

Subject Area

Home Owner Activities

Topic

Mortgage Payments

Policy

1. All purchase money notes in the United States must be for at least fifteen years. There is no maximum loan period, however, HfHI recommends that the term of the purchase money note should not be longer than thirty years.
2. The purchase money note, by its terms, must charge no interest, except in the case of default. This requirement is not met by including in the purchase money note a stated interest rate, even if it is to be paid by a third party. There should be no risk to the homeowner that he or she would have to pay interest on the loan in the event another party fails to do so.
3. The purchase money note may include a provision that, in the event of default and acceleration of the total amount due under the note, the homeowner is obligated to pay interest. However, the affiliate must waive this interest in the event that foreclosure on the property securing the mortgage does not, in fact, take place.
4. The purchase money note must provide for monthly payments.
5. The purchase money note must be fully amortizing. By this we mean that the monthly payments must be sufficient so that, at the end of the stated term of the note, the debt will be full retired. (Balloon mortgages are not permitted.)

Wabash Valley HfH additional policy clarifications

6. Notes for monthly payments include tax and insurance escrow and are assessed yearly. These monies may be subject to modification.
7. Monthly payments that are received after the 15-day grace period are subject to late fees. Bank charges will be added to monthly note payments for all returned checks.

Policies & Procedures

8. Payoff of the purchase money note can be made at any time without penalty.
 9. Interest would accrue at a rate recommended by our bank in the event of default.
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Accountability

All Wabash Valley Habitat for Humanity partner families.

Purpose

As part of the Family Selection criteria, families must agree to partner with Habitat in order to purchase a Habitat home. Part of this partnership is the repayment of a no interest mortgage.

Definitions

Mortgage Terms:

- 15 day grace period
- 5% late fee, on total payment
- A \$15.00 fee will be charged to your account for each returned check.
- 3 returned checks will result in requiring Homeowner to use money order.

Terms of Escrow:

- Down payment satisfied
- Sweat equity completed
- Rental/lease payments current
- Terms of rental agreement in compliance
- Escrow fees, including impound for taxes and insurance are to be kept in a separate fund

Procedures

Delinquent Monthly Payment Process

Payments postmarked after the 15th of the month will be subject to a late charge of \$20.00 or 5% of the monthly principal amount. If payment is not received by the 20th of the month, a Default Letter 1, (notice of late charge) will be mailed to the Homeowner along with a statement of the payment amount due plus late charge.

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All policies are effective on date of issue or revision.

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Policies & Procedures

If prior payment has not been made by the 15th of the following month a Default Letter 2, (first notice of default) will be mailed to the Homeowner along with a statement. The letter will demand the past due, plus late charge, plus current payment be paid in full or contact the Habitat office to make payment arrangements for the amount due.

If contact is made to make payment arrangements for the debt that is owed, the Homeowner may have the option of transferring excess funds from their impound account towards the debt. A letter of the arrangement and Payment Schedule or Impound Authorization Transfer Form (if applicable) will be mailed to the Homeowner.

The Homeowner will have 10 days to sign and return the Impound Authorization Transfer Form or Payment Schedule to the Habitat office, which will place them into the Remedial Program.

If on the date the third payment is due and there has not been full satisfaction of monies owed, which is 1st, 2nd and current payment due plus late charges AND there has been no contact from the Homeowner OR the signed Payment Schedule or Impound Authorization Transfer Form has not been received, a Default Letter 3, (second letter of default) will be mailed certified to the Homeowner. The letter will demand full payment of the debt owed and will outline the steps Habitat will take to proceed with foreclosure of their home. If prior payment arrangements or transfer impound funds were arranged, but signed forms not received a copy of the Payment Schedule or Impound Authorization Transfer Form will be included with the added late charges. The Homeowner will have 10 days to pay the debt in full, return the appropriate signed forms or contact the Habitat office to make payment arrangements.

If contact is made to make payment arrangements for the debt that is owed a letter of the arrangement and Payment Schedule or Impound Authorization Transfer Form (if applicable) will be mailed to the Homeowner. The Homeowner will have 10 days to sign and return the Impound Authorization Transfer Form or Payment Schedule to the Habitat office, which will place them into the Remedial Program.

If after 10 days there has not been full satisfaction of monies owing up to this date OR there has been no contact by the Homeowner, Habitat will contact the attorney to start the foreclosure process.

Foreclosure terms will be according to the Indiana law.

Remedial Program

When Habitat has received the signed Payment Schedule from the Homeowner this places them into the Remedial Program. The payment schedule will be based on the arrangement the Homeowner has made with Habitat, which will enable the debt including late charges to be paid along with the current mortgage payment every month.

The Payment Schedule can only be amended if contact is made with Habitat BEFORE the scheduled payment is due.

If there has not been full satisfaction of monies owed at the conclusion of the designated Payment Schedule AND there has been no contact by the Homeowner, Habitat will contact the attorney to start the foreclosure process.

Additional Resources

None