or sold. Therefore, each Habitat ReStore retail operation must adopt a screening process that is tailored to its operations and will detect products containing lead paint, recalled products, stolen products and otherwise regulated or hazardous products.

Supporting resources:

[Requirements to Open Your First ReStore](#) may be downloaded from My.Habitat.org.

For the federal and state regulations governing demolitions and deconstructions, go to the U.S. Department of Labor's Occupational Safety and Health Administration website at www.osha.gov.

[Lead-Abatement resources](#) are available on My.Habitat.

Information regarding recalled products is available on the U.S. Consumer Product Safety Commission's website at www.cpsc.gov or www.recalls.gov.

For information regarding acceptable levels, testing and documentation requirements of several chemical substances, including lead and phthalates in children's products, go to the U.S. Consumer Product Safety Commission's website, www.cpsc.gov.

Policy 31: Non-Proselytizing

Adoption date: June 2012

1.0 Purpose

This policy applies to Habitat for Humanity International and its affiliated organizations (HFH). The purpose of the policy is:

- 1) To provide internal and external clarity regarding HFH's approach to humanitarian aid and development assistance as a Christian ministry;
- 2) To ensure alignment with recognized international standards on acceptable humanitarian aid and development assistance practices.

2.0 Policy

Habitat for Humanity International and its affiliated organizations (HFH) will not proselytize. Nor will HFH work with entities or individuals who insist on proselytizing as part of their work with HFH. This means that HFH will not offer assistance on the expressed or implied condition that people must (i) adhere to or convert to a particular faith or (ii) listen and respond to messaging designed to induce conversion to a particular faith.

3.0 Rationale

Habitat for Humanity is a Christian ministry dedicated to a vision of a world where everyone has a decent place to live. HFH conducts its programs in ways that are sensitive and respectful to the cultural context and the local faith community and reflect our belief that all are created in God's image and deserve to be treated without discrimination.

Globally, faith-based organizations from all religions approach their work with a range of motivations that inform their development approach. This policy is intended to ensure that HFH conforms to recognized global standards that clearly state that agencies may not condition the receipt of assistance or participation in their work on any requirement that people listen and respond to a message intended to induce people to join a religious movement, political party, or other cause or organization.

HFHI's motivation is to unite people around the concept of "putting God's love into action" along with others from all faiths or with no faith convictions who are interested in helping those in need of improved shelter.

Supporting resources:

[Habitat for Humanity Vision, Mission and Principles](#)

[Habitat for Humanity Interfaith Advocacy Tool Kit](#)

[International Covenant on Civil and Political Rights 1966 \(Article 18\)](#)

[Humanitarian Charter and Minimum Standards in Humanitarian Response \(SPHERE project\)](#)

[The Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief](#)

Revision History

Date	Section	Action
October 2007	Policy Handbook	Adopted
January 2012	Covenant	Revised
January 2010	Policy 1: Advocacy	Revised
August 2012	Policy 9: Financial Reporting to HFHI	Revised
January 2010	Policy 11: Homeowner Partner Selection	Revised
September 2010	Policy 15: Minimum Production Standards	Revised
January 2010	Policy 22: Closing and Servicing	Revised
January 2010	Policy 23: House Pricing	Revised
January 2010	Policy 24: Mortgage	Revised
January 2010	Policy 28: Subsidy and Sustainability	Adopted
January 2010	Policy 29: Authorized Financing Options	Adopted
July 2010	Policy 30: Habitat for Humanity ReStore Retail Operations	Adopted
June 2012	Policy 31: Non-proselytizing	Adopted
April 2013	Covenant	Updated

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