



Policy Group: Mortgage Policies (2023)		
Policy Title: Homeowner Financing	Number:	
Applies to: Future Habitat for Humanity Victoria Homeowners		
Date Approved: February 24, 2023	Date Revised:	Next Review Date:

Purpose

To set out Habitat Victoria’s policies applicable to its Homeownership Program and the provision of financing by Habitat Victoria thereunder. To the extent there is any inconsistency between these policies and the terms of any loan agreement or mortgage agreement between Habitat Victoria and a Homeowner, the terms of the loan agreement or mortgage agreement will apply.

Habitat Victoria provides the opportunity for families with incomes below BC Housing’s Housing Income Limits to become homeowners by providing affordable financing on terms and conditions which align with the mission, vision and values of Habitat for Humanity Canada. Habitat Victoria is committed to providing housing security and home Equity for its families, which together are fundamentals of strength, stability and independence.

Out of respect for all of Habitat Victoria’s stakeholders, including volunteers, donors, employees and existing and future Homeowners, Habitat Victoria considers it essential that we endeavor to achieve successful outcomes for our Homeowners through consistent and compassionate application of a fair Mortgage Policy.

Habitat Victoria’s policies regarding the conditions of its Mortgages and lending have changed and evolved several times over the course of its existence. The policies and lending conditions in place at the time of signing loan and mortgage documents and registered with the Land Title & Survey Authority of BC take precedence over the policies detailed within this document from its Date Approved. The intent of this document is to set out Habitat Victoria’s policies for the financing of home purchases after approval of this Policy Group whenever possible and applicable.

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1 Definitions

Term	Definition in this Policy
Acquired Equity	The difference in the Purchase Price of the Habitat Home at the time of the transfer of the Habitat Home to the Homeowner and at the time of transfer of the Habitat Home from the Homeowner.
Adjusted Value	The value of the Habitat Home at a moment in time, as determined by Habitat Victoria in accordance with this Policy and by any Affordable Housing Agreement or other restrictive covenant registered against the Title of the Habitat Home which restricts the price of the Habitat Home. The Adjusted Value will be less than the value of the home on the open market.
Adult	Persons 19 years of age or older.
Affordable Housing Agreement	A legally binding agreement registered as a charge on the title of the Habitat Home in favour of a government entity (municipal, regional, provincial or federal) that restricts the Homeowner and future owners' use and transfer of the Habitat Home including restricting to whom the home may be sold and/or for what value.
Amortization	The total period of time required for a Homeowner to repay a loan in full based on consistent payment amounts, assuming compliance with all terms and conditions of the loan and the mortgage securing its repayment.
Board	Board of Directors of Habitat Victoria
Homeowner	The Homeowners who have borrowed money from the Financial Partner and/or Habitat Victoria in order to finance their purchase of a Habitat Home. Throughout this document, Homeowner, Mortgagor and - may be used interchangeably.
CEO	Chief Executive Officer of Habitat Victoria
Closing Costs	Purchase Price, Property Transfer Tax, GST, normal adjustments for property taxes and utilities, taxes, disbursements and other typical expenses. Note: legal fees are NOT a closing cost and are the sole responsibility of the Homeowner.

Contributed Equity	The amount that Homeowner has paid to 1) the Principal of the Habitat Loan, 2) and/or the Financial Partner Loan Principal portion and/or 3) any amounts paid by the Homeownership Program Participant prior to the purchase of the Habitat Home net of occupancy, maintenance and or service costs will be included in the calculation of Contributed Equity.
Default	Failure by the Homeowner to meet its obligations under the Habitat Loan or the Financial Partner Loan and the Mortgages securing such loans.
Down Payment	The amount of money a Homeowner contributes towards the purchase of a Habitat Home net of the Habitat Loan or the Financial Partner Loan. The Occupancy Payments are applied to the Habitat Loan, not the Financial Partner Loan
Early Occupancy Agreement	An agreement entered into between Habitat Victoria and Habitat Homeownership Program Participant that allows the Habitat Homeownership Program Participant to occupy a Habitat Home in advance of the participant satisfying the terms and pre-conditions set out in the program that must be met prior to such participants being eligible to enter into a contract to purchase a Habitat Home and eventually purchasing a Habitat Home. An Early Occupancy Agreement includes Occupancy Payments and conditions.
Equity	The value of the Habitat Home less any outstanding amounts owed under 1) the Habitat Loan and 2) the Financial Partner Loan and secured by mortgages or other liens registered against title to the Habitat Home.
Proportional Share	The percentage of the Homeowner's financial contribution to the Closing Costs. The Homeowner's contribution payments can include Down Payment and the Financial Partner Loan amounts.
Financial Partner	A financial institution, government body or other entity approved by Habitat Victoria that provides a loan to the Homeowner to finance the purchase of a Habitat Home by the Homeowner.
Annual Review	Means the review conducted annually by Habitat Victoria to calculate the Monthly Homeowner Payments for the next 12 month period.
Financial Partner Loan	The loan of up to 50% of the Adjusted Value of the Habitat Home made by the Financial Partner to the Homeowner for the purpose of financing the purchase of a Habitat Home by the Homeowner subject to interest and other financing requirements common to commercial lenders.
Full-Time Education Program	A full-time education program is defined as being enrolled in courses that make up at least 60 percent of a full course load for each study

	period. Students with permanent disabilities may be enrolled in courses that make up at least 40 percent of a full course load to be considered full-time students.
Habitat Home	The real property purchased by a Habitat Homeownership Program Participant from Habitat Victoria
Habitat Homeownership Program	The program described by this policy.
Habitat Homeownership Program Participant	Such individuals who have been accepted by Habitat Victoria as participants into the Habitat Homeownership Program.
Habitat Loan	Zero percent interest loan provided by Habitat Victoria secured by a Mortgage registered on the title to the Habitat Home.
Habitat Mortgage	The Mortgage securing the Habitat Loan.
Habitat Victoria	Habitat for Humanity Victoria
Home Equity Access	Habitat Victoria enables Homeowners, under special circumstances, to access a portion of the Contributed Equity in their home with certain repayment conditions.
Homeowner	Those Adults registered as “owner” on title to the Habitat Home. Throughout this document, Homeowner, Mortgagor may be used interchangeably.
Homeownership Costs	Means the aggregate of the Financial Partner Loan; Property Taxes; utilities, strata fees, insurance; any fees, fines or penalties owed to Habitat Victoria other than the Habitat Loan; Habitat Loan, and arrears/penalties on property taxes, municipal utilities, strata fees, the Habitat Loan or the Financial Partner Loan, and any other costs typically expected or related to the cost of operating a home.
Interest	The fee that must be paid to a lender for use of their money. At the time of borrowing, the lender will use the interest rate to calculate how much the Homeowner will need to pay to borrow money. Interest reduces the amount of any mortgage payment that is applied to Principal of any Loan.
GST	Goods and Services Tax, or other value added tax levied under Canada’s <i>Excise Tax Act</i> or successor legislation.

Mortgage	<p>The term mortgage refers to a Homeowner granting to a lender an interest in the Habitat Home by way of a lien registered against title to the Habitat Home, as collateral, to secure the obligations of the Homeowner set out in the grant of mortgage, including, without limitation, to repay the loan and interest, to own and use the property as the Homeowner's residence and to preserve the value of the Habitat Home, amongst other things.</p> <p>The Homeowner agrees to repay the loan and pay Interest over time, typically in a series of regular monthly payments that include both payments of principal and interest.</p> <p>If the Homeowner defaults in its obligations to the lender, Habitat Victoria will Default the Homeowner as outlined further herein.</p>
Monthly Homeowner Payment	An monthly amount to be paid by the Homeowner towards Homeownership Costs of no more than 30% of the gross income of all of the Adults Residing in the Home.
Option to Purchase and Right of First Refusal	An agreement registered as a Prior Charge against title to the Habitat Home which gives Habitat Victoria the right to acquire the Habitat Home from the Homeowner in certain circumstances for a purchase price set by the terms of the agreement.
PTT	<p>A tax levied under the <i>Property Transfer Tax Act</i> of British Columbia calculated on the fair Adjusted Value of a home when it transfers ownership.</p> <p>There are a number of exemptions set out in the Property Transfer Tax Act, including for first time home buyers purchasing a new home worth less than \$750k or a preowned homes under \$500k.</p> <p>The general rate of tax is set out in the legislation, a link is provided below: https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax#general-tax-rate</p>
Pre-payment / Occupancy Payment	The Pre-payment is determined by taking total monthly payments under the Early Occupancy Agreement less total of all expenses managed by Habitat Victoria over the course of the Early Occupancy (e.g. any applicable property taxes, municipal utility fees, house insurance, repairs that are not under warranty, and Strata Fees for the Property, etc.)
Principal	Means the amount of money owing by the Homeowner to the lender under the terms of the loan and mortgage agreement, reduced by

	<p>payments made by the Homeowner from time to time on account of principal (but not interest) or increased by the advance of money to the Homeowner by the lender from time to time, and includes all money that is later added to the principal that must be paid back.</p>
Prior Charge	<p>A charge registered against title to a Habitat Home that has higher priority than Habitat Loan.</p> <p>Priority it a concern where there are insufficient funds to repay all of the lenders in fully, and usually the lender who is first in priority will be entitled to recover the whole of its debt out of the sale proceeds, before the lenders with lower priority receive anything.</p> <p>The Option to Purchase and Right of First Refusal is intended to be a Prior Charge and to remain registered on title to the Habitat Home should the Financial Partner of Habitat Victoria exercise their remedies under the mortgage and sell the property.</p>
Protected Disbursements	<p>The sum of all monies paid by Habitat Victoria to repair, maintain or otherwise protect the Habitat Home including without limitation all strata fees, property taxes, insurance premiums, utilities, and repairs and other costs reasonably incurred where appropriate to prepare the Habitat Home for resale plus 10% of such costs.</p>
Purchase Price	<p>The Purchase Price is further defined per Section 4.1.</p>
Residing in the Habitat Home	<p>Means the Habitat Home being the usual place where an adult lives and conducts their daily affairs, and includes without limitation, any Adult being present in the Home for more than 60 days in a 180-day period.</p> <p>Homeowners must inform Habitat Victoria of all Adults Residing in the Habitat Home.</p> <p>Habitat Victoria will review each situation on its own merits to determine whether the income of the Adult Residing in the Habitat Home will be used to as part of the gross household income total for the purposes of calculating the monthly payments under the Habitat Loan. Habitat Victoria recognizes there may be unique situations, such as visitors from out-of-country, who stay in the Habitat Home for extended visits from time to time</p>
Standard Mortgage Terms	<p>Set of mortgage terms set prescribed by regulation and deemed to be included in every charge in which the set is referred to by its filing number as provided in Section 225 of the Land Title Act of British Columbia. The terms of this set of Standard Mortgage Terms may be modified by additions, amendments or deletions in the schedule attached to the registered document.</p>

Strata Corporation	<p>A strata corporation is a legal entity with all of the powers of a natural person who has full capacity. This means that it can sue or be sued, enter into contracts and hire employees.</p> <p>The owners of the strata lots are the members of the strata corporation.</p> <p>Generally speaking the owners own their individual strata lots and together own the common property and common assets as a strata corporation</p> <p>This link provides useful information for understanding stratas: https://www2.gov.bc.ca/gov/content/housing-tenancy/strata-housing/understanding-stratas</p>
Strata Fees and Special Levies	<p>Fees paid by owners of strata lots and used by the Strata Corporation to pay the common expenses of the Strata Corporation.</p> <p>Strata Fees are usually paid monthly and determined by taking the total cost of the strata's expected annual expenses, including an allocation to a contingency reserve fund, and dividing that by the unit entitlement of a strata lot. Special levies are funds collected from strata lot owners in addition to the monthly strata fee, usually for a specific purposes and for a shared common expense and each strata lot owner's portion is calculated based on unit entitlement,.</p> <p>The unit entitlement of a strata lot is usually determined by a whole number based on the habitable area, where larger strata lots have bigger unit entitlements than smaller strata lots.</p>
Subordinate charge	<p>A mortgage or lien against a Habitat Home that has lower priority (comes after) the Habitat Victoria mortgage.</p>
Term	<p>The period of time during which the lender commits to lend the Principal to the Homeowner.</p>
Total Equity	<p>The Homeowner's Proportionate Share of Acquired Equity and the Contributed Equity, less Protected Disbursements & fees, received by the Homeowner on the sale of the Habitat Home.</p>
Triggering Event	<p>An action or failure to act that would constitute a Default under the terms of the Habitat Loan or the Financial Partner Loan, and under the terms mortgages granted as security for the Habitat Loan or the Financial Partner Loan.</p>

2 Overview

Under Habitat Victoria's Homeownership Program and provided a Homeownership Program Participant meets the terms and conditions of the program, Habitat Victoria will sell to the Homeownership Program Participant a Habitat Home for a **purchase price equal to the Adjusted Value** and will provide the Homeownership Program Participant with affordable financing for the purchase of the Habitat Home from its own funds and through collaboration with its Financial Partners.

Generally speaking, the Financial Partner provides a loan to the Homeownership Program Participant of up to 50% of the Purchase Price, with Habitat Victoria providing a loan for the balance of the Closing Costs, with both loans being secured by way of Mortgages registered against title to the Habitat Home.

The Monthly Homeowner Payments are correlated to be no more than 30% of the gross household income of all the Adults Residing in the Home.

A Down Payment from the Homeowner will be required if Habitat Victoria determines that the Homeowner has sufficient assets.

While the Homeowner becomes the legal and beneficial owner of the Habitat Home, Habitat Victoria will also hold an Option to Purchase and a Right of First Refusal registered as a charge against the Habitat Home allowing Habitat Victoria to repurchase the Habitat Home from the Homeowner in certain circumstances.

In addition, many Habitat Homes are subject to a Housing Agreement in favour of a local municipality and registered as a charge against title to the Habitat Home which restricts the use and the resale price of the Habitat Home with the goal of ensuring that the Habitat Home remains affordable housing and provides Habitat Victoria the right to acquire the Habitat Home from the Homeowner in certain circumstances for a purchase price set by the terms of the agreement.

For participants after [DATE], the Homeowner accrues an interest on Acquired Equity in the Habitat Home equal to their **Proportional Share**.

In addition to the above, Habitat Victoria will also provide the Homeownership Program Participants with an contractual right to occupy the Habitat Home while they participate in the Homeownership Program under an Early Occupancy Agreement, with the program participant paying a monthly fee equal to the amount payable under the terms of the Habitat Loan and the Financial Partner Loan.

Any amounts paid by the Homeownership Program Participant prior to the purchase of the Habitat Home net of occupancy and maintenance costs will be included in the calculation of Contributed Equity.

Any Down Payments will be included in the calculation of the Homeowner's proportionate share of the Acquired Equity

3 Financing

Habitat Victoria and its Financial Partner have entered into a Memorandum of Understanding through which the Homeownership Program provides financing for the Closing Costs through one or more of the following facilities:

- Financial Partner Loan;
- Habitat Victoria Loan; and
- a loan from a government or a government-funded body approved by Habitat Victoria on terms and conditions approved by Habitat Victoria;

which loans will be secured by way of a Mortgage registered against title to the Habitat Home in such priority as approved by Habitat Victoria. Habitat Victoria may determine the combination of financing facilities and the proportion each facility bears to the Closing Costs for each purchase of a Habitat Home.

3.1 Financial Partner Loan

Financial Partner Loan

A residential fixed-rate retail loan agreement shall be entered into between the Homeowner and the Financial Partner, as lender, for up to 50% of the lesser of the Purchase Price of the Habitat Home or the appraised value of such Habitat Loan determined by the Financial Partner's independent appraiser.

The Financial Partner Loan will be secured by a Mortgage in favour of the Financial Partner and registered as a Prior Charge.

The Financial Partner Loan will be interest bearing and based on a minimum twenty-five year amortization period and subject to five-year terms with a fixed rate unless otherwise agreed to in writing by the Financial Partner, Habitat Victoria and the Homeowner.

The cost of the Financial Partner's appraisal must be paid for by the Homeowner and forms part of the total costs (legal and administrative) charged by the Financial Partner to any Homeowner borrowing funds.

Habitat Victoria does not assist with these expenses, and it is the responsibility of the Homeowner to ensure they have sufficient funds to meet any financial obligations associated with the Financial Partner lending.

Homeowners are advised that if they wish to sell their home, triggering a buy-back event with Habitat Victoria, outside of the term renewal period and term set by the Financial Partner and as outlined in their loan agreement, the **Financial Partner will apply fees/penalties** related to the early pay-out of the Mortgage loan.

3.2 Habitat Loan

Under the Habitat Homeownership Program Habitat Victoria will lend to the Homeowner an amount equal to the Closing Costs, less the Financial Partner Loan and any Down Payments made by the Homeowner, provided that the amount loaned will not exceed the lesser of: (1) the Adjusted Value of the Habitat Home or (2) the value of the Habitat Home set by the Financial Partner's independent appraisal.

The terms and conditions of the Habitat Victoria Loan are set out in the Habitat Victoria Mortgage. Notwithstanding any provisions to the contrary set out in this policy, in the case of any inconsistency or conflict between these policies and the Habitat Victoria Mortgage, the terms of the Habitat Victoria Mortgage shall prevail.

The Habitat Loan will have a 0% interest rate.

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The amount of the minimum monthly payment under the Habitat Loan will vary from year to year, with the amount of the monthly payment under the Habitat Loan being equal to the difference between the Monthly Homeowner Payment minus the Homeownership Costs net of payments towards the Habitat Loan, provided the amount of the monthly payment by the Homeowner due under the Habitat Loan shall be not less than \$250.00 per month.

All Habitat Loan Agreements and the Mortgage will require the Homeowner to submit to Habitat, Victoria annually on or before a date determined from time to time by the Habitat Victoria, verification of the previous year's income for all Adults Residing in the Habitat Home for the purposes of calculating the gross annual income for all Adults Residing in the Habitat Home and the Monthly Homeowner Payments.

Payments by the Homeowner to Habitat Victoria under the Habitat Loan must be made a minimum of once per month (but Homeowners may choose to make more frequent payments, e.g. weekly, bi-weekly or semi-monthly) and payments must be made using direct withdrawal or automatic electronic payment to Habitat Victoria;

No portion of the Habitat Victoria Loan is forgivable and all Habitat Victoria Mortgages shall comply with Habitat for Humanity Canada By-laws.

The Amortization Period of a Habitat Loan will vary greatly for each Homeowner and may change annually as a result of the Financial Review.

The Term of any Habitat Loan will typically be set in tandem with the Financial Partner (if any), usually in five-year increments.

At the end of the Term the goal is that the Homeowner has acquired sufficient equity and resources to refinance the Habitat Home and payout the Habitat Loan and the Financial Partner Loan.

The decision by Habitat Victoria as to whether to renew the term of the Habitat Loan at the request of the Homeowner is entirely within the discretion of Habitat Victoria, but who may consider the following factors in its consideration:

- the renewal term (if any) set by Financial Partner(s) for the Financial Partner Loan;
- the performance of the Homeowner of its obligations under the Homeownership Program, the Financial Partner Loan and the Habitat Loan during the term; and
- the strength of the financial covenant of the Homeowner.

If any of the above factors is deemed to be unsatisfactory or contrary to the interests of Habitat Victoria, the Board, on the recommendation of the CEO, may elect not to renew the Habitat Loan.

Refusal by Habitat Victoria to renew the mortgage Term on expiry of a previous Term is a Triggering Event.

Under the terms of the Habitat Loan and Mortgage, Habitat Victoria will reserve the right to access the Habitat Home (exercised by its employees, representatives or agents) with reasonable notice of not less than 10 days, to conduct inspections related to conformance with the terms of the Habitat Loan and the Option to Purchase.

All documents related to the Habitat Loan and Habitat Mortgage will be prepared by Habitat Victoria's lawyer and contain clauses to ensure that Habitat Victoria has a legal, binding contract that will protect the interests of Habitat Victoria and its stakeholders, including reference to Standard Mortgage Terms.

The Homeowner will obtain independent legal advice from a qualified legal professional, who will act on their behalf, explain the nature and effect of any loan and mortgage agreements and supervise the closing of the sale and witness the signature of the Homeowner on any loan agreements, mortgage documents and related documentation. Under no circumstances shall the lawyer(s) representing Habitat Victoria, or its Financial Partner(s) (if any) also represent the Homeowner.

4 Purchase of a Habitat Home by a Homeownership Program Participant

4.1 Purchase Price

Determining the Purchase Price

The Purchase Price of a Habitat Home (at any point in time such value is required) will be equal to the Adjusted Value in most cases, both when the Habitat Home is being sold to a Homeownership Program Participant by Habitat Victoria as well as when the Habitat Home is being sold by a Homeownership Program Participant. For further clarity the Adjusted Value does not equal the fair market value as commonly defined by professional appraisal firms.

Habitat Victoria strives to ensure that the homes in its Homeownership Program's inventory remain affordable to the income demographics the charity serves not only for the first Homeowner, but for all subsequent Homeownership Program Participants.

To preserve housing inventory for this purpose, Habitat Victoria works with local government to determine the Adjusted Value of Habitat Homes when they are initially sold and the Adjusted Value for each subsequent transaction.

As of 2022 the Adjusted Value of Habitat Homes will be determined by the terms and conditions detailed in the restrictive covenants or Affordable Housing Agreements registered by municipal or provincial governments as third parties that will stipulate the initial price of the first sale of the Habitat Home, the rate of any change in value of the Habitat Home, and the Adjusted Value of any subsequent sale of the Habitat Home

The Adjusted Value of a Habitat Home on the sale of the Habitat Home to the Homeowner by Habitat Victoria will be calculated as follows:

For non strata lots: the Adjusted Value will **equal** the total cost to Habitat Victoria for the Habitat Home (e.g. soft and hard construction costs, financing, landscaping, etc.) **excluding** the cost of the land on which the Habitat Home sits; **plus** a project management fee equal to 25% of the total cost to Habitat Victoria of the Habitat Home.

For strata lots: The Adjusted Value will **equal** the total cost to Habitat Victoria for the entire development project **excluding** the cost of the land divided by the total square footage of all strata lots in the strata corporation **multiplied** by percentage allocation for the individual Strata unit being valued **plus** a project management fee equal to 25% of the total cost to Habitat Victoria of the entire development project.

Pre-2022 or when no restrictive value covenant exists

For Homeowners who purchased the Habitat Home prior to 2022, or if no Affordable Housing Agreement or other charge has been registered on the title of the Habitat Home which restricts the value of the Habitat Home, the Adjusted Value of the Habitat was determined by the agreements or conditions set out in the Habitat Loan and Habitat Mortgage documents and the Option to Purchase and Right of First Refusal (if the latter is applicable) registered with the Land Title Office.

4.2 Down Payment

When a Homeowner has sufficient assets, in accordance with Habitat Victoria's policies, the Homeowner must contribute a Down Payment for the purchase of the Habitat Home. The specific amount of the Down Payment will vary from Homeowner to Homeowner and will be determined by Habitat Victoria at its sole discretion following a detailed review of the financial assets of the Homeowner.

4.2.1 Calculating Assets for the Down Payment

The following types of assets at the discretion of Habitat Victoria and in consideration of Habitat Victoria's Charitable registration, can be liquidated/converted to cash for a Down Payment by the Homeowner:

- Pleasure vehicles worth more than \$10,000.
- Boats
- Vacation property
- Land
- TFSAs (the lesser of 50% of the TFSA or an amount greater than three months of gross earned income)
- RRSPs (based on cash flow analysis with repayment as per CRA guidelines for the First Time Home Buyers Program, in consultation with the Homeowner)
- Savings
- Other assets as determined by Habitat Victoria at the time of purchase

The following assets will be excluded from the asset calculation for the purposes of determining the down payment amount:

- RESPs
- Primary vehicles

The contribution of a Down Payment will be treated as a portion of the Homeowner's Proportionate Share of Acquired Equity.

4.3 Pre-Payments

If the Homeowner has lived under an Early Occupancy Agreement, they may have made certain payments towards the Homeownership Costs during the term of the Early Occupancy Agreement (“Prepayments”)

Prepayments are equal to the total monthly payments made by the Homeowner under the Early Occupancy Agreement less the total of all expenses attended to by Habitat Victoria over the term of the Early Occupancy Agreement, including but not limited to any applicable property taxes, municipal utility fees, repairs not covered under warranty, house insurance and any Strata Fees for the Property.

Pre-payment are treated as Contributed Equity but they do not increase the Homeowner’s Proportionate Share of Acquired Equity.

5. Sale of a Habitat Home by a Homeowner

5.1 Sale to a Third Party

A Homeowner may sell the Habitat Home to a Third Party provided that the sale price is sufficient to payout the Habitat Loan and the Financial Partner Loan, and provided that the Homeowner has complied with the terms of all registered charges restricting such sale, including without limitation the terms of any Affordable Housing Agreement.

5.2 Sale to Habitat Victoria

During the period of ownership of the Habitat Home by the Homeowner, Habitat Victoria will retain rights to repurchase the Habitat Homes, with such rights set out in charges registered against title to the Habitat Home (such as in the Option to Purchase), subject only to the rule against perpetuities.

The Option to Purchase will grant an option to Habitat Victoria to purchase the Habitat Home for the purchase price set out in the Option to Purchase on occurrence of events set out therein.

The decision as to whether Habitat Victoria exercises its Option rests solely with Habitat Victoria.

An administrative fee will be payable by the Homeowner if Habitat Victoria exercises their rights under the Option to Purchase and Right of First Refusal.

5.3 Sale Price

For Habitat Homes with Affordable Housing Agreements

Habitat Victoria will establish a fixed rate of appreciation (or change in Adjusted Value) at the time of the sale of any Habitat Home to a Habitat Homeownership Program Participant.

The rate of appreciation may be specified and imposed via an Affordable Housing Agreement or covenant registered on the Title of the Habitat Home by a municipal, regional, provincial or federal government entity in partnership with Habitat Victoria.

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Effective the date of this Policy's approval by the Board of Directors, the fixed rate of appreciation for Habitat Homes is 2.00% annually, prorated monthly (~0.167% per month – 2.00%/12 months) unless otherwise specified in any Agreement or covenant registered on the Title of the property/home.

In cases where a rate of appreciation is not imposed via an Affordable Housing Agreement, the Habitat Home will be subject to a capped market appreciation at the rate determined in this Mortgage Policy which is 2.00% annually, prorated monthly.

The Adjusted Value of the Habitat Home at the time of its first sale to its first purchaser sets the baseline value upon which the rate of appreciation will be calculated.

Homeowners will be able to determine the present value of the Habitat Home at any given date with the following calculation:

Purchase price of Habitat Home at time of purchase x (1+monthly rate of appreciation)^{number of months since date of purchase}

Number of months since date of purchase is determined by taking the number of months from the current month to the month of the date of purchase. For example, if the current month is October 2024 and the month of the date of purchase was March 2022, the number of months since the date of purchase would be 31.

The date of the transfer of title from any Homeowner back to Habitat Victoria will be used to calculate the buyback purchase price for Habitat Victoria.

For Habitat Homes without Affordable Housing Agreements

For Habitat Victoria Homes that do not have a third-party government-imposed Agreement which specifies the change in Adjusted Value of the home, the process outlined in the Habitat Victoria Option to Purchase and Right of First Refusal will be used to determine the buyback purchase price to be paid by Habitat Victoria at any given point in time.

For Habitat Homes that do not have an Affordable Housing Agreement, covenant or Option to Purchase and Right of First Refusal registered on the Title of the property, the goal is for the Adjusted Value to equal fair market value and is determined either by:

- an independent appraiser certified by the BC Association of the Appraisal Institute of Canada or the Canadian National Association of Real Estate Appraisers; OR
- by averaging the estimated sale price determined by a comparative market analysis (CMA) completed by a minimum of two realtors familiar with the local real estate market.

Habitat Victoria arranges and pays for this appraisal or CMAs. If they wish to do so, the Homeowner may arrange and pay for an additional appraisal. Habitat Victoria will determine the impact of the Homeowner's appraisal on the purchase price at its sole discretion.

6 Equity in a Habitat Victoria Home

This section describes how Equity is calculated and shared between Habitat Victoria and the Homeowner on the transfer of ownership of the Habitat Home by the Homeowner.

The proceeds of sale shall be applied as follows:

- (1) First to the payout of any commissions or legal fees;
- (2) Second to the payout the Financial Partner Loan and the Habitat Loan in priority;
- (3) Any amounts outstanding related to property taxes, strata fees, utilities, repairs;
- (4) Third to the payout of the Homeowner's Contributed Equity; and
- (5) Fourth divided between the Homeowner and Habitat Victoria in accordance with their Proportionate Share of the Acquired Equity.

The Homeowners Contributed Equity payout will be withheld until the Protective Disbursements have been resolved.

6.1 Equity Types

The Equity accumulated in a Habitat Home is separated into two parts:

- (a) Acquired Equity; and
- (b) Contributed Equity.

6.1.1 Calculating Acquired Equity

A Homeowner will accrue the acquired equity in the first two years of homeownership, however, if the Homeowner exits the program in the first twenty-four months from date of purchase of the Habitat Home they will not be entitled to any Acquired Equity.

The Homeowner's proportionate share of Acquired Equity is calculated as follows:

The difference in the Purchase Price of the Habitat Home at the time of the transfer of the Habitat Home to the Homeowner and at the time of transfer of the Habitat Home from the Homeowner

multiplied by

the Homeowner's Contribution Percentage

NOTE: Pre-payments accumulated through an Early Occupancy Agreement are not included in the Homeowner's Contribution Percentage.

To see how this is calculated, please see the following two examples:

Example 1:

Adjusted Value at time of transfer to Homeowner	\$400,000
Adjusted Value at time of transfer from Homeowner	\$488,480

= Purchase Price less Adjusted Value at time of sale x Homeowner's percentage of funds contributed at time of purchase
= \$88,480 x 50% = \$44,240

6.1.2 Calculating Contributed Equity

Keeping with the examples above, imagine that the Homeowner transfers ownership of the Habitat Home after owing the Habitat Home for a 10 year period.

During this 10 year period, the Homeowner has repaid portions of both the Principal of the Habitat Loan and the Financial Partner Loan, and the amounts so repaid is the Contributed Equity. Contributed Equity does not include interest payments made by the Homeowner to the Financial Partner.

From the price paid by the transferee the Homeowner will receive the Contributed Equity in priority to Habitat and the Homeowner receiving their proportionate share of the Acquired Equity.

Example 1:

Financial Partner Loan

Based on a 25-year amortization, initial principal balance outstanding of \$160,000 term and an interest rate of 3%*

Repayment of Principal over 10 years = \$50,212

Original Principal Amount of Loan \$160,000 - \$50,212

= Outstanding balance of \$109,788

Habitat Victoria Loan

Total payments of \$250/month for 10 years at an interest rate of 0% (\$250 x 12 months x 10 years)

Total Principal payments = \$30,000

Original Principal Amount of Loan \$240,000 - \$30,000

= Outstanding balance of \$210,000

* interest rates are to be determined; this for example only.

The Contributed Equity is calculated as follows:

Adjusted Value at time of purchase by homeowner less the outstanding balance of the Mortgage loan to the Financial Partner less the outstanding balance of the Mortgage loan to Habitat Victoria.

= \$400,000 - \$109,788 - \$210,000

= \$80,212

In this example, the Contributed Equity is **\$80,212**

Example 2:

Financial Partner Loan

Based on a 25-year amortization, initial principal balance outstanding of \$160,000 term and an interest rate of 3%*

Total Principal payments over 10 years = \$50,212
Original amount borrowed of \$160,000 - \$50,212
= Outstanding balance of \$109,788

Habitat Victoria Loan

Total payments of \$250/month for 10 years at an interest rate of 0% (\$250 x 12 months x 10 years)
= Principal payments of \$30,000
Original amount borrowed of \$180,000
= Outstanding balance of \$150,000

** interest rates are to be determined; this for example only*

The Contributed Equity is calculated as follows:

Adjusted Value at time of purchase by homeowner less the outstanding balance of the Financial Partner Loan less the outstanding balance of the Habitat Loan

= \$400,000 - \$109,788 - \$150,000
= \$140,212

In this example, the Contributed Equity is **\$140,212**

6.2 Homeowner's Total Equity

The Homeowner's Equity at the time Habitat Victoria repurchases the Habitat Home is the sum of the Homeowner's Proportionate Share of Acquired Equity plus the Contributed Equity, less any outstanding legal fees, administrative fees, Protected Disbursements or other costs related to the sale of the home.

The Homeowner's Equity from the above examples would be as follows:

Example 1

= Acquired Equity + Contributed Equity
= \$35,392 + \$80,212
= 115,604

In this example, the Equity is **\$115,604¹**

Example 2

= Acquired Equity + Contributed Equity
= \$44,240 + \$140,212
= \$184,452

In this example, the Total Equity is **\$184,452¹**

¹ Note that in these examples, Equity is calculated before the deduction of any administrative or legal fees or Protected Disbursements which can only be calculated at the time of sale.

6.3 Habitat's Equity

Habitat Victoria finances the purchase of the home on behalf of the Homeowner and receives its Proportionate Share of Acquired Equity.

In the above example, Habitat's Proportionate Share of Acquired Equity after 10 years would be as follows:

Example 1

$$\begin{aligned} &= (\text{initial Habitat Victoria Mortgage loan} \div \text{Adjusted Value at time of purchase}) \times \text{Purchase Price} \\ &\text{less Adjusted Value at time of sale} \\ &= (\$240,000 \div \$400,000) \times \$88,480 \\ &= 60\% \times \$88,480 \\ &= \$53,088 \end{aligned}$$

Example 2

$$\begin{aligned} &= (\text{initial Habitat Victoria Mortgage loan} + \text{Pre-Payment}) \div \text{Adjusted Value at time of purchase}) \times \text{Purchase} \\ &\text{Price less Adjusted Value at time of sale} \\ &= [(\$180,000 + \$20,000) \div \$400,000] \times \$88,480 \\ &= (\$200,000 \div \$400,000) \times \$88,480 \\ &= 50\% \times \$88,480 \\ &= \$44,240 \end{aligned}$$

7 Priority of Charges Against a Habitat Home

7.1 Subordination of a Habitat Mortgage

Prior Charges against a Habitat Home are only permitted by agreement by Habitat Victoria.

The Financial Partner(s) (if any) may require the Financial Partner Mortgage be registered in priority to the Habitat Mortgage and the policies and requirements of the Financial Partner(s) with respect to such financing and charges take precedence over the requirements of Habitat (as per any agreement/MOU between Habitat Victoria and its Financial Partner).

Habitat Victoria's Option to Purchase and Right of First Refusal will be a Prior Charge registered on the Title of any Habitat Home. Further, municipal, provincial or federal governments may place Prior Charges on Habitat Home for a variety of purposes, including easements, Affordable Housing Agreements or 219 Covenants, deferred property taxes, or those related to the financing of the home.

Other than as set out in the preceding paragraphs, no Prior Charges will be permitted except where this prohibition is invalid under law or is agreed to by Habitat Victoria in writing.

Under no circumstances is the Homeowner permitted to subordinate, postpone or place a Prior Charge without the prior written consent of Habitat Victoria.

7.2 Charges subordinate to the Habitat Mortgage

A subordinate charge is defined as any mortgage or charge subordinate to (coming after) the Habitat Victoria Mortgage registered against the title to the Habitat Victoria home and/or property or part thereof.

Habitat Victoria prohibits Homeowners from causing subordinate charges against the Habitat Victoria home except in cases where the Homeowner has obtained prior written consent by Habitat Victoria.

A subordinate charge registered against a Habitat Victoria home without the prior written consent of Habitat Victoria constitutes a Triggering Event, and the Mortgage is immediately placed in Default.

Habitat Victoria will not itself pay out third party debt on behalf of a Homeowner.

8 Default

This section outlines the various types of behaviours, actions or inactions that would place a Homeowner in Default of their Habitat Loan (each one a “**Default**”). Some fall under a “three strike” system with escalating action being taken by Habitat Victoria, while others may result in more immediate and serious consequences, up to and including Habitat Victoria foreclosing on the Habitat Mortgage.

8.1 Defaults

The Homeowner is obligated to inform Habitat Victoria in writing if they believe they will be, or currently are, in Default in any way as soon as they are aware of being so.

Habitat Victoria will inform the Homeowner in writing as soon as it becomes aware of any Default explaining the nature of the Default, provide information regarding how the Homeowner can rectify the Default and by when the Default must be rectified, as well as outline the consequences of failing to comply with its request .

All Defaults will trigger a fee of \$200 as per [Schedule A](#).

The full list of events of default is set out in the Mortgage Loan and the Mortgage Policy and, without limiting the generality of the foregoing, include the following

- a Financial Partner declares the Financial Mortgage to be in Default;
- the Homeowner fails to pay any payment on the Habitat Loan when due; .
- the banking institution returns a payment made by the Homeowner to Habitat Victoria for reason of non-sufficient funds (NSF);
- the Homeowner fails to pay strata, special assessment, or similar fees when due;
- the Homeowner fails to keep adequate home insurance for the replacement value of the Habitat Home. The policy **MUST** name Habitat Victoria as loss payee on the Habitat Home unless directed otherwise, and a copy of the policy **MUST** be provided to Habitat Victoria upon annual renewal;
- the Homeowner fails to pay when due property tax and/or utility payments;
- the Homeowner fails to maintain the Habitat Home such that the value of the property is negatively impacted or is causing damage or potential damage to the property;

- the Homeowner does, or allows to be done, anything which, in the sole opinion of Habitat Victoria, would lessen the value of the property.
- Habitat Victoria refuses to renew the Habitat Mortgage for a further term.
- A lien or other encumbrance is registered against the property without the prior written consent of Habitat Victoria.
- The Homeowner and the Financial Partner agree to an amendment to the amount or frequency of the monthly payments on the Financial Partner Loan without Habitat Victoria's prior written consent.
- The Homeowner fails to sign any other documents or do anything further that Habitat Victoria believes necessary to properly secure or maintain its Mortgage:
- The Homeowner does anything that interferes with Habitat Victoria's interest in the property;
- The Homeowner makes any additions or alterations that would be subject to a municipal permit to the property without the prior written consent of Habitat Victoria;
- the Homeowner breaches any other terms of the Habitat Mortgage (exempting those breaches that would be grounds for Immediate Default or Immediate Grounds for Foreclosure);
- The Homeowner uses the Habitat Victoria home and/or the property for any business use, or allows it to be so used, without Habitat Victoria's prior written consent;
- The Homeowner fails to obey or cause to be obeyed all laws, rules, regulations, by-laws and orders of any governmental body having jurisdiction over the Habitat Home and which in any way relates to the Habitat Home or the use thereof;
- The Homeowner interferes with or prevents Habitat Victoria or its duly appointed representative(s) from entering onto the property, after providing due notice in accordance with this Policy, in order to:
 - inspect, lease, collect rents, or manage the property; or
 - repair or put in order any building on the property; or
 - complete the construction of any building on the property; or
 - make any arrangements with respect to the above that Habitat Victoria considers necessary.

Note 1: A required monthly payment which remains unpaid for more than one month becomes a separate default for every month that it remains unpaid.

Note 2: For non-monthly required payments (e.g. special assessments, municipal utilities, insurance), each will be considered a new default every three months it remains unpaid.

“Three Strike” Process

In the event that a Homeowner breaches their agreement with Habitat Victoria and are deemed to be in Default, at the sole discretion of Habitat Victoria, the following actions may be taken:

FIRST DEFAULT

The Homeowner will be notified in writing by Habitat Victoria of the Default, be required to rectify the Default and may be requested to:

- provide written documentation as to why the Default occurred and detail a specific plan as to when and how the Default will be rectified (bearing in mind that this must be within the time frame already determined by Habitat Victoria); and/or

- meet with Habitat Victoria to discuss the situation in detail.

SECOND DEFAULT

The Homeowner will be notified in writing by Habitat Victoria of the Default, be required to rectify the Default and in addition to the requirements above for a first Default, Habitat Victoria may also:

- require the homeowner to submit signed and verified monthly budget sheets or other monthly reporting aids that will assist in budgeting and financial planning as deemed appropriate by Habitat Victoria;
- attend credit counseling sessions if deemed appropriate to the situation;
- **restructure** the mortgage agreement(s) with the homeowner.

Note 3: It is not Habitat Victoria's intention to direct homeowners on how to spend their money. However, Habitat Victoria seeks to emphasize that homeowners must first and foremost meet their Mortgage obligations without fail if they wish to maintain their status as a Homeowner in the Habitat Victoria Homeownership Program.

THIRD DEFAULT

The Homeowner will be notified in writing by Habitat Victoria of the third and final Default, be required to rectify the Default and, in addition to the requirements above for a first and second Default, Habitat Victoria may also:

- require the Homeowner to pay a \$2,500 penalty (see [Schedule A](#)); and/or
- seek all legal remedies available, including but not limited to foreclosure and eviction from the property; in effect, the Homeowner may be required to sell the property back to Habitat Victoria in accordance with the Mortgage terms.

Serious Default

A mortgage will be considered in Serious Default if any of the following occur:

- the Homeowner fails or ceases to occupy the property as their principal place of residence; or
- the Homeowner fails to provide information, or provides false or misleading information, as it relates to the gross annual income of every adult aged 19 and over who has been residing in the home for longer than 30 days in any 12-month period, **on an annual basis** or as reasonably requested by Habitat Victoria.

Note 4: The income of full-time students aged 19 and up to the age of 24 must be provided, but will not be included in the payment calculation upon proof of registration in classes.

In the event of a Serious Default, the Homeowner will be provided with written notice of the Default, allowing a 30-day period to rectify the Default. If the Default is not remedied within the required time frame, Habitat Victoria will take any appropriate action as deemed by the Habitat Victoria Board of Directors, which may include:

- requiring the Homeowner to pay a \$2,500 penalty (See [Schedule A](#)); and/or

- seeking all legal remedies available, including, but not limited to, foreclosure and eviction from the property; in effect, the homeowner may be required to sell the property back to Habitat Victoria in accordance with the Mortgage terms.

Immediate Grounds for Foreclosure

Habitat Victoria will initiate immediate foreclosure if:

- it is determined that the Homeowner provided false or misleading information on their Homeownership Application such that it qualified them for Habitat Victoria's Homeownership Program and were able to purchase a Habitat Home that they otherwise would not have qualified for; or
- the Homeowner's use of the property conflicts with the applicable provincial, regional or municipal laws or by-laws and is an instrument of unlawful activity as defined under British Columbia's Civil Forfeiture Act.

The CEO, in consultation with Habitat Victoria's Board of Directors and if required, Habitat Victoria's lawyer, may at any time approve action against a Mortgage in default, in accordance with the provisions of the *Mortgages Act*, RSO 1990, as amended. The Board may approve any such remedy provided under the *Mortgage Act* provided such action does not conflict with arrangements already made and approved in accordance with this Policy.

Where an action consequent to Default on a Mortgage is taken or is required to be taken in accordance with the Mortgage documentation, that action shall be taken in a timely manner irrespective of these guidelines. Where Habitat Victoria has discretion with respect to the action(s) to be taken consequent to Default on a Mortgage, the allowances set out in this Policy (see Section 11 **Temporary Homeowner Hardship**) are applied.

On Default, an intensive monitoring program shall immediately be put into place. The necessity of prompt and timely action cannot be over-emphasized. Meetings with the Homeowner shall be undertaken at least monthly to ensure that all necessary steps are taken to recover from the Default event quickly, if at all possible. The CEO shall report all Defaults and updates regarding Defaults to the Board as necessary and as part of the CEO report at Board meetings.

Habitat Victoria reserves the right to levy Default and other charges on Mortgages in Default to offset Habitat's increased costs of Mortgage administration in accordance with this Policy. An administrative fee of \$200 is payable for all events triggering Default in addition to related fees and charges is submitted for approval by the CEO to the Board from time to time. Default fees and other charges levied are added to the subsequent Mortgage payments. See [Schedule A](#)

9 Monthly Homeowner Payments

This section describes how the monthly payments of the Homeowner are calculated and allocated.

9.1 Basis of Monthly Homeowner Payments

The goal of the Homeownership Program is the Homeowners' monthly payments towards Homeownership Costs ("**Monthly Homeowner Payments**") shall be equal to or less than 30% of the gross annual household income of all Adults Residing in the Habitat Home.

The income of Adult children that Reside in the Habitat Home will be used to calculate the gross household income 60 days after coming of age, unless such child is attending a Full Time Educational Program and is under 24 years of age, and the monthly payments due under the Habitat Loan will be proportionately adjusted as of the next Habitat Loan payment following the 60-day period.

Proof of registration in full-time studies to Habitat Victoria's satisfaction must be provided within 30 days from Habitat's request and annually at the Annual Review.

Situations may arise where the Homeownership Costs will exceed the Monthly Homeowner Payments

Example 1

Adult Residing in Habitat Home gross monthly income:	\$1,850
Adult Residing in Habitat Home gross monthly income gross monthly income:	\$1,500
<u>Adult Residing in Habitat Home (child of Homeowner)'s gross monthly income:</u>	<u>\$600</u>
Total gross monthly household income:	\$3,950

\$3,950 (total gross income all Adults residing in home) x 30%
= **\$1,185 monthly payment**

Example 2

Adult Residing in Habitat Home gross monthly income:	\$1,850
Adult Residing in Habitat Home gross monthly income gross monthly income:	\$1,500
<u>Adult Residing in Habitat Home (child of Homeowner)**'s gross monthly income:</u>	<u>\$600</u>
Total gross monthly household income:	\$3,350

** attending Full Time Educational Program and under the age of 24.

\$3,350 (total gross income all adults residing in home) x 30%
= **\$1,005 monthly payment**

9.2 Determining Gross Household Income

The following sources of income, whether they are taxable or not, are used to determine the gross income of all Adults Residing in the Home:

- Employment Income

- Self-employment Income
- Tips & Gratuities
- Rental payments (including international students)
- Child-minding Income
- Court mandated or regular child support payments
- Court mandated or regular alimony payments
- Company dividends / Annuities / Investment Income
- Disability / CPP / EI or other Government Assistance program funds
- Other sources of income as determined by Habitat Victoria

The Homeowner must provide a copy of their CRA Notice of Assessment (NOA) and other documents verifying income including without limitation banking statements correspondence from employers, and report any other sources of income within 30 days of any request by Habitat Victoria and no less than annually.

In the event the family does not provide the documents as required Habitat Victoria at its discretion may charge fee a of \$100 per such failure (See [Schedule A](#)).

The income of Adults visiting the home who do not meet the definition of Adult Residing in the Home does not need to be provided and is not used to determine Gross Household Income.

9.3 Allocation of Homeowner Payments

During the term of the Habitat Loan and the Financial Loan the Monthly Homeowner Payment will be allocated between the following Homeownership Costs in the order set out below

- First, Financial Partner Loan;
- Second, Property Taxes;
- Third, Strata fees and Insurance;
- Fourth, Payment of any fees, fines or penalties owed to Habitat Victoria other than the Habitat Loan;
- Fifth, Habitat Loan
- Sixth any arrears/penalties on property taxes, municipal utilities, strata fees, the Habitat Loan or the Financial Partner loans;

In the event that the Homeowner fails to make any payments on account of Property Taxes, Insurance, Strata Fees, or municipal utilities when due, such failure will be a default under the terms of the Habitat Loan and the Financial Partner Loan. Without creating an obligation on Habitat Victoria, should Habitat Victoria make such payments on behalf of the Homeowner, such payments shall be repayable by the Homeowner within 30 days of written notice from Habitat Victoria (in addition and not in substitution of Habitat Victoria's rights and remedies under the terms of the Loan and the mortgage). In addition to, and not in substitution of, the rights and remedies under the Habitat Loan and the Habitat Mortgage, Habitat Victoria may deduct such outstanding amounts from the Homeowner's Contributed Equity.

9.4 Homeownership Costs

Strata fees:

The Homeowner is responsible for paying all of the monthly strata fees or special levies directly to the Strata Corporation in accordance with the Strata Corporation Bylaws.

Home Insurance:

The Homeowner shall keep the Habitat Home insured to its full replacement value or, if the Habitat Home is a strata lot in a building, the Homeowners shall keep the strata lot and its contents insured to its full replacement value plus insurance for the deductible for any building insurance carried by the Strata Corporation and at all times name Habitat Victoria as a loss payee second only to the interest of the Financial Partner.

Financial Partner Mortgage:

The Homeowner is responsible for arranging and making payments directly to the Financial Partner under the Financial Partner Loan and Financial Partner Mortgage.

The Homeowner must provide a form signed by the Financial Partner to Habitat Victoria confirming the amount of the Financial Partner's Loan and Mortgage, the Term of the Financial Partner Loan and the amount of each monthly payment.

The Homeowner may not change the payment amount or the frequency without Habitat Victoria's prior written consent.

Habitat Victoria Mortgage & Property Taxes:

Until such time as the Homeowner has repaid in full the Habitat Loan, the Homeowner will pay monthly to Habitat Victoria an amount estimated by Habitat Victoria to be sufficient to pay the property taxes for the Habitat Home on a yearly basis in addition to the monthly payment of the Habitat Loan as determined by Habitat Victoria annually, which will not be less than \$250 per month, unless otherwise agreed to in writing by Habitat Victoria per Section 11 (see [Temporary Homeowner Hardship](#)).

Habitat Victoria will hold the amounts collected by Habitat Victoria from the Homeowner on account of the property taxes and pay to the municipality property taxes when due. The Homeowner is responsible for any shortfall and shall pay such shortfall to Habitat Victoria within 30 days from demand.

9.5 Determining Financial Viability of the Purchase by Homeowner

Prior to agreeing to sell the Habitat Home to the Habitat Homeownership Program Participant and after determining the future Homeowner's Monthly Homeowner Payment, Habitat Victoria determines whether the amount of the Monthly Homeowner Payment will be sufficient to pay for the Monthly Homeowner Costs

Habitat Victoria begins by calculating the payment required for the property taxes and a minimum payment of \$250 per month towards the Habitat Loan. Next the cost of strata fees and insurance are

calculated and applied, with the balance being what is available as a payment to the Financial Partner Loan.

Example

Gross household income of Adults Residing in the Home = \$65,000
30% multiplied by \$65,000 = \$19,500 ÷ 12 = \$1,625 total monthly payment

Total Monthly Payment Amount:	\$1,625
Less minimum Habitat Victoria monthly mortgage payment:	- \$250
Less property taxes*:	- \$225
<u>Less strata fee and/or house insurance*</u>	<u>- \$325</u>
Funds available for Financial Partner mortgage:	\$825

\$825 qualifies a family for a maximum loan from the Financial Partner of \$173,973 @ 3% interest* with a 25-year amortization.

** Actual amounts and interest rates are to be determined; this is for example only*

Habitat Victoria then considers whether the amount of the Financial Partner Loan is below the restriction that a Homeowner may only borrow up to 50% of the AV.

Provided that Habitat Victoria is satisfied with the financial calculations and estimates indicated above and its other terms and conditions, Habitat Victoria will proceed with the sale of the Habitat Home.

9.6 Annual Review

Each year, Habitat Victoria recalculates the Monthly Homeowner Payment and the monthly payment under the Habitat Loan for the next 12 month period and all Adults Residing in the Home are required to provide Habitat Victoria with information so as to allow Habitat Victoria to calculate the gross income of all of the Adults Residing in the Home; including without limitation:

- i) Provide, within 30 days of Habitat Victoria’s request, copies and/or a listing of all sources of income (see Section 9.2);
- ii) Copies of the CRA Notice of Assessment;
- iii) Copy of the Financial Partner annual loan statement;
- iv) Proof of insurance; and
- v) A copy of the Property Tax Assessment notice.

Failure to provide any of the information required within 30 days of written demand is a Default on the Habitat Victoria Loan and Habitat Mortgage.

10. Payment in Full of the Habitat Victoria Mortgage

If a Homeowner repays in full the Habitat Loan, Habitat’s Mortgage will remain on title to secure Habitat Victoria’s Proportionate Share of Acquired Equity.

Funds for payment in full of the Habitat Loan may be the result of a repurchase of the Habitat Home by Habitat Victoria, sale of the Habitat Home by the Homeowner to another party, or another source

Commented [TG4]: Can the mortgage stay on title once paid off regarding ROFR Kristil to confirm

(including a retail mortgage from a third-party lender). The distribution of funds in each of these cases is set out below.

Triggering the Option to Purchase – Repurchase of a Habitat Victoria home by Habitat

In the event that Habitat Victoria exercises its Option, the Homeowner is required to sell the Habitat Home to Habitat Victoria for a price determined by any Affordable Housing Agreements or restrictive covenants registered on the title to the Habitat Home, and will receive the purchase price **less** the following amounts:

- the outstanding balance(s) under the Financial Partner Loan plus costs related to the discharge of the Financial Partner Mortgage(s) ; and
- the outstanding balance under the Habitat Loan plus costs related to the discharge of the Habitat Mortgage; as at the date of sale, plus costs related to discharge of the Habitat Victoria Mortgage; and
- the cost of repairs to return the Habitat Home to resalable condition if, in the sole opinion of Habitat Victoria, such repairs are required due to other than normal wear-and-tear, as estimated by Habitat Victoria in advance, with any net funds repayable upon completion of such repairs; and
- any payments by Habitat Victoria on behalf of a Homeowner towards Monthly Homeowner Costs plus any payments for Monthly Homeowner Costs not yet due, accrued to the date of sale; and
- any Protected Disbursements not yet captured by the foregoing; and
- Habitat's proportionate share of the Acquired Equity

Any agreement to repurchase will follow the terms set out in the Option to Purchase Agreement notwithstanding that the repurchase may be otherwise taking place on mutually agreed terms.

It is the intent of Habitat Victoria to include in the Option to Purchase a 10% holdback on payout of the Homeowner's proportionate share of Acquired Equity and Contributed Equity Share to ensure any of the above costs are recovered by Habitat Victoria.

If no Affordable Housing Agreement or restrictive covenant is registered on the Title of the Habitat Home, then the process for arriving at the purchase price of the home described in the Option to Purchase and Right of First Refusal will be used to determine the sales price.

Payment in full from another source:

Where the Habitat Loan is repaid by the Homeowner in full from their own funds, Habitat's Proportionate Share of Acquired Equity Share, as calculated in accordance with this Policy, becomes immediately due and payable in full.

All costs related to any third-party mortgage, including that of a Financial Partner (if any), are the responsibility of the Homeowner.

10.1 Pre-Payment or Payment in Full of the Financial Partner Mortgage

If a Homeowner repays the Financial Partner Loan, but not the Habitat Loan, then the Homeowner's payments to Habitat Victoria under the Habitat Loan will increase so that the Monthly Homeowner Payments will equal 30% of the gross household income of all Adults Residing in the Home.

A Homeowner may be in a position to make a lump sum payment, or pre-payment, on their Financial Partner Loan, subject to the terms of such loan and the Financial Partner Mortgage.

Perhaps this is due to a desire to reduce the total interest paid over the life of the mortgage.

If the pre-payment or lump sum payment results in no change in the monthly amount paid toward the Financial Partner Loan by the Homeowner, then allocation of the Monthly Homeowner Payments as between the Monthly Homeowner Costs remain unchanged.

If the pre-payments or lump sum payment reduces the monthly payment amount under the Financial Partner Loan, then an amount corresponding to the reduction will be applied towards the payment of the Habitat Loan, without reduction of the Monthly Homeowner Payment.

Any payments that reduce or retire the Financial Partner Loan increase the Contributed Equity of the Homeowner.

However, increasing the rate of repayment of any loan does not change the Homeowner's proportionate share of Acquired Equity.

11 Temporary Homeowner Hardship

Habitat Victoria is committed to working with Homeowners and Financial Partner(s) (if any) to find solutions during times of short-term financial difficulties in order to help Homeowners retain ownership of the Habitat Home.

However, Habitat Victoria is also obliged to protect its interests and those of its stakeholders.

Habitat Victoria is also obligated to comply with the policies and decisions of its Financial Partner(s) (if any) where these hold a Prior Charge over the Habitat Victoria home.

11.1 Exceptional Circumstances

From time to time, Homeowners may experience an exceptional circumstance (e.g. due to job loss, injury, separation or divorce) such that they cannot meet their monthly Homeowner Payment.

The Homeowner must continue to pay the full amount of the monthly repayment and interest due under the Financial Partner Loan, estimated by Habitat Victoria for the payment of Property Taxes, Strata Fees and Insurance costs.

Habitat will consider granting to the Homeowner a temporary reduction in the monthly payment by the Homeowner towards repayment of the Habitat Loan and/or contribute on a temporary basis a portion of the monthly payment and interest due under the Financial Partner Loan. Any funds so advanced will be added to the Principal balance of the Habitat Loan and set off against the Homeowner's Contributed Equity.

Any temporary reductions or alternative arrangements in monthly payment amounts to any required payments must be requested in writing by the Homeowner and will be reviewed on a case-by-case basis by the CEO.

Habitat Victoria will work with Homeowners in these situations to determine if homeownership continues to be viable and/or plan alternatives for housing if ownership of the Habitat Home is no longer financially viable for the Homeowner.

11.2 Home Equity Access

Habitat Victoria recognizes that, from time to time, Homeowners may experience unplanned or major financial events which require funds not readily available to them through savings or accessible by borrowing at reasonable interest rates.

With the goal of ensuring families do not have to make financially compromising decisions (such as borrowing funds at very high interest rates, cashing in RESPs, etc) Habitat Victoria has established the Home Equity Access Program which allows Homeowners to access accrued Contributed Equity without first having to sell the Habitat Home.

Commented [TG5]: Remove Program from HEAP to HEA

Under the Home Equity Access, Habitat Victoria provides qualifying Homeowners with a loan of an amount equal to the Homeowner's Contributed Equity in excess of \$10,000 and up to a maximum \$25,000 over the lifetime of the Habitat Loan. To be clear if a Homeowner's Contributed Equity is \$11,000, \$1,000 can be accessed.

To be eligible for the Home Equity Access, Homeowners must:

- be in good standing with their Monthly Homeowner Payments;
- have lived in the home for a period of minimum of two years (the start date being the time of Early Occupancy) and have purchased the Habitat Home (NOTE: those living in the Habitat Home under an Early Occupancy Agreements are not eligible.);
- Must have made payments on the Financial Partner Loan of more than \$10,000;

The Home Equity Access is not intended to be an alternative to sound financial management and planning for predictable events, or to assist with ongoing and/or budgeted expenses. Rather, it is designed to assist families experiencing unforeseeable or exceptional financial burdens. These might include, but are not limited to:

- Loss of a Vehicle (due to accident, breakdown);
- Sudden unemployment;
- Necessary home repair (not covered by insurance)
- Dental or Medical event (not covered by insurance)
- Exceptional school trip, event or project

Commented [TG6]: Need to cross reference defaults to ensure not conflicting info

Homeowners must apply to Habitat Victoria to participate in the Home Equity Program using the appropriate application form.

Homeowners will be required to outline the reasons they require the funds and how much they wish to borrow from Habitat Victoria. Habitat Victoria determines, in its sole discretion, whether to provide the loan as requested.

Should Habitat Victoria determine that the Homeowner meets its criteria for a loan under the Home Equity Program, Habitat Victoria will advance the loaned amount as an addition to the Principal of the Habitat Victoria Loan. The funds will be provided interest free, but Habitat Victoria will charge an administrative fee as set out in [Schedule A](#).

The minimum monthly payment due under the Habitat Loan will not be increased as a result of the Habitat Victoria lending additional funds to the Homeowner through the Home Equity Program.

11.3 Where Habitat Victoria has a Financial Partner

If the Homeowner defaults under the Financial Partner Loan and the Financial Partner Mortgage and the Financial Partner has made a demand for immediate and full repayment of the Loan, Habitat Victoria has covenanted with the Financial Partner that within 90 days of the Financial Partner's request that Habitat Victoria will:

- (a) pay to the Financial Partner the amount required to satisfy the Financial Partner Loan; or
- (b) exercise its rights to purchase the Habitat Home under the Option Agreement from the Homeowner at a gross sale price (less any normal closing adjustments) sufficient to payout and discharge the Retail Mortgage in full and terminate the applicable Loan Agreement.

This covenant to purchase granted by Habitat Victoria in favour of the Financial Partner will promote the success of the Program, and further the relationship between the Financial Partner and Habitat Victoria.

Such payment by Habitat Victoria may include the discharge of the Financial Partner's Mortgage and the entering into a new loan agreement on terms satisfactory to Habitat Victoria between Habitat Victoria and the Homeowner secured by a new Mortgage, or a transfer of the existing Financial Partner Mortgage to Habitat Victoria.

11.3.1 Changes to Financial Partner

In the event that the Financial Partner ends its partnership with Habitat Victoria or the Financial Partner does not renew the Financial Partner Loan at the expiry of the original term, every effort shall be made by the Homeowner and Habitat Victoria to secure a new Financial Partner to provide replacement financing to the Homeowner prior to the expiry of the term.

In the event that Habitat Victoria and the Homeowner are unsuccessful in securing a new Financial Partner, Habitat Victoria will consider paying out the balance of the Financial Mortgage at time of renewal and either add that balance to the Habitat Loan, securing a transfer of the Financial Partner Mortgage, or require a new loan agreement be entered into between Habitat Victoria and the Homeowner on new terms, and a new grant of mortgage to secure such additional amounts.

11.4 Where Habitat Victoria has no Financial Partner

Where, for whatever reason, the gross annual income of the Adults Residing in a Habitat Home drops to an amount below what is required to pay the Homeowner costs, Habitat Victoria will consider taking the following actions, in addition to and without limitation to its rights and remedies under the Habitat Loan and the Habitat Mortgage:

- reduction of the Monthly Homeowner Payment for a maximum of six months. Under no circumstances will the Monthly Homeowner Payment be reduced to an amount below the Minimum Monthly Homeowner Payment. The CEO may extend the period of such reduction should it determine that the reduction in the gross annual income of the Adults Residing in the Habitat Home is temporary in nature;
- a reduction of the monthly repayment of the Habitat Loan and Habitat Mortgage to an amount below the minimum payment specified in the Habitat Loan and Habitat Mortgage. Such approval is valid for a maximum of three months but may be renewed at the sole discretion of Habitat Victoria;

Under no circumstances may the monthly mortgage payment be reduced below the amount required to cover the Financial Partner Loan, the property taxes, insurance and strata fee.

The CEO must report all such reductions to the Board at the Board meeting immediately following the date of the CEO's approval of the temporary reduction to the Monthly Homeowner Payment.

In order to receive or extend a temporary reduction in the monthly Mortgage payment, the Homeowner must actively partner with Habitat Victoria to work toward a solution to the problem. This includes:

- providing proof of reduction of income and a plan to resume full payments as soon as possible;
- attendance at meetings as required by the CEO and/or Habitat Victoria staff to provide financial information, discuss the problem and work on solutions to the Homeowner's current financial situation;
- attendance at financial counselling sessions, led either by Habitat Victoria staff or by a professional adviser appointed by Habitat, as required by Habitat Victoria;
- any other action Habitat Victoria may reasonably demand that is related to and, in the opinion of Habitat, likely to help resolve the problem.

All reasonable costs related to counselling, travel to meetings or other actions initiated or requested by Habitat Victoria are for the account of the Homeowner. Where severe financial problems make it impossible for the Homeowner to immediately cover such costs, Habitat Victoria may elect to pay such costs however these sums are charged at cost to the Borrower as out-of-pocket expenses in relation to the Mortgage. As such, they are immediately due and payable, and are secured by the Mortgage against the Habitat Victoria home and will proportionately reduce the Homeowner's Contributed Equity of the Habitat Victoria Mortgage.

Temporary assistance as set out above should not continue after one year. If after one year the Homeowner cannot meet the minimum monthly Mortgage payments calculated in accordance with this Policy and the Mortgage Documents then one of the following actions are taken:

- The CEO may elect to reduce the monthly mortgage payment on a more permanent basis. Default fees and other charges levied remain due and payable and a plan to cover these fees and charges is agreed to with the Homeowner. Once such an arrangement has been made, a further failure to make a monthly Mortgage payment in full and on time within the 12 months following effectiveness of the arrangements shall constitute a Triggering Event and the Mortgage shall be placed in Default. An exception may be approved by the Board on the recommendation of the CEO.
- The CEO may declare the failure to make the monthly mortgage payment(s) a Triggering Event and the Mortgage shall be placed in Default.

Where the CEO has determined that a Homeowner Mortgage or any loan secured by the Habitat Victoria home is in Default and recommending that Habitat Victoria prepare to initiate power of sale or foreclosure or other recovery action, the Board will at its sole discretion determined how to proceed.

12 Related Obligations

During any periods where there is an outstanding balance owing under a Financial Partner Loan secured by a Mortgage as a Prior Charge registered against title to the Habitat Home it is generally expected that the Financial Partner will take the initiative with respect to defaults by the Homeowner of its obligations under the Financial Partner Loan and the Financial Partner's Mortgage.

Where Habitat Victoria becomes aware of potential violations of its policies and/or requirements or those of its Financial Partner with respect to a Habitat Home, Habitat Victoria shall report such potential violations to the Financial Partner for consideration and possible action.

Where the Financial Partner fails to take action, Habitat Victoria reserves the right to take action on its own behalf as a party with an interest in the Habitat Home.

12.1 Homeowners Insurance

The cost of home insurance is for the account of the Homeowner and is paid directly by the Homeowner to the Homeowner's insurance broker. Habitat Victoria requires evidence of acceptable insurance to be submitted annually.

The Homeowner is required to obtain home insurance covering the full replacement value of the home, showing Habitat Victoria as a loss payee second only to the Financial Partner, as a prior condition for the Habitat Loan; and this insurance must be maintained by the Homeowner throughout the term of the Habitat Loan.

Confirmation of insurance is required prior at the time of renewal of the insurance policy each year and shall be provided to Habitat Victoria by the insurance Company.

Where Homeowners live in Strata units, the Strata Corporation shall provide proof of property insurance on a full replacement value an annual basis naming Habitat Victoria as a loss payee second only to the Financial Partner.

Habitat Victoria does not require proof of contents insurance.

Failure to comply with the obligation to obtain home insurance that satisfies Habitat Victoria's requirements as set out in this Policy is a Triggering Event and the Habitat Loan and the Mortgage shall be placed in Default.

In the event Habitat Victoria discovers that home insurance has not been obtained or renewed or has lapsed for any reason, Habitat Victoria reserves the right to pay for appropriate home insurance on behalf of the Homeowner.

Such an amount constitutes an out-of-pocket expense and is immediately due and payable, and is secured by the Habitat Mortgage against the Habitat Home.

12.2 Home Maintenance

The Homeowner is required to maintain the Habitat Home in good condition.

In the event Habitat Victoria requires repairs or restoration of the interior or exterior of the Habitat Home, it will provide a written Notice of Repair Requirements to the Homeowner.

The Homeowner shall have 90 days to commence work on the required repairs or restorations, which shall be completed within a time deemed reasonable by Habitat Victoria at its sole discretion.

Habitat Victoria reserves the right to make the required repairs, the cost of which are for the account of the Homeowner in addition to an administrative fee of up to \$1,000 (see [Schedule A](#)) to be collected by Habitat Victoria for managing the project.

Where the Habitat Victoria home is a part of a Strata, failure to pay monthly strata fees or special levies in accordance with the rules of the Strata Corporation and the related legislation is a Default.

12.3 Home Improvements

If the Homeowner wishes to make improvements to the Habitat Home and wish for those improvements to impact the sales price of the home, prior consent from Habitat Victoria is required.

Habitat Victoria, in its sole discretion and in line with the Affordable Housing Agreement, if one exists, may increase the determination of the sale price of the home to a value Habitat Victoria will determine.

For greater certainty, Habitat Victoria will not permit any increase in the sale price for improvements that have been made without a building permit and prior written authorization.

12.4 Good Neighbour

The Homeowner is required to be a good neighbour in the community. Being a good neighbour includes but is not restricted to:

- Maintaining the Habitat Home in good repair and maintaining the grounds in a neat and tidy condition in compliance with municipal bylaws.
- Conducting boundary determinations and settlement of property boundary disputes, including but not limited to encroachment, rights of way and obstruction of views, in a civil manner through

due process including mutual discussion and negotiation, consultation with surveyors and other professionals, and legal process as a last resort.

- Providing unimpeded access to the Habitat Home, with reasonable prior notice except for emergencies when access is provided without prior notice, to neighbours for carrying out construction, repair or maintenance work to their own property, to representatives of Habitat Victoria, and to representatives of utility companies and other bodies with a legal right to access the property for survey, maintenance and repair purposes.
- Meeting with Habitat Victoria representative(s) as required to review issues brought to the attention of the Homeowner by Habitat.
- Ensuring that water and ice runoff from the roof of the Habitat Victoria house does not fall onto or damage the property of neighbours.
- Maintaining trees and structures on the Habitat Victoria property such that they do not present a danger to neighbour property or personal safety.
- Avoiding excessive noise, powerful odours, bright lights and other annoyances, in compliance with municipal bylaws.
- Refraining from parking vehicles on any part of the property except the driveway, or storing articles outside in a manner that is unsightly or inconvenient to neighbours and passers-by.
- Correcting in a reasonable time any other good neighbour issue brought to the attention of the Homeowner by Habitat.

Failure to comply with the obligations to maintain the Habitat Home in good condition, be a good neighbour in the community and/or comply with municipal bylaws may result in non-renewal of the Habitat Loan at the expiry of its term.

If Habitat Victoria determines, at its sole discretion, that it will not renew a Habitat Loan at the expiry of its term, then this would constitute a Triggering Event.

Schedule A

Summary of Administrative Fees and Penalties – 2023

(all fees are subject to an annual increase of 1.5%)

Administrative Fees and Penalties may change from time to time and without notice.

Section	Description	Amount
4	Option to Purchase & Right of First Refusal – Homeowner sells home back to Habitat	\$2,500.00
7.1	Serious Default	\$2,500.00
7.1	Triggering Default	\$200.00
9.2	Late annual review documents	\$100.00
11.2	Distributions through Home Equity Access Program	\$250.00
12.2	Home Maintenance	\$1,000