

At-Will

PARTNERSHIP AGREEMENT

Notice of Pre-Approval

(Date)

Name/Address

Dear :

Congratulations! You have been selected to participate in the Bend Area Habitat for Humanity Partnership Program (hereafter referred to as "Habitat" or "Bend Habitat"). There are five phases of our homeownership program: Phase 1--Initiating Partnership, Phase 2--Letter of Program Acceptance, **Phase 3--Program Review and Partnership Agreement**, Phase 4--Loan Document Review, Phase 5—Credit/Loan Application and Buying Your Home

The purpose of this agreement between the parties, Habitat and the partner family (hereafter referred to as "You"), is to review those discussions and state our mutual understanding. **This letter does not constitute a sales contract or a loan application because it lacks the specific elements needed to form a contract** (i.e., price of the home, time when construction will be completed, specific plans for the house, etc.). Habitat currently intends to offer you a home within the city limits of Bend, OR.

You should be aware that the partnership with Habitat is for an unspecified period and constitutes an at-will partnership. You are free to terminate your partnership at any time, for any reason, or for no reason. Similarly, Habitat is free to terminate your partnership at any time, for any reason, or for no reason.

Before a sales contract or a loan application can be completed, you will have to satisfy the requirements for Habitat's Partnership Housing Program, and agree to the terms and conditions of the program that are outlined in this agreement. Please initial each of the five (5) sections, sign, date, and return this letter to signify your willingness to participate in the program. You will remain pre-approved as long as you meet the program requirements outlined below. Any extension of your time in the program can be determined by Habitat.

SECTION I: OBLIGATIONS UNDER THE PARTNERSHIP HOUSING PROGRAM

Prior to Habitat's agreeing to sell you a house, you and your family will need to have satisfied the following requirements:

1. Savings for closing costs: You will be required to save at least \$2,000 to apply toward the closing costs of your home. Total closing costs are about \$9,000 (or more) and include one year of property taxes, one year of homeowner's insurance, two months of escrow cushion (principal house payment), Homeowners Association dues (if applicable), Land Lease fee (if applicable), and

Title Company and Recording Fees. We recommend that you participate in the DreamSavers Matched Savings Program offered through NeighborImpact. This is a three to one (3:1) matching program where every \$25 you save, will be matched \$75. All matched savings must be applied to the sales price of your home. If you save more than the closing costs, you will apply the excess funds to buy down your mortgage. Your portion of the savings will be refunded to you in full if you fail to meet the requirements of the program, or if you elect to withdraw from the program for any reason, or you can transfer your funds to a different DreamSavers goal, if approved by NeighborImpact. We ask that you set your monthly savings goal for a minimum of \$100 per month so that we can plan to sell you a home in less than 2 years.

- 1a. If you do not get into a Matched Savings Program; we ask that you keep a separate account for your monthly savings and turn in a copy of the statement each month.
- 1b. If you cannot apply for the Matched Savings Program within 1 month after program selection, we ask that you open an account to begin immediately saving the \$100 minimum. Proof of savings will be required by NeighborImpact if you make a 1-time larger deposit.
2. Sweat Equity: Before the closing of your house purchase, you and your family members must complete 150 hours of Sweat Equity: Each adult applicant (of the Habitat household), 18 years or older, must participate in equal hours of the sweat equity total. The remaining 100 hours can be donated by friends or family (This is outlined in detail in your Habitat Family Program Handbook).

Sweat equity is volunteer labor and will be comprised of work on the construction site, ReStore, Reclamation, Habitat events, and other approved projects. The sweat equity hour requirement must be fulfilled by you or your immediate family members (spouse or partner and/or children). However, some of the hours may be completed by volunteers, your extended family or friends. Family members, extended family or friends will not be compensated for any volunteer labor provided to Habitat, even if you are never given the opportunity to purchase a home. Prior to commencing any volunteer activities, you and all family members and friends must attend a Volunteer Orientation, sign up on the Volunteer Management System, which includes signing and returning Habitat's Volunteer Waiver, Release form and Code of Conduct. Your completion of these hours is considered a part of your "Willingness to Partner" obligation in our program and you will not be able to purchase a home until these hours are 100% completed.

Partner Families will be required to complete a minimum of 8 hours of sweat equity per month until their hours are completed. Partner Families will also be required to work a minimum of 16 sweat equity hours on their assigned home. This can include construction, greeting volunteers on site, site prep and clean up, etc.

Strike System

In order to ensure that Partner Families complete their obligations in a timely, fair, and efficient manner, Bend Area Habitat for Humanity has implemented a strike system.

First Strike: You will receive a letter sent as a warning, pointing out the area(s) in which you have failed to meet your responsibilities under program guidelines as outlined in the Partnership Agreement.

Second Strike: You will receive a second letter as a more severe warning that you have once again failed to meet your responsibilities. Prior to scheduling further sweat equity opportunities, you MUST meet with a member of the Family Services Department to discuss your ability to move forward in the partnership program. At this point, you may need to assess your own level of commitment and ability to successfully complete the partnership program. If you feel that you cannot get back on track for any reason, you have the option of voluntarily withdrawing.

Third Strike: You will receive a third strike letter advising that you have failed to meet your obligations under the program guidelines. Upon your third strike, the Homeowner Services Staff will formally recommend to the Family Selection Committee that you be deselected from the partnership program. You will be given an opportunity to write a letter of objection to the deselection that will be presented to the Family Selection Committee prior to their vote. The decision of the Family Selection Committee will be final.

*For further examples and information of offenses that lead to Strikes see the Partnership Program Handbook. **Note:** If you decide to withdraw from the program or your application is otherwise terminated, Habitat for Humanity will not pay or compensate you for any of these hours. In accordance with Habitat and Federal guidelines, your financial records and sweat equity hours will remain confidentially locked and filed for a period of 25 months, unless you request otherwise.*

3. Homeowner Workshops and Meetings: You must attend monthly meetings with Habitat (and other partnership families). We will schedule guest speakers that will cover many topics relating to homeownership, including financial and home maintenance training. In addition, we will cover Habitat-specific information. Hours spent in these training session will be credited towards your "sweat equity" requirements. Additional classes and workshops may be considered toward the sweat equity requirement with prior approval by Habitat.

You will also be required to attend/complete a Housing and Urban Development (HUD) approved Homebuyer Education eight-hour Course. This course must also be completed before the sale of your home. You will also be required to attend four Financial Fitness classes (approximately 1.5 hours each) through NeighborImpact.

4. Work with a Mentor for a minimum of one time per month and usually not to exceed 4 times per month. During this partnership process you will be required, with the help of a mentor, to track your expenses for a two month period of time. The results will be entered on your budget, which is turned in monthly to the Homeowner Services Department.

5. Monthly Assignments: Before we sell you your home we expect you to turn in at least 12 months of budgets (which include 2 months of tracking actual expenses), your completed assignments done with your mentor, a copy of your savings account statements, your sweat equity hours, and paystubs. All items must be turned in at one time, at the end of the month or before the monthly partnership meeting (for the prior month).
6. Communication: During your time in the Partnership Program, you are expected to check your emails on a regular basis; preferably, at least every other day. You are also expected to communicate any major life changes that might compromise the terms of this Partnership Agreement (see also; Section IV)
7. Positive Stewardship and Partnership of Habitat for Humanity: Habitat is not just about building and selling houses; our mission extends to uplifting individuals, families and is about creating community. Under the Willingness to Partner criteria, Partner Families are expected to positively represent Habitat, therefore disruptive behaviors and language will not be tolerated. It is also expected that you will adhere to Habitat for Humanity Volunteer Code of Conduct during your participation in the Partnership Program and while Habitat holds the title of your home.
8. Other: You will also have approximately three post-sale assignments and workshops to attend/complete within 12-15 months of home purchase.

Not meeting these requirements is also grounds for de-selection from the program and termination of this partnership.

I understand and agree to Section I of the Partnership Housing Program (Initial x: _____)

SECTION II: RIGHT TO REVOKE ACCEPTANCE INTO PROGRAM

Your acceptance into the Partnership Housing Program was based on the information contained in your application. In the event Habitat determines that the information contained in your application was materially inaccurate, Habitat reserves the right to terminate your participation in the program.

In addition, Habitat reserves the right to terminate your selection as a prospective homeowner if any of the following occurs:

1. You experience a material change in your financial situation and Habitat determines, at its sole discretion, that you do not meet the financial requirements to participate in the Habitat Partnership Housing Program.
 - a. If there is a significant change in your financial situation, please notify us as soon as possible as it may be possible for us to work with you to preserve your participation in the program.
 - b. Your income drops below 5% of your qualifying income at time of acceptance.
 - c. Habitat also reserves the right to verify the financial information contained in your application in order to determine if you continue to meet the minimum financial standards for a partner family.
2. You fail to complete the minimum 150 required hours of sweat equity within 24-36 months of the date of this letter. Or you fail to meet the minimum requirements of the “Three Strike” policy for sweat equity.
3. You fail to attend the required homeowner meetings and workshops within 24-36 months of the date of this letter.
4. You fail to save for your portion of the closing costs within 24-36 months of the date of this letter.
5. We determine that you are registered in a sexual offender database. Our current Sex Offender Registry Policy is attached to this letter.
6. We determine that there are grounds for terminating your selection as a prospective homeowner in accordance with our De-Selection Policy.

I understand and agree to Section II of the Partnership Housing Program (Initial x: _____)

SECTION III: HOUSE CONSTRUCTION

When you have completed approximately 75% of the “sweat equity” hours, savings, and education requirements described in this letter, we will notify you of the specific address of the house.

Partner Family, _____ is a household size of _____. Based on Habitat International guidelines, your family is pre-approved for a house with _____ bedrooms.

The home that you will be offered may be either a reconditioned home previously owned by a Habitat partner family, a rehabilitated home that Habitat acquires on the open market, or a newly constructed Habitat home (single family detached and attached, a cottage, or condominium). These homes may be on a land lease and in a cottage community.

Due to high land prices in our community, Habitat will be building higher density homes (such as townhomes and cottage communities) in order to serve more families. Each home will be owned separately by each family. They will have special fire walls and added insulation for sound.

We hope to sell you a home within 12-18 months, but this could take longer and other families will inevitably move into homes before you. Much depends on the construction and volunteer schedule, funding, completion of your sweat equity, savings account, and education classes. At the appropriate time, we will begin to review with you the estimated cost of the construction of the house, the estimated construction schedule, your estimated mortgage payments, specific plans and other details regarding the construction and sale of the house.

Houses constructed by Habitat are built with a combination of skilled labor and unskilled volunteer labor and the labor of you and your family members. In addition, many materials and a significant portion of the money used to build your house will be donated. While we will make reasonable efforts to complete the house in general accordance with HFHI construction guidelines and specific house plans to be shown to you at a future date, because of changes in circumstances and uncertainty regarding future funding donations, we are unable to promise that your house will be built according to the original plan, or that it will be built at all. In addition, if the house is built, we cannot guarantee a completion date or the maximum total construction cost of the house. ***Bottom line:*** expect changes and adjustments to our schedules.

Habitat receives both financial and in-kind donations when raising support for the building of your home. Occasionally these donations will result in one home having a different quality item installed than another house. Please recognize that we build simple, quality, affordable homes and every item in every home is a quality item. However, an individual house may have an upgraded item due to the donor’s desire to showcase their craftsmanship. (See your Habitat Partnership Program Handbook for more about construction standards on Habitat homes)

In addition, Habitat often has purchased lots prior to your selection into the program. If you do not want to live at the available house location, your selection as a partner family will be reviewed for possible de-selection, and/or you will need to reapply to receive a Habitat house.



If you are not satisfied for any reason with specific details about the house plans or features, location, price, construction schedule or any other matter, you may withdraw from the Partnership Housing Program at any time prior to closing and receive a full refund of the savings you have paid, although you will not be compensated for the value of your “sweat equity” hours, as described in Section II of this letter.

Note: Due to liability and policy, you will not be able to move any personal items on to the property until your closing documents have been signed and recorded.

I understand and agree to Section III of the Partnership Housing Program (Initial x: _____)



SECTION IV: FINANCING OF HOUSE

Upon completion of 150 sweat equity hours, your savings for the closing costs, and the education/training classes, you will apply for a mortgage to purchase your home. Your application for a mortgage to purchase your home will be with Habitat or a third-party lender. While you have been pre-screened for your ability to be successful with a mortgage application, a significant change in your financial circumstances may affect your ability to qualify for mortgage approval. Before we can sell you a home you will be required to;

- Submit another budget for financial review prior to the anticipated purchase of your home.
- Maintain a stable work history and sufficient income to make monthly mortgage payments. Applicants income at time of loan application must have not dropped below 5% of income at program acceptance and;
- At the time of home purchase, Habitat Partners must have a minimum household income level equal to at least \$30,000/ year, or above 40% of the current area median income level (as determined by HUD income guidelines for Deschutes County/City of Bend) in order to complete the home purchase.
- Not accumulate debt above the amount accepted at the time of application approval from Habitat or the 3rd party lender.
- Submit another credit report to verify that your credit status and financial situation has not had any materially negative changes since acceptance into the program. You are required to have a minimum credit score of 620 for loan approval.

It is important that you provide HABILITAT both written and verbal notice prior to (if possible) a change in your financial situation. Be aware that co-signing on loans can also count toward your personal monthly debt. If you are unsure, please ask.

Once approved, whether your mortgage is through Habitat or a third party lender, your monthly house payments will include mortgage payments and escrow payments for estimated insurance premiums and property taxes, and will be set at approximately 33% of your monthly gross income at the time of your credit/home loan application for purchase of a Habitat home. Because property taxes and insurance premiums are subject to change, your total monthly payments are subject to change and might slowly increase over the term of your mortgage.

Please also note that there may be an additional mortgage in favor of Habitat for Humanity or other third-party housing subsidy providers. Typically, no monthly payments are due on these additional mortgages but the mortgages are payable in full in the event you sell the house, refinance your Habitat first mortgage, or default under your Habitat first mortgage.

It is important that you continue to provide Habitat with accurate and current financial information, as requested, throughout the pre-purchase process. If you fail to provide honest and accurate information you could be face a mortgage fraud investigation and prosecution. Mortgage Fraud is punishable by up to 30 years in federal prison or \$1,000,000 fine, or both. It is illegal for a person to make any false statement

regarding income, assets, debt, or matters of identification, or to willfully overvalue any land or property, in a loan or credit application for the purpose of influencing in any way the action of a financial institution. Mortgage fraud in loan and credit applications includes, but is not limited to:

- Intentionally providing false financial information, including fake bank statements and bank deposit verifications
- Lying about income
- Proving false tax returns
- Fake employment verification

A written good faith estimate of the major payment terms of the Habitat for Humanity first mortgage and estimate as to the major payment terms of any additional mortgages in favor of Habitat for Humanity will be given to you when all of the following information is determined by Habitat for Humanity: address of house, total developmental cost of house, value of the house upon completion and your ability to repay the mortgage.

If you are not satisfied with the proposed terms of the house financing for any reason, you may withdraw from the Partnership Housing Program at any time prior to closing and receive a full refund of any cash savings you have paid, although you will not be compensated for the value of your “sweat equity” as described in Section II of this letter.

Post-Homeownership and Mortgage Delinquencies: For loans serviced by Habitat--If you become 30 days delinquent in your mortgage payment (technically, due on the 1st of each month), you will receive a late notice as of the 16th of the month, including the addition of applicable late fees. Your loan can be declared in default after 30 days. This is subject to change based on the loan services at time of closing.

When possible, we will check in with you and perhaps recommend community resources for appropriate assistance, and contacts for local free, credit counseling.

I understand and agree to Section IV of the Partnership Housing Program (Initial x: _____)

Please print how you would like your name spelled on future legal documents:

SECCION V: RESALE POLICY AND OTHER REQUIREMENTS

Right of First Offer/Buyback Price: Your sale documents will provide that, if you want to sell the house, Bend Area Habitat for Humanity will have the Right of First Offer on the house. If Habitat elects not to exercise this right, you would be free to sell the house on the open market. You should be aware that all of the mortgages on the home are payable in full in the event you sell the house.

Should you desire to sell your home, Bend Area Habitat for Humanity has a Purchase Price policy and procedure. If Habitat exercises its right to purchase the Property, the amount you will receive (the “Purchase Price”) is based on how long you have lived in the home and shared appreciation formula. This formula is specifically described in documents that you will review before, and sign at, purchase.

Typically, your home loan will be for 30-years. Anytime during the first 30 years Habitat will have the option to purchase the home by using

- (a) the amount of principal repaid by you **plus**
 - (b) a share of the increase in value of the Property (also known as your equity in the home/property).
- After the first ten years you are in the home, your share of the property value goes up.

The portion of shared increase in the property value due to you is calculated by:

- multiplying the Property’s real market value on the date that Habitat agrees to purchase the property from you **minus**
 - the real market value when you initially purchased your home from Habitat
- For the first ten years, Habitat will own 100% of the increase in value.
- After the first ten-year period (from the purchase date), Habitat’s share will be reduced by the percentages shown in the table below:

Anniversary of Purchase	% of Increase in value you own	% of increase in value HABITAT owns
10th	33.34%	66.66%
11th	36.67%	63.33%
12th	40.00%	60.00%
13th	43.34%	56.66%
14th	46.67%	53.33%
15th	50.00%	50.00%
16th	53.34%	46.66%
17th	56.67%	43.33%
18th	60.00%	40.00%
19th	63.34%	36.66%
20th	66.67%	33.33%
21st	70.00%	30.00%

22nd	73.34%	26.66%
23rd	76.67%	23.33%
24th	80.00%	20.00%
25th	83.34%	16.66%
26th	86.67%	13.33%
27th	90.00%	10.00%
28th	93.34%	6.66%
29th	96.67%	3.33%
30th	100.00%	0.00%

For Example:

- Your home appraises for \$250,000 at the time you purchase it.
- Ten years after your purchase, you decide to sell and ask Habitat if they would like to purchase it back from you to keep the home in affordable housing.
- Habitat states they do want to purchase the home back from you.
- A current real market value, according to Deschutes County Tax Assessor records, is \$325,000.
- You have paid \$83,333 of principal and interest on your 30-year mortgage. (This is the Repaid Amount).
- The percentage of the increase in property value you own is 33.34%
- So, your percentage is multiplied by the increase in value of the Property, or [\$325,000] minus [\$250,000] = [\$75,000] multiplied by [33.34%] equals [\$25,000].
- The price HABILAT would pay you, then, is \$83,333 plus \$25,000, for a total of \$108,333.

Other requirements: In order to protect and enhance the value of your home, Habitat will also require that you;

- Maintain the home and surrounding landscaping in a neat, orderly, and inoffensive manner
- Ensure that all pets obey local leash laws and be restrained in their yards by a fence or a humane restraint system
- Not conduct any illegal activities in the home or on the property
- No building or any part thereof shall be used for any commercial purpose, provided that home occupations permitted in accordance with the City of Bend ordinances (such as home office or art studio) may be allowed, provided that such home occupation does not generate significant pedestrian or vehicular traffic.
- No obnoxious, noxious, or offensive activity shall be carried on upon any lot, nor shall anything be done thereon which may reasonably become an annoyance or nuisance to other persons in the subdivision. Parking of machinery, equipment, motor homes, trailers, recreational vehicles, or other heavy duty equipment on the street or private road within a development shall be deemed a nuisance. No inoperable motor vehicles, vehicles in disrepair or not currently licensed, trailers or similar items shall be stored on the property.
- The exterior features of the home must be maintained in working condition and the cosmetic nature of the exterior features must be kept up to the expectations of the development. Any repair or maintenance that requires a permit from the City of Bend must be performed by a

mutually acceptable licensed, bonded contractor. Any exception requires prior approval from the Bend Area Habitat for Humanity Board of Directors.

- Major changes to the home must be approved by Habitat
- The home must be kept sanitary without offensive odors due to improper trash disposal or unhealthy animal waste maintenance. All working equipment, (i.e cabinets, doors, electrical fixtures, plumbing, etc...) must be maintained in proper working order.

Use for Residential Purposes: The Home is to be used for residential purposes.

I understand and agree to Section V of the Partnership Housing Program (Initial x: _____)

SAMPLE



SIGNED STATEMENT OF UNDERSTANDING

You have an opportunity to ask questions and receive answers concerning Habitat and the terms and conditions under which you may be provided the opportunity to purchase a home. You will receive all the information that is necessary or desirable in connection with your decision to further investigate the purchase of a home. We welcome your questions at any point in the process.

This letter is intended to outline the general requirements of the Partnership Housing Program. By signing this letter, you are indicating that you understand the Partnership Housing Program and agree to complete and adhere to the above requirements. If you are unable to meet these requirements, we will not be able to continue the Partnership Housing Program with you.

By signing this letter, Habitat for Humanity is indicating its intent to work with you to develop a plan for the construction, sale, and finance of a house to be used as your principal residence, all pursuant to the process described in this letter. Subject to satisfying the requirements of the Partnership Agreement, you are preapproved for a loan with a mortgage payment that will be approximately 33% of your monthly income at the time of your loan/credit application. This pre-approval is subject to specified changes in overall financial readiness and conditions, which will be re-evaluated prior to your loan application (in Phase 4). Please keep in mind that there may be an additional subsidized mortgage associated with your purchase.

Habitat is about people working together, helping families purchase an affordable home, and supporting those families in all possible ways. In turn, the families are expected to live up to their responsibilities as a Habitat homeowner, and to provide long-term support for the Habitat ministry.

Again, welcome to the Homeownership Program!

Sincerely,
Bend Area Habitat for Humanity

Executive Director

Date: _____

I have read and understood this letter, and accepted its terms.

Prospective Family Partner : _____

Date: _____

Prospective Family Partner: _____

Date: _____



Documents/Phases Referenced:

- Phase 1: Initiating Partnership (Inquiry and/or pre-purchase counseling)
 - Phase 2: Letter of Program Acceptance
-

SAMPLE

POLICIES referenced in the Partnership Agreement

Screening Policy/Sex Offender, Criminal Background, and Office of Foreign Asset Controls

(OFAC) Checks – HABILAT will run background checks on applicant household members, employees and volunteers as required by federal law to protect the safety and integrity of its programs, staff, volunteers, donors and participating Partners. HABILAT will use this information to make decisions based on the level of risk to partnership and employment.

HABILAT follows the recommendations of Habitat for Humanity International put forth in a Legal Department memorandum updated February 2013. The HFHI February 2013 memo requires all Habitat affiliates to conduct sex offender registry checks on all potential homeowners, board members, staff members and key volunteers (individuals who work 8 or more hours per month and who have contact with vulnerable populations).

Any person who does not consent to a sexual offender registry check will not be permitted to become a partner individual/family, work or volunteer for HABILAT.

De-selection from HABILAT Homeownership Program - De-selection of a family after initial approval by the Board of Directors will be made using the same qualifying factors of Need, Ability to Pay, and Willingness to Partner.

Following are reasons why a family may be de-selected from the Habitat Homeownership Program:

- Fraud or misrepresentation of information on the application.
- Presence on sexual offender database.
- Failure to complete program requirements by deadlines, e.g. sweat equity, homeownership classes, savings program, etc.
- Negative change in economic circumstances that affects the applicant's ability to meet the monthly payment beyond foreseeable remedy.
- Criminal convictions will be considered for selection purposes and de-selection only to the extent that the crime is relevant to one of the selection criteria. Crimes involving violence, substance abuse, sex offenses or other criminal offenses will often be relevant to the applicant's willingness to partner with Habitat in creating a safe community. Crimes involving financial matters, such as forgery or worthless checks, may be relevant to the applicant's ability to pay. The gravity of the crime, the time that has elapsed since the crime, and how the applicant has conducted his/her life since the incident should be considered.
- The family declines an assigned home.
- Ongoing unwillingness to partner.

Habitat may consider alternatives to de-selection, including but not limited to postponing the closing, restructuring the term of the mortgage, or developing an action plan and timeline that must be adhered to in order to cure deficiencies and remain in the program.