Making Home Ownership a Reality

Survey of Habitat for Humanity International (HFHI), Inc. Homeowners and Affiliates

Prepared for:
Office of Policy Development and Research
U.S. Department of Housing and Urban Development
Washington, DC

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Contract No.: H-5985

April 1998

ACKNOWLEDGMENTS

This report was produced by Applied Real Estate Analysis (AREA), Inc. Maxine V. Mitchell, Project Director, and S. Paige Warren served as its principal authors.

AREA would like to acknowledge the contribution of Habitat for Humanity International (HFHI), Inc., whose enthusiasm, input, and direction were essential to the effort. HFHI's Washington office, headed by Thomas Laird Jones, was our point of contact for coordination throughout the study. Within his office, AREA is grateful to Jeffrey Harlow, Miriam Neugeboren, and Dara Lenhoff, staff members and consultants who offered valuable insight and worked diligently to help facilitate our research over the course of the project. AREA would also like to thank Michael Willard of HFHI's headquarters in Americus, Georgia.

The findings and conclusions presented in the report were made possible by the participation of Habitat families and local-area HFHI affiliates. Their generosity—in offering both their time and honest opinions—defined this research effort. In addition, access into residents' homes and affiliates' business operations was greatly appreciated.

The ideas presented in this report were discussed with many others. Within the Department of Housing and Urban Development (HUD), the product and research was shaped by Jean Lin Pao, the Government Technical Representative, and Kevin Neary (Office of Policy Development and Research). Special thanks to Dr. Linda Fosburg (Abt Associates Inc.), whose input from research design through report preparation was always insightful and supportive.

FOREWORD

For millions of working families, owning a home has come to symbolize the American dream. Through homeownership, a family acquires a place to live and raise children and invests in an asset that can grow in value and provide the capital needed for future economic opportunities. Homeownership can also stimulate the physical, economic, and social revitalization of neighborhoods. The U.S. Department of Housing and Urban Development (HUD) is committed to promoting homeownership for all Americans, including families of modest means, and has set a goal with its national partners to generate up to 8 million additional homeowners by the year 2000, which translates into a national homeownership rate of up to 67.5 percent. A concurrent goal is to narrow the gap between the number of low income homeowners and other homeowners.

Because of this commitment, HUD is searching for best practices and studying homeownership models. To learn more about one of the most successful homeownership programs for low income families, the Department funded *Making Homeownership a Reality: Survey of Habitat for Humanity International Homeowners and Affiliates.* This study is the first to present systematic information collected from Habitat homeowners and their experiences with homeownership. Findings from this study will help inform the Department as it continues to promote and implement homeownership among low income families.

Founded in 1976, Habitat for Humanity International (HFHI) is an ecumenical, Christian housing ministry. To date, the organization has a network of over 1,400 affiliates in all 50 states plus operations in more than 54 other nations throughout the world. By mid 1997, these domestic affiliates and overseas groups had produced a total of 60,000 homes. HFHI's housing production volume in the U.S. easily puts it in the ranks of the nation's top 20 homebuilders.

Distinctive features of the HFHI programs include the use of sweat equity (usually construction work) by homebuyers themselves; on-site labor by volunteers, support generated by churches; contributions (labor, land, in-kind, and financial) by professionals and corporate sponsors; and individual tax-deductible charitable contributions. Homes are sold with no profit markup, and they carry interest free mortgages. Although HFHI also does not accept government funds for the construction of houses, it uses government funds to pay for land, houses for rehabilitation, infrastructure for streets, utilities, and administrative expenses---"setting the stage"--- for volunteers to build the houses.

Habitat affiliates were successful in making first-time homeowners of many families with low incomes. According to the study, Habitat assisted families are predominantly low income and very low-income with some families formerly residing in public housing. Annual incomes averaged $24,251 for an average 4.1-person household while the median income was $21,480. The survey showed that approximately 43% earned less than 50% of median household income in their respective areas. Another 34% earned between 50% and 80% of the median.

Habitat affiliates made homeownership affordable by controlling the mortgage amount and sales price of the home. Without zero-interest-rate loans and very low purchase prices, few program participants would be able to afford home ownership. The units being produced through HFHI affiliates are affordable to target buyers as defined by HUD program guidelines---the sum of principal, interest, taxes and insurance (PITI) for the surveyed households was below 30 percent of income with a mean ratio of 23.9 percent. The average sales price for a Habitat home was $37,782 and the median sales price set by HFHI affiliates is approximately $33,478.

Habitat buyers were highly satisfied with their homes with over 95% giving the units average to above-average ratings in both condition and quality of interior finishes. Habitat homeowners also reported that the greatest benefit of owning a home was the pride and security they felt through ownership. Other benefits cited included having a place of their own; greater control over their surroundings; greater privacy; and more space. Future benefits included having something for their children and a chance to build equity.

As this report shows, there is a great deal of knowledge to be gained from one of the nation's most productive homebuilders for low income families. Habitat for Humanity families and affiliates made this report possible. Through their experiences, they provided valuable lessons for communities throughout the country and showed how to turn homeownership into a reality.

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CHAPTER I.
EXECUTIVE SUMMARY

Habitat for Humanity International (HFHI) has been providing home ownership opportunities for low-income households since 1976. Today, the organization has a network of over 1,400 affiliates in all 50 states plus operations in 54 other nations throughout the world. By 1997, these domestic affiliates and overseas groups had produced a total of 60,000 homes. HFHI's housing production volume in the U.S. easily puts it in the ranks of the nation's top 20 homebuilders.

Distinctive features of the HFHI program enable affiliates to produce these homes. Most important are "sweat equity" (usually construction work) by the homebuyers themselves; on-site labor by volunteers; support generated by churches; contributions (labor, land, in-kind, and financial) by professionals and corporate sponsors; and individual tax-deductible charitable contributions. Board members and salaried or volunteer staff of the affiliates set most of the local program goals and objectives and implement program activities. Some general rules are, however, established by the international organization. According to an *Affiliate Covenant* between each affiliate and HFHI, homes are sold with no profit markup and carry interest-free mortgages. Although not a legal document, the *Affiliate Covenant* also states HFHI's religious principles and other key operating policies, including a strict limitation on acceptance of government funds. In practice, affiliates accept government contributions only for infrastructure improvements and acquisition of land or homes needing rehabilitation.

The U.S. Department of Housing and Urban Development (HUD) retained Applied Real Estate Analysis (AREA), Inc., to examine characteristics of the program as implemented by selected affiliates. The major goals of the assignment were to identify the types of homeowners assisted by this program and to determine what they perceive as the benefits and burdens of home ownership. To accomplish this objective AREA staff interviewed and conducted focus-group sessions with Habitat homeowners who have purchased homes from 19 HFHI affiliates located in urban and rural areas across the country. In order to understand the types of benefits and support offered to these homeowners, we also conducted in-depth interviews with staff and board members of the affiliates, reviewed program documents, examined neighborhoods in which the Habitat homes are located, and inspected at least one home for each affiliate.

This report presents key findings and conclusions from the survey of homebuyers regarding characteristics of Habitat client families, how Habitat families were selected, how they were prepared to assume home ownership responsibilities, the characteristics of their Habitat homes and neighborhoods, and the impacts of home ownership on Habitat families—both financial and psychological.

KEY OBSERVATIONS

Major findings from the survey of Habitat homeowners and the interviews with affiliate representatives are as follows:

Major Impacts on Homebuyers

- ***Habitat is primarily serving low- and very-low income families.*** At the time of survey, 84% of participants were families. Annual incomes averaged $24,251 for an average 4.1-person household. Approximately 43% earned less than 50% of median household income in their respective areas. Another 34% earned between 50% and 80% of the median.

- ***For the majority of households interviewed, the Habitat home represented a great improvement in both space and physical living conditions.*** Most of the families are getting the chance to buy their first house. For the vast majority (86% to 99%) the Habitat home also means lower-density housing[1], fewer occupants per bedroom, and/or the same or larger number of bedrooms and bathrooms.

- ***The monthly mortgage costs are very low for the majority of Habitat homeowners. Averaging $269 per month, they represent a very small percentage (12%) of homeowners' incomes at the time of closing.*** Since incomes have risen, homebuyers currently pay an average of 10% of their incomes on mortgages. The average sales price of a dwelling covered by this analysis is only $37,782 and the median sales price is approximately $33,478.

- ***The zero-interest-rate loans and very low purchase prices offer deep subsidies without which few program participants would be able to afford home ownership.*** If HFHI affiliates charged interest rates of just 8% and required purchase prices just 50% higher than those now offered, at least 40% of the current program participants would no longer be able to afford their homes. Average monthly payments would jump from $149 to $406.

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[1]Lower-density housing here refers to single-family homes or townhouses versus multifamily structures.

- ***A substantial percentage (on average, 43%) of homeowners' monthly payments to HFHI affiliates goes for costs over which the affiliates have little control—property taxes and insurance.*** For the majority of homeowners, this monthly payment includes allocations that average $120 for taxes and/or insurance that are placed in escrow accounts; the portion of monthly payments devoted to repayment of loans averages $149.

- ***The number of homeowners that have undertaken maintenance and repairs to date is low.*** To date, only 38% of the 95 homeowners in the survey have paid for any repairs since moving into their homes. Most likely, this is because more than 80% of them have lived in their Habitat homes for less than five years and because all of the homes are either new or substantially rehabilitated.

- ***To date, total housing costs—which include utilities and maintenance costs in addition to the mortgage, taxes, and insurance—have not become a burden for the majority of homebuyers.*** Based on available data, total monthly housing costs average $434. According to HFHI affiliates, homebuyers paid an average of 25% to 30% of their incomes on loan repayment, taxes and insurance at the time of purchase. For 69% of households, incomes have increased since purchase; data suggest that they currently pay an average of 27% of their incomes for housing costs.

- ***For most Habitat homeowners, the costs of housing have remained fairly constant despite improved housing quality as a result of participating in the program.*** As most were renters previously, the majority of Habitat homeowners now have housing costs that average only about 2.8% higher than their previous rental costs. Whereas the average rental cost was $422—including utilities and some maintenance—the current total housing costs average $434—including taxes, insurance, utilities, and some maintenance.

- ***Only 20% of the homeowners believe that they would have been able to buy a home without Habitat's assistance.*** Most of the homeowners interviewed—nearly 80%—stated that they would not have been able to buy a home if they were not in the Habitat program.

Perceived Benefits and Burdens of Home Ownership

- ***The most common benefit of home ownership was not financial—it was the pride and increased stability that the family received from feeling safe and secure about their home.*** Most homeowners interviewed had no plans to profit from the sale of their homes; they planned to keep on living in their homes and eventually pass them on to their children. In addition, with better-quality, more spacious houses, they were enjoying the ability to have company over without suffering embarrassment.

- ***Few burdens to home ownership were perceived by homeowners.*** Before moving into their Habitat homes, interviewees considered responsibility for maintenance the greatest burden of home ownership. Many homeowners thought that there were no disadvantages to owning a home.

- ***Despite the low share of income that homeowners are spending on housing costs—and the small number that felt there were burdens to home owning—a substantial share of homeowners indicated that they have encountered difficulty making required housing payments.*** Thirty four of the 95 survey respondents (36%) reported that at some point during the time that they have owned their Habitat homes they have found it difficult to meet financial obligations—e.g., pay utility bills, real estate taxes, homeowner's insurance, and mortgage payments.

- ***Approximately 38% of very-low-income and low-income households reported having had trouble paying their mortgage on time, in contrast, only 14% of higher-income households reported having encountered this problem.*** This suggests that while the Habitat program is serving households that otherwise would not have been able to purchase, this lower-income group is more likely to encounter difficulties meeting their obligations.

- ***Despite the substantial up-front subsidies provided by Habitat to make housing affordable, some homeowners believe that they will not be able to continue as homeowners without ongoing financial support from the Habitat affiliate.*** More than one third (37%) of the 95 surveyed homeowners had received some financial support from their HFHI affiliate other than what was specified in the initial mortgage agreement. Going forward, 20% anticipated the need for future support from Habitat in order to continue as homeowners.

- ***Four out of five respondents—or 79%—believed that they were adequately prepared for home ownership.*** The group that considered themselves prepared for home ownership had encountered fewer difficulties in the past and had fewer concerns about their ability to continue as homeowners without assistance from Habitat in the future.

- ***Of the one out of five households—or 21%—who believed that they were inadequately prepared for home ownership, a disproportionate share were very-low-income homeowners.*** Approximately 61% of households that considered themselves unprepared were very-low-income. In addition to earning less, this group had encountered more difficulties in the past and had more concerns about their ability to continue as homeowners without assistance from Habitat in the future.

- ***According to parents, home ownership is having a positive effect on homeowners' children.*** Parents emphasize the feeling that their family has stabilized, though they say the impact on school performance is not always quantifiable. Homeowners typically said that their children now had privacy and a door to close. In addition, Habitat has now been around long enough to provide housing to different generations within the same family. Some families got their own Habitat home after moving out of their parents' Habitat home; others had taken over their parents' home.

- ***All homeowners agreed that the benefits of home ownership outweighed the burdens and said that they would purchase again.*** On a scale of 1 to 5 (1=very satisfied; 5=very unsatisfied), 89% of respondents rated home ownership a 1, 9% rated it a 2, and 1% gave it a 3. No one was dissatisfied.

Other Key Program Impacts/Components

- ***Homeowners perceive that Habitat is helping to revitalize neighborhoods by creating clusters or subdivisions—often within areas of substantial disinvestment.*** Homeowners find security in being next to other Habitat homeowners—particularly in the more urbanized areas. In the small minority of scattered-site homes constructed by affiliates, owners are less positive about their neighborhoods.

- ***Homeowners perceive training as a valuable program component.*** Training was offered to 70% of homeowners interviewed. Those that had been offered no training were typically early participants in an affiliate's program. Over 85% of homeowners that participated in training thought it was either helpful or very helpful.

Largely because of training and skills learned during the construction process, most homeowners feel more comfortable with, and proficient at, the maintenance responsibilities that accompany home ownership.

- ***Homebuyers consider sweat equity an important aspect of the Habitat program.*** In addition to learning valuable housing construction and maintenance skills, owners take great pride in having helped to build their own home. This connection with their home is a distinguishing aspect of the Habitat program.

ONGOING DELIVERY OF AFFORDABLE HOUSING

HFHI affiliates face some challenges in their continuing efforts to provide low-income households with affordable home ownership opportunities:

- ***Housing maintenance/repair costs.*** To date the new and substantially rehabilitated homes occupied by Habitat families have required little if any maintenance and repairs. As these dwellings age, however, an increasing number of homeowners may be faced with an increase in their total housing costs.

- ***Rising real estate taxes and homeowners' insurance.*** HFHI affiliates have been highly effective in keeping mortgage costs low. Unfortunately, however, some costs of home ownership are beyond the affiliate's control. For many homebuyers a large percentage of monthly payments to HFHI affiliates is escrowed for property tax and homeowners' insurance requirements. In some metropolitan areas, property taxes, in particular, are increasing rapidly—posing potential problems for low-income homebuyers in the future.

- ***Neighborhood changes.*** Habitat homeowners who express the greatest satisfaction with their neighborhoods are those living in clusters or subdivisions of Habitat homes, even when the clusters/subdivisions are surrounded by fairly deteriorated neighborhoods. Given the rising land costs faced by many HFHI affiliates, many may find it increasingly difficult to locate acceptable home sites in areas where enclaves of Habitat homeowners can create attractive neighborhood environments.

- ***Pre-development costs.*** HFHI affiliates build houses in areas of the country where not only land costs but also fees are increasing rapidly. Their ability to maintain sound relationships with local jurisdictions, and to contain permit and infrastructure costs, to the extent possible, will be increasingly important to the continued delivery of affordable product. In addition, Habitat affiliates' success at obtaining state and federal housing infrastructure grant funds in recent years has covered some of the costs associated with larger-scale "subdivision" development.

IMPLICATIONS FOR HOUSING OWNERSHIP PROGRAMS

Challenges faced by the Habitat program also have implications for other affordable housing programs—especially those targeting very-low-income households. Much of Habitat's success has resulted from its ongoing nurturing of homeowners, flexibility with loan repayments, and even assistance with other financial obligations such as property taxes and home maintenance. In Habitat's program, very-low-income families have required this support to a greater degree than have other households. In addition to deep upfront subsidies, other programs that target these households will need similar ongoing assistance to meet the inevitable financial emergencies that make ownership difficult for some very-low-income homebuyers.

CHAPTER II.
INTRODUCTION

The U.S. Department of Housing and Urban Development retained Applied Real Estate Analysis (AREA), Inc., to examine the Habitat for Humanity International (HFHI) program as implemented by selected affiliates in several communities across the country. The major purpose of this assignment was to survey households who have become homeowners as a result of the Habitat program and to determine what these homebuyers perceive to be the benefits and burdens of home ownership.

OVERVIEW OF HABITAT FOR HUMANITY INTERNATIONAL

Evolution

HFHI was founded in 1976 by Linda and Millard Fuller as an ecumenical Christian housing ministry. Its stated mission is to eliminate "poverty housing" worldwide. HFHI's goal is to provide low-income people with simple, decent, and affordable shelter—at the same time enhancing the community by bringing partner families and local volunteers together in the home-building process. Families of all racial, ethnic, and religious groups are encouraged to participate.

Today, HFHI operates through a network of more than 1,400 local affiliates located in all 50 states of the U.S. and sponsors partner organizations in 54 nations throughout the world.

HFHI's success at creating affordable home ownership opportunities has been achieved through the combined use of homeowner "sweat equity"; on-site labor by other volunteers; contributions (labor, in-kind, and financial) by professionals and corporate sponsors; support generated by churches; individual tax-deductible charitable contributions; and donated materials. Habitat building sites are usually obtained at little or no cost, and the homes are sold with no profit markup. Low-income families with housing needs are able to obtain interest-free mortgages and other forms of assistance through the local affiliates of HFHI.

HFHI's total construction volume began to increase dramatically in 1985. During that year, the organization had 117 U.S. affiliates and built 463 homes; its cumulative total to that date was just 1,404. Ten years later, HFHI had become the nation's largest nonprofit homebuilder. In 1995 it completed nearly 10,000 homes worldwide (3,280 in the U.S.) under the auspices of 1,206 domestic affiliates and 260 international partners. By mid 1997, an estimated 60,000 homes in total had been finished by HFHI affiliates.

While individual affiliates build a relatively small number of homes each year, HFHI's aggregate volume in the U.S. easily puts it in the ranks of the nation's top 20 homebuilders. In addition to building houses, a few affiliates also undertake activities such as minor housing repairs for existing homeowners, especially elderly persons and persons with disabilities.

Organizational Structure

The HFHI organization, headquartered in Americus, Georgia, has an ecumenical board of directors consisting of 29 people who meet three times annually to set policy and monitor operations. There is also a larger advisory board. Headquarters operates with a small paid staff, supplemented by volunteers. Monetary contributions to HFHI can be targeted for the activities of specific local affiliates, for HFHI's overseas projects, or for general administrative purposes. Reporting to the director of U.S. affiliates are five area directors, each of whom covers three regions working from a field office.

HFHI Support for Affiliates

HFHI sets some rules that apply to all affiliate programs. These are spelled out in the *Affiliate Covenant,* which must be signed by the board of each local affiliate and a representative of HFHI. Though it is not a legal document, the Covenant states the organization's religious principles and operating policies. For example, HFHI prohibits affiliates from selling homes at a profit, limits the amount of money per home that can be spent on administrative overhead, and prohibits charging any interest on home mortgages. Affiliates use government funds only for limited purposes that do not compromise HFHI principles. In practice, this means infrastructure improvements and land acquisition; for example, they can accept donated lots or homes needing rehabilitation.

HFHI also offers program suggestions, sample documents, and operational guidelines that are used by many affiliates in implementing local projects. It provides training programs for affiliate staff and board members.

Most of the decisions regarding family eligibility and selection, home prices, home styles and sizes, construction methods, repayment terms, etc. are made by individual local Habitat affiliates. Each affiliate is governed by its own volunteer board and handles its own fund raising, publicity, volunteer recruitment, staff hiring, and construction contracting. The number of paid staff members varies based on the size of the affiliate and its home-building volume. Each affiliate has its own "Fund for Humanity" that accepts contributions from individuals and organizations and recycles mortgage payments into new home loans. Local affiliates must also contribute 10% of their income toward HFHI's international projects.

HFHI Compared with Other Affordable Home Ownership Programs

It is difficult to compare HFHI's efforts at fostering home ownership for low-income families with those of other federal, state, and local programs. Traditionally, federal and state programs have focused on lowering home ownership costs by reducing (but not necessarily eliminating) the interest component of traditional mortgage payments. This was the cornerstone of the HUD Section 235 program established in the 1970s, as well as the philosophy behind mortgage revenue bond programs created by many state housing-finance agencies. These efforts were more successful in targeting moderate-income households; the interest subsidies alone were not deep enough to benefit very poor families. HFHI, in contrast, operates from its religious principle that charging any interest is unacceptable.

Recently, HUD has instituted such programs as urban homesteading initiatives (involving municipal acquisition and conveyance of foreclosed homes for rehabilitation); the Public Housing Home Ownership Demonstration (used by 17 public-housing authorities to convert more than 1,300 units from rental tenure to ownership and provide counseling to the new homeowners); the Nehemiah Housing Opportunity Program (providing interest-free second mortgages of up to $15,000 per unit for approximately 4,000 first-time low- and moderate-income buyers); and the HOPE programs created under the 1990 National Affordable Housing Act.

HOPE I provides assistance for the purchase of public-housing units and Indian housing facilities by the tenants who currently occupy them or by other low-income families. HOPE II covers HUD, VA, or Resolution Trust Corporation-owned multifamily structures. The HOPE III program provides funds to nonprofit organizations and government agencies to facilitate purchase of government-owned one- to four-family homes by first-time buyers. Eligible purchasers for all three HOPE programs must have incomes that are below 80% of their metropolitan-area median household income. Debt service, taxes, and insurance costs cannot exceed 30% of a homebuyer's income.

HFHI's strategies for helping low-income families become homeowners show many similarities with HUD's programs:

- In both HFHI and HUD-assisted programs, the homes are located in both rural and urban areas.

- Counseling and training programs (covering financial management and home maintenance) are an integral part of the services offered to homebuyers in both HFHI and HUD's programs.

- Most of the HUD-assisted programs involve some type of mortgage-interest-rate subsidy; HFHI offers interest-free mortgages.

- Most HUD-assisted programs have safeguards to assure that units remain affordable and continue to be owned by low-income families; HFHI affiliates use zero-interest rate financing and artificially low purchase prices to achieve this end.

- HUD-assisted not-for-profit groups and HFHI rely on private donations and/or reduced rates for materials, professional services, furnishings, and land.

However, there are also major differences in the ways in which HUD and HFHI make homes affordable:

- The use of volunteer construction labor plays a key role in keeping HFHI's costs down. In contrast, HUD-assisted programs tend to avoid reliance on sweat equity or donated labor because of problems with quality control, monitoring, and record-keeping.

- HFHI affiliates provide mortgage funds, while purchasers of HUD-assisted homes must obtain financing for purchase and/or rehabilitation from private lenders, other nonprofit groups, local housing trust funds, or state-sponsored mortgage revenue bond programs. The HOPE programs use federal funds as "seed money" for training, professional services, relocation costs, and administrative expenses, but not for mortgages. Also, federal dollars must be matched with local funds, land donations, tax abatements, fee waivers, infrastructure improvements, or other in-kind services.

- In the past, HUD-assisted programs relied heavily on rehabilitation of existing units instead of new construction. In contrast, the vast majority of Habitat homes are new.

Data are not available on the socioeconomic characteristics of buyers participating in every HUD-assisted home ownership program. However, some information can be gleaned from previous program evaluations. Homeowners participating in HUD-assisted programs share many characteristics—and opinions—with HFHI buyers:

- The vast majority of purchaser households in HUD and HFHI programs have at least one adult working full-time.

- Both HFHI and HUD programs serve primarily families with children. However, HFHI households tend to be larger, on average, than households participating in HUD-assisted programs. A higher percentage of Habitat households have both parents living at home.

  HFHI's screening criteria emphasize the importance of employment history and creditworthiness. Affiliates tend not to select households whose sole source of income is public assistance or aid to families with dependent children (AFDC).

- In both Habitat and HFHI, families usually have incomes below 80% of the area median income at the time of purchase. Habitat buyers' incomes are often below 50% of area medians; however, the affiliates have great latitude in setting income-eligibility standards. In contrast, HUD-assisted programs must serve low- or very-low-income households; HUD has precise criteria for determining income eligibility.

- Most Habitat families surveyed spend less per month on housing as owners than they did as tenants. Among HUD-assisted buyers, the vast majority spend about the same amount or less. The key exception is former public-housing tenants. For these buyers, home ownership means higher housing costs but often a far better residential environment.

- In both programs, housing costs remain affordable provided that owners do not have unusual maintenance and repair problems, or skyrocketing real estate tax burdens. Many of the HUD programs use labor and product warranties, as do some HFHI affiliates.

- In both the HUD-assisted and Habitat programs, buyers are sometimes unhappy with their neighborhoods because the homes they have bought are in areas that have suffered from substantial disinvestment. The homesteading demonstration program was said to have had a positive effect on target neighborhoods, because it brought occupants to what were vacant, often deteriorated, homes. The public housing demonstration offered homes in similar types of neighborhoods but had less impact on its surroundings.

Despite differences in program structure and shelter costs, both HUD-assisted and HFHI homeowners are overwhelmingly positive about the ownership experience. As will be seen in Chapter IV, the vast majority of Habitat buyers are satisfied with their homes and are glad they decided to become owners—reactions shared by participants in the Nehemiah, homesteading, and public housing demonstration programs. In all programs, a minority of homeowners found it difficult to meet all of their financial obligations, and a few missed one or more mortgage payments. Overall, however, the buyers felt that they had taken advantage of a "once in a lifetime opportunity" by becoming homeowners.

ORGANIZATIONAL STRUCTURE OF LOCAL AFFILIATES

As indicated above, each local Habitat affiliate has its own Board of Directors. The boards vary in composition, but they usually contain men and women from the community, representatives of organizations that support Habitat as sponsors or service providers, and pastors from local churches. Some, but not all, affiliates have one or more Habitat homeowners serving on their boards. Board members serve on standing committees, such as fundraising/publicity, site selection, finance, family selection, family partnering and training, and hospitality (supplying refreshments for volunteers at the construction site, or hosting homeowner meetings).

Affiliates may also establish a separate Board of Advisors, consisting of elected officials, experienced builders, architects, public relations people, real estate attorneys, and bankers. The advisors provide technical assistance on issues related to construction, finance, publicity, government relations, etc.

Once the Habitat neighborhood contains a substantial number of homes, homeowners are encouraged to organize a homeowner association that operates somewhat independently of the affiliate's board and staff. In addition to providing a social link for families, these associations can represent homeowners in dealing with local government, create neighborhood watch groups, and sponsor educational programs on home maintenance, income tax preparation, landscaping, etc.

COMPONENTS OF THE RESEARCH DESIGN

Research Objective and Primary Data Collection Methods

The research summarized in this report was designed to provide useful information about:

- The characteristics of Habitat client families—their incomes, household sizes, previous housing circumstances.

- How Habitat families were selected and how they were prepared to assume the responsibilities of home ownership.

- The characteristics of their current Habitat homes, their monthly occupancy costs, and their satisfaction with both their homes and the surrounding neighborhoods.

- How becoming homeowners has affected the lives of Habitat families—both financially and psychologically.

HUD's key objective was to learn about the home ownership experiences of low-income households directly from the homebuyers themselves. This information was obtained primarily through two research methods: (1) structured interviews with Habitat homeowners conducted in person, either in the respondent's home or at the local Habitat office; and (2) focus-group sessions moderated by senior AREA staff (plus a short survey form completed by each participant in the group). A total of 95 in-person interviews and 13 focus groups were completed.

To gain an understanding of the context for homebuyers' responses to the survey questions, AREA field staff conducted interviews with representatives of each of the 19 Habitat affiliates selected for this analysis. The interviewees included the executive director and/or other paid office staff, volunteer board members, and construction supervisors. Rather than completing structured questionnaires, these respondents were allowed to respond freely to open-ended questions (as posed in AREA's interview guide).

AREA staff also obtained written information from Habitat staff during the site visits. Documents reviewed include general background and history of the affiliate, statistical information on homeowners, applications, training materials, publicity, volunteer recruitment information, legal forms, annual reports and newsletters, site maps, and project/product descriptions.

Information obtained from the homeowners and affiliate representatives was supplemented by field inspections of neighborhoods in which the Habitat housing was located and by examinations of selected homes. All field work was conducted by teams composed of two AREA staff members. Appendix A provides a more detailed discussion of the research design and data collection methods.

Characteristics of Selected Affiliates

AREA worked with HUD and HFHI staff to select 19 affiliates for this analysis. Criteria used in selecting the affiliates included geographic distribution, the presence of both urban and rural affiliates, staff size, and the specific characteristics of individual affiliate projects. It was also important to represent, to the extent possible, the various types of housing units being produced by Habitat—detached and attached, new construction and rehab, scattered-site and clustered homes—and the different neighborhood settings. Throughout the selection process, AREA attempted to identify affiliates that represented the diversity of approaches used by Habitat to facilitate home ownership, rather than to select a statistically representative sample of programs.

As shown in Exhibit II-1, the 19 affiliates whose homeowners are the focus of this report were geographically distributed.

EXHIBIT II-1
GEOGRAPHIC DISTRIBUTION OF SELECTED HABITAT AFFILIATES

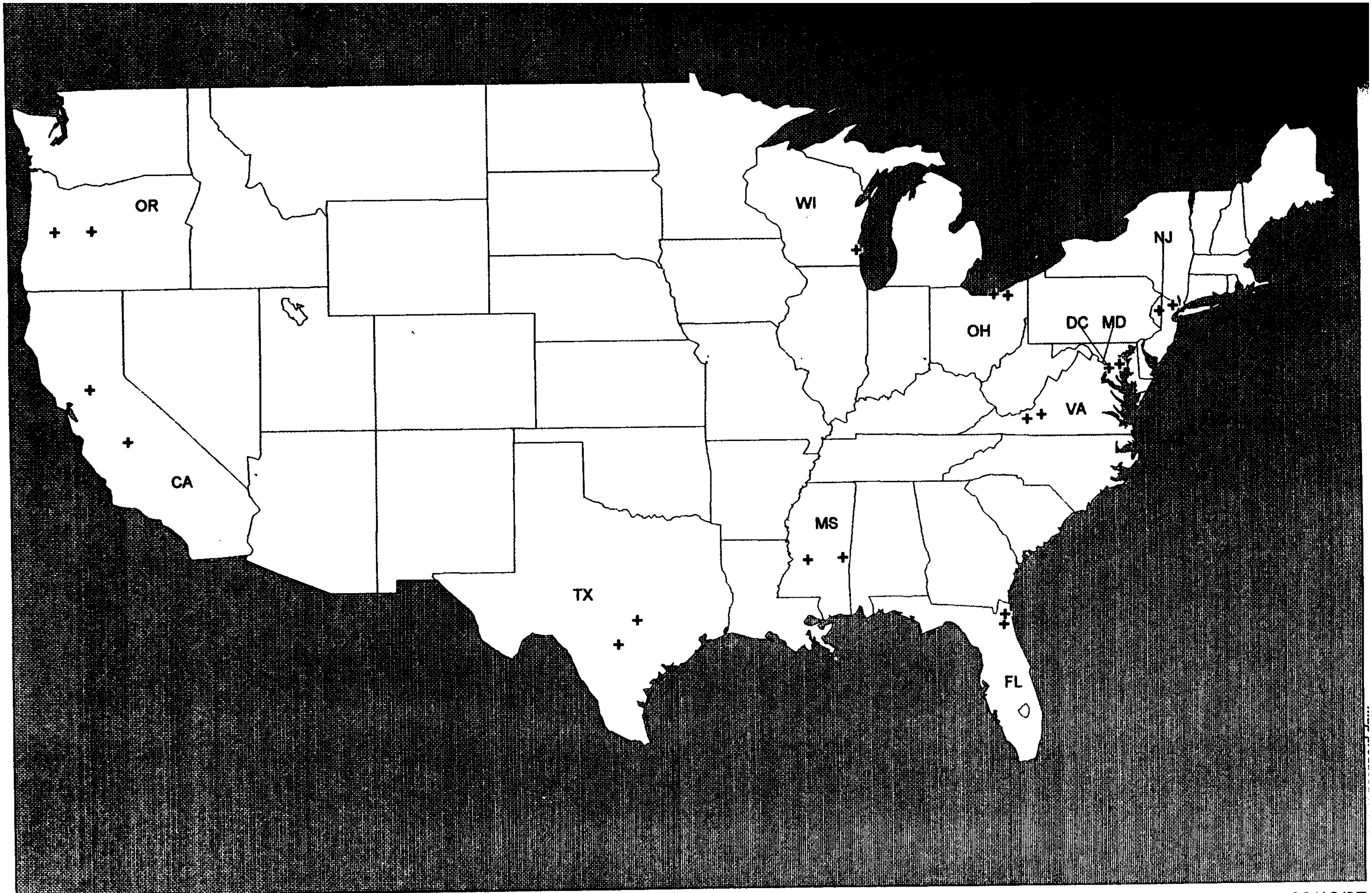
	LOCATION
East region	District of Columbia Annapolis, Maryland Newark, New Jersey Paterson, New Jersey
Midwest region	Cleveland, Ohio Chagrin Falls, Ohio Milwaukee, Wisconsin
South region	Clay County, Florida Jacksonville, Florida Jackson, Mississippi Meridian, Mississippi Austin, Texas San Antonio, Texas Roanoke, Virginia New River Valley, Virginia
West Region	Fresno, California Sacramento, California Bend, Oregon Eugene, Oregon

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

A map identifying their locations is presented as Exhibit II-2. San Antonio is the oldest among the 19 affiliates. Established in 1975, it was HFHI's first U.S. affiliate. However, most of the affiliates date from the l980s; the newest (Eugene) started in 1990. In addition to these 19 affiliates, AREA collected some additional information on two affiliates—one on Chicago's west side and another in Lake County, Illinois—during a pretest of data collection instruments and procedures.

The largest affiliate, Jacksonville, had completed 176 homes at the time of our field visit (it was established in 1988). Completed units for the other 18 affiliates ranged from a low of 11 (Eugene) to a high of 150 (San Antonio). Overall, the vast majority of the homes represented were of new construction. However, all but four of the 19 affiliates had completed at least one rehabilitated home. Habitat affiliates covered in this report build primarily single-family detached units; three affiliates had experience with duplex and/or townhouse structures and two had completed condo and/or co-op projects involving rehabilitation.

EXHIBIT II-2
SELECTED HABITAT AFFILIATE LOCATIONS



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ORGANIZATION OF THIS REPORT

Subsequent chapters of this report present the findings from this research. Chapter III describes how HFHI affiliates provide home ownership opportunities for low-income households. It covers characteristics of the homes built; how they are delivered at affordable prices; and how homeowners are selected, trained, and supported through the construction process and beyond. Chapter IV presents the results of the homeowner interviews and focus-group sessions; included are a homebuyer profile, a summary of homeowners' opinions regarding their Habitat homes and neighborhoods, and the effects of home ownership on their families. Chapter V presents more qualitative information regarding homebuyers' attitudes toward and experiences with home ownership. Chapter VI summarizes key findings and conclusions.

CHAPTER III.
HABITAT'S DELIVERY OF AFFORDABLE HOUSING

Working within the general guidelines of Habitat for Humanity International, individual affiliates offer a wide variety of housing types, financial assistance mechanisms, and other forms of support to homeowners. As each affiliate has attempted to meet the specific needs of its community and make efficient use of available resources, the basic tenets of HFHI have been adapted to accommodate local conditions. Chapter III provides information on the similarities and differences among affiliates and their effects on the types of housing delivered and the experiences of homeowners assisted by the programs. This information provides an important context for interpreting homeowners' satisfaction with their housing and the ownership experience.

OVERVIEW OF THE AFFORDABLE HOUSING PROGRAM DESIGN

While all HFHI affiliates strive to provide home ownership opportunities for low- to very-low-income households, specific means of achieving this goal vary from affiliate to affiliate. Within the group of 19 affiliates included in this analysis, housing types range from single-family homes to condominiums in multifamily buildings, while construction methods vary from a predominance of rehabilitated units to an overwhelming emphasis on new construction. Although two key financing mechanisms—a low purchase price and zero-interest mortgages with relatively long repayment periods—remain central to the affordability goals of the program, there are variations in other aspects of financing that do not directly affect homeowners' monthly housing costs. Among the 1,000-plus HFHI affiliates now active, the diversity of program design features is even greater. Not surprisingly, the program characteristics of many affiliates have changed over time as the organizations have attempted to serve low-income home purchasers more efficiently and cost effectively. In the five-volume *Affiliate Operations Manual* prepared in 1993, the international organization offers a wealth of suggestions for design and implementation. But because each affiliate is a partner with HFHI, the local organizations make the ultimate decisions on how to structure their programs. This analysis focuses on features of the selected affiliates that are illustrative of the HFHI program for low-income homebuyers.

Building and Construction Types

Of the 19 affiliates included in this analysis, 16 have focused on building or rehabilitating single-family detached homes. Only three affiliates—the District of Columbia, Newark, and Paterson—offer no housing of this type, mainly because of high local construction costs (see Exhibit III-1).

EXHIBIT III-1
CHARACTERISTICS OF SELECTED LOCAL HFHI AFFILIATES' PROGRAMS

STATE/AFFILIATE	YEAR PROGRAM STARTED	NUMBER OF DWELLING UNITS COMPLETED					AVERAGE PRICE	
			CONSTRUCTION TYPE		BUILDING TYPE			
		TOTAL	NEW	REHABILITATED	DETACHED SINGLE-FAMILY	OTHER	PER UNIT ($000)	PER SQUARE FOOT
California								
Fresno	1986	20	18	2	20	0	$40	$28
Sacramento	1985	19	18	1	19	0	$40-50	$41
District of Columbia and Maryland								
Washington	1989	26	23	3	13	duplex - 8 rowhouse - 5	$65	$53
Annapolis	1987	32	23	9	32	0	$73	$25
Florida								
Clay County	1987	16	15	1	16	0	$30	$33
Jacksonville	1988	176	170	6	176	0	$35-45	$35
Mississippi								
Jackson	1988	105	95	10	105	0	$37	$45
Meridian	1989	21	14	7	21	0	$35	$35

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

EXHIBIT III-1
CHARACTERISTICS OF SELECTED LOCAL HFHI AFFILIATES' PROGRAMS

		Number of Dwelling Units Completed					Average Price	
			Construction Type		Building Type			
State/Affiliate	**Year Program Started**	**Total**	**New**	**Rehabilitated**	**Detached Single-Family**	**Other**	**Per Unit ($000)**	**Per Square Foot**
New Jersey								
Newark	1986	28	14	14	0	co-op - 8 condo - 6 duplex -14	$70	$33
Paterson	1984	60	58	2	2	duplex, four-plex, or six-plex - 56 condo - 2	$57-59	$46
Ohio								
Chagrin Falls	1992 (1989 under Cleveland)	27	11	16	27	0	$45	$41
Cleveland	1987	58	58	0	58	0	$45-50	$41
Oregon								
Bend	1989	23	23	0	20	tri-plex-3	$40	$36
Eugene	1990	11	11	0	11	0	$35-40	$38

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

EXHIBIT III-1
CHARACTERISTICS OF SELECTED LOCAL HFHI AFFILIATES' PROGRAMS

		Number of Dwelling Units Completed					Average Price	
			Construction Type		Building Type			
State/Affiliate	Year Program Started	Total	New	Rehabilitated	Detached Single-Family	Other	Per Unit ($000)	Per Square Foot
Texas								
Austin	1985	46	2	44	42	duplex - 4	$40-42	$40
San Antonio	1975	150	115	35	150	0	$36	$32
Virginia								
New River Valley	1985	17	14	3	17	0	$30	$27
Roanoke	1986	63	63	0	63	0	$33	$43
Wisconsin								
Milwaukee	1984	92	36	56	90	duplex bldg. with rental - 1 rowhouse - 1	$34-45	$40
Total		990	781	209	882	108		

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Owner-occupied multifamily housing offered by these three affiliates includes rowhouses, duplexes, condominiums, cooperative units, quadra-plexes, and six-plexes. Several other affiliates in this analysis also offer side-by-side duplexes but no units in larger buildings. Experiences with cooperative and condominium ownership of units in multifamily structures have been somewhat negative among the affiliates selected for this analysis. The major problem is in establishing effective management that allows owners to handle property maintenance and repairs. As a result, Newark no longer uses these forms of ownership; and although Paterson constructed up to six units joined by common walls, each property is sold as a fee-simple home in which the buyer owns the unit and the land on which it is built.

In an arrangement unique among the affiliates contacted for this analysis, Milwaukee offers a duplex structure containing both an owner-occupant unit for a Habitat family and a rental unit. The Milwaukee buyer purchased this rehabilitated home and continues to occupy it successfully while serving as the landlord for the rental unit. Representatives of several affiliates included in the survey stated that they are considering this type of housing in order to provide rental income for some needy households and/or a rental unit for extended family members.

Over 75% of the total units constructed by the 19 affiliates under study are new construction. Representatives of most affiliates included in the survey commented that their organizations can build new units more efficiently and cost effectively than they can rehabilitate units. Given the uneven skills of labor available to build HFHI homes, the variable sources of construction materials, and the unforeseeable problems and delays often associated with rehabilitation work, many affiliates prefer to build new homes. Several affiliates have undertaken rehabilitation projects in the past but no longer do so, while others are slowly phasing it out. However, at least one affiliate in this analysis that has not rehabilitated units in the past is still considering the use of this construction method in order to preserve the existing housing stock in neighborhoods in which the affiliate operates and to use donated or inexpensive houses as a resource.

Financing Mechanisms and Controls

Most HFHI affiliates attempt to provide housing for very-low-income households that are not eligible for home ownership through any other private- or public-sector program. To achieve this objective, affiliates use a variety of techniques to keep both the purchase price of each house and the monthly payments low, and to ensure that purchasers do not sell properties quickly—taking profits and making the units unaffordable for future low-income occupants (see Exhibit III-2). Although the specific security instruments and loan terms vary among affiliates, many common elements of the program can be identified:

EXHIBIT III-2
AFFORDABILITY MECHANISMS USED IN PROGRAMS OF SELECTED LOCAL HFHI AFFILIATES

STATE/AFFILIATE	INTEREST RATE	FIRST MORTGAGE TERM	SECOND MORTGAGE	DEED OR OTHER RESTRICTIONS/ CONTROLS	DOWN PAYMENT/ CLOSING COSTS	TAX AND INSURANCE ESCROWS	MAINTENANCE ESCROWS	RENT-TO-OWN AGREEMENT
California								
Fresno	0%	20 years	Yes	None	None	Yes	No	No
Sacramento	0%	15 - 20 years	Yes (forgive 5% per year over life of mtg.)	Must sell to Habitat.	None	No	No	Up to two years
District of Columbia and Maryland								
Washington	0%	20 - 30 years, most 25 years	Yes (none forgiven first 5 years then forgive 10% per year.)	Right of first refusal; cannot use house as place of business (to control drug sales); only listed occupants allowed.	$1,000	Yes	No	No
Annapolis	0%	15 - 25 years	Yes (forgive 10% per year.)	Right of first refusal.	$0 - $500	Not always required.	Not always required.	Six months
Florida								
Clay County	0%	15 - 20 years	No	Limit on sale for first 15 years; right of first refusal.	$400	Yes	No	One year
Jacksonville	0%	20 years	Yes	Re-purchase agreement; good neighbor clause; right of property inspection.	$500 - $1,500	Yes	Yes	No
Mississippi								
Jackson	0%	20 - 23 years	No	Right of first refusal.	$250	Yes	Yes	No

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

EXHIBIT III-2
AFFORDABILITY MECHANISMS USED IN PROGRAMS OF SELECTED LOCAL HFHI AFFILIATES

STATE/AFFILIATE	INTEREST RATE	FIRST MORTGAGE TERM	SECOND MORTGAGE	DEED OR OTHER RESTRICTIONS/ CONTROLS	DOWN PAYMENT/ CLOSING COSTS	TAX AND INSURANCE ESCROWS	MAINTENANCE ESCROWS	RENT-TO-OWN AGREEMENT
Mississippi								
Meridian	0%	25 years	Yes (forgive 10% per year.)	Restriction on alteration of property.	$500	Yes	No	No
New Jersey								
Newark	0%	15 - 30 years	No	Right of first refusal in purchasing home offered for sale during first 10 years.	$1,065	Yes	No	No
Paterson	0%	20 years with 10-year balloon	No	Right of first refusal in purchasing home offered for sale.	$2,000	Yes	No	No longer (used in past.)
Ohio								
Chagrin Falls	0%	20 - 30 years	No	No	Varies case by case.	Yes	Yes (approx. $500)	6 months
Cleveland	0%	15 - 20 years	Yes ($10,000)	Shared equity for 10 years.	$260 - $680	Yes	No	No longer (used two-year leases in past.)
Oregon								
Bend	0%	20 years	No	Right of first refusal in purchasing home offered for sale.	None	Yes (also includes Homeowners Association dues).	No	6 - 12 months
Eugene	0%	20 years	Yes (forgive 10% per year).	Right of first refusal in purchasing home offered for sale.	$200 - $1,300 (average $600)	Yes	No	No (except when closing is delayed.)

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

EXHIBIT III-2
AFFORDABILITY MECHANISMS USED IN PROGRAMS OF SELECTED LOCAL HFHI AFFILIATES

STATE/AFFILIATE	INTEREST RATE	FIRST MORTGAGE TERM	SECOND MORTGAGE	DEED OR OTHER RESTRICTIONS/ CONTROLS	DOWN PAYMENT/ CLOSING COSTS	TAX AND INSURANCE ESCROWS	MAINTENANCE ESCROWS	RENT-TO-OWN AGREEMENT
Texas								
Austin	0%	20 - 30 years	Yes (forgive 10% per year).	Shared equity for 10 years. Restriction on sale of property.	$800	Yes	No	No
San Antonio	0%	20 years	No	Repurchase at original price first 10 years; right of first refusal in purchasing home during second 10 years; provisions protecting against poor maintenance, illegal and nuisance activities, and overcrowding.	$800	Yes	No	No longer (discontinued one-year lease last year.)
Virginia								
New River Valley	0%	20 - 30 years	Yes (forgive 10% per year.)	Provisions protecting against poor maintenance.	$300	Yes	No	No longer (used in past.)
Roanoke	0%	20 - 25 years	None	Right to inspect home.	$500	Yes	No	No
Wisconsin								
Milwaukee	0%	20 years	No	Shared equity --for first 5 years Habitat receives all equity and for next 5 years Habitat receives half of equity. Right of first refusal to purchase property for life of mortgage.	None	Yes	Yes	One year

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

- ***Interest Rate.*** All HFHI affiliates offer zero-interest-rate first-mortgage loans. This element is one of the few program components that is mandated by HFHI. In the *Affiliate Covenant,* in which each affiliate agrees to be a partner with the international organization, each local organization agrees to sell houses "to selected families with no interest or profit added."

- ***Mortgage Term.*** Most of the affiliates included in this analysis offer homeowners first mortgages with 20- to 30-year amortization periods to cover the purchase price of the home. Given the low purchase price of most homes, this allows affiliates to offer low monthly mortgage payments over a fairly long period of time. One affiliate in our sample differed in this respect: Paterson, while giving a 20-year mortgage, requires a balloon payment for outstanding balances at the end of 10 years. Although none of the Paterson homeowners have reached this point yet, the balloon payment policy will require them to refinance the mortgage when 10 years have elapsed. Paterson uses this mechanism, at least in part, to accelerate the repayment of Habitat funds so that it can maximize the number of households it assists. Homeowners have 10 years to establish a sound payment history before they seek private-sector financing.

- ***Second Mortgage.*** In at least half of the affiliates in our analysis, second mortgages represent one of the legal mechanisms that are used to discourage owners from reselling their house relatively soon after purchase—thus capturing the difference between the market value and the price charged by the Habitat affiliate. In many neighborhoods, the current market value of a Habitat home significantly exceeds the original sales price, since most of the labor and some of the materials for each house were originally donated (essentially, the purchase price covers only a portion of the construction costs). The amount of the second mortgage usually equals the home's appraised value minus the amount of the original purchase price; it is usually forgiven in equal annual increments over a 10-year period. Sometimes, second mortgages are used in addition to the right of first refusal. This stipulation, which is often incorporated into the first mortgage, gives the affiliate the right to repurchase a home if and when a family decides to sell.

- ***Down Payment and Closing Costs.*** Some affiliates require a very small cash down payment of $250 to $800; in part, this allows the homebuyer to demonstrate his or her ability to save funds for housing. Many affiliates assume, however, that sweat equity is a sufficient homeowner contribution. At least six of the 19 affiliates in this analysis require homebuyers to pay loan closing costs for items such as title searches, state and local taxes, and deed transfer fees. The Paterson Habitat requires homeowners to pay approximately $2,000 to cover a down payment and closing costs (including substantial property tax payments that are due at closing). As in the case of all financing charges, affiliates try to minimize closing costs, which usually range from about $300 to $1,000.

- ***Insurance Premium and Property Tax Escrows.*** Almost all affiliates in this analysis require buyers to set aside funds in an escrow account for payment of homeowners' insurance premiums and property taxes. The HFHI *Affiliate Operations Manual* also encourages affiliates to seek property tax abatements for these homes. In one city in our analysis, Cleveland, the local government offers abatements in several revitalizing central-city neighborhoods, including the ones in which the HFHI affiliate operates. For 10 years Cleveland property owners pay taxes only on the land on which the new housing is constructed. This abatement provides an important control over rising costs for low-income homeowners. In contrast, property tax abatement is not available in Paterson, and taxes there have increased dramatically in recent years. Eugene, Jackson, Austin, and Annapolis, as well as Paterson, are cities in which the cost of property taxes exceeds the cost of mortgage payments for a number of Habitat homeowners. Because few HFHI affiliates require buyers to increase their escrow payments over time, some homeowners are not prepared to cover these tax escalations when they occur.

- ***Maintenance Escrows.*** Recognizing that even new homes have emergency problems and ongoing maintenance needs, about half of the affiliates included in this survey also require homebuyers to deposit funds in a maintenance escrow account. For example, affiliates in Milwaukee and Jackson require homebuyers to set aside funds—in these cases $25 per month—to cover future housing repair needs. However, this requirement sometimes raises conflicts over such issues as whether the affiliate or the homeowner should determine the appropriate use of these funds. The affiliate in Bend questioned the legality of this escrow and discontinued its use.

- ***Rent-to-Own Agreement.*** Several affiliates in our analysis allow or even require home purchasers to rent for a period of time before they receive title to their home and begin formal mortgage payments. This rental period helps homebuyers to develop regular payment patterns prior to beginning mortgage payments or to save for the required down payment. It also gives families time to provide the promised hours of labor—sweat equity—that must be completed before closing on a home. The affiliate in Eugene occasionally permits homebuyers to occupy completed homes as renters when unresolved accounting issues delay closings. However, some affiliates that have used this mechanism in the past no longer do so. One reason is that it establishes a landlord/tenant relationship between the affiliate and the homeowner that counteracts efforts to encourage the owner's independence and sense of responsibility for maintaining the house.

It is important to note that of the financing mechanisms outlined above, the zero-interest rates for mortgages and the relatively long loan-repayment periods are the primary methods used by Habitat affiliates to keep housing costs low. Zero-interest rates are available to all Habitat homebuyers. Loan-repayment periods—ranging from 20 to 30 years—are used by some affiliates to marginally adjust individual buyers' monthly payment costs; but generally the repayment periods vary more from affiliate to affiliate than they do among homebuyers of a given affiliate. The down-payment requirements and rent-to-own agreements employed by some affiliates serve the important function of measuring a homeowner's ability to assume financial responsibilities, but they have relatively little impact on ongoing monthly housing costs. Other mechanisms such as second mortgages and deed restrictions are actually more important in controlling affiliates' investments in affordable housing than in reducing individual buyers' housing costs.

Controlling Production Costs

In addition to minimizing monthly financing costs, HFHI affiliates make housing affordable for very-low-income households by strictly controlling housing production costs. As shown in Exhibit III-1, most of the affiliates in the study are selling homes at sales prices ranging from $30,000 to $45,000 per unit. However, in some high-cost urban areas, including the District of Columbia, Newark, and Paterson, homes are priced as high as $70,000 per unit.

According to affiliate staff members, local real estate professionals, and individual appraisal reports, the sales prices for Habitat homes are well below market prices for comparable properties in many of the neighborhoods where the affiliates operate. In Cleveland, for example, affiliate staff members estimate that homes selling for $45,000-$50,000 could command market prices of $90,000 or more. In Eugene, homes sold by the affiliate for $40,000 have appraised values of approximately twice that amount. One $40,000 Habitat home in Eugene was recently assessed at $109,000 by the local tax assessor. In other geographic areas the differentials between the selling prices of Habitat homes and their market values are not quite as substantial. In Austin, dwellings selling for $40,000-$42,000 have appraised values of $48,000-$54,000; and in Meridian, homes selling for $35,000 are appraised at $41,000-$50,000.

Unfortunately, the data needed to estimate the actual costs of delivering houses built by each Habitat affiliate are not available. Most affiliates state that the sales prices of homes equal the cost of land, materials, and services actually purchased by the affiliates, plus up to $3,000 to cover the affiliate's administrative costs. None of the affiliates included in the survey, however, value the costs of donated goods and labor, or maintain records to track these costs. Very few affiliates' staff members whom we interviewed could estimate the likely replacement cost of a Habitat home assuming the purchase of all land, materials, labor, and other development costs, such as site preparation, infrastructure, and fees. One contact at the Newark affiliate estimated that its homes selling for $70,000 probably have replacement costs of $140,000 to $160,000, although the dwellings' potential market values may be below $70,000. In Paterson, an affiliate staff member estimates that a home selling for $59,000 actually costs approximately $89,000 to build when the costs of donated labor and materials are factored into that price. Per-square-foot sales prices of Habitat homes range from $25 to $53—well below the price per square foot for small new residential structures in most cities.

HFHI affiliates manage to keep housing purchase prices low in several ways:

- ***Homeowner Sweat Equity.*** Most homebuyers are required to help in the building or rehabilitating of their own homes. Many also put in numerous hours of labor on other Habitat homes. Participation in this process not only reduces the costs of the housing construction but also provides homeowners with valuable skills needed for ongoing repairs and maintenance, helps the homeowner to understand how the house is constructed, engenders pride of workmanship, and—most important—enables the owner to be a true partner in the housing delivery process. In addition to (or in place of) working at home sites, some homebuyers contribute sweat equity by working in affiliates' offices or on special projects. These forms of sweat equity reduce affiliates' staffing needs and overhead costs—thus making the programs more cost effective.

- ***Private Contributions/Donations.*** The major factor in Habitat's ability to reduce housing costs is private contributions and donations—of money, materials, and labor. HFHI and its affiliates have successfully tapped a wide variety of private funding sources, including religious organizations, corporations, foundations, and individuals. Major types of contributions and donations include the following:

  - ***General Cash and In-Kind.*** Corporations, foundations, and charitable and philanthropic organizations contribute funds that can be used both for construction of individual houses and for administrative costs such as staff salaries. In their first "corporate challenge" in 1995, the Newark affiliate raised over $78,000 from Newark firms, including AT&T, Prudential, Panasonic, and several banks. Other affiliates have had similar success in raising funds from corporations, foundations, and charitable organizations both big and small. Habitat Jacksonville, for example, collected approximately $300,000 from Dupont and $40,000 from United Way in 1996 to fund part of its $2.6 million budget. Since the *Affiliate Covenant* agreement prohibits profits on Habitat homes and HFHI allows affiliates to charge no more than $3,000 per house for administrative costs, contributions of funds for general operations are crucial for continued program delivery.

    Many private corporations also donate services and/or materials or offer them at reduced prices. For instance, LTV Steel donated steel framing materials for the construction of new homes in Cleveland in 1996; staff of Home Depot help train homeowners in Paterson; and the Austin affiliate's many contributions include building materials and labor at reduced prices from Williams Insulation, Milstead Supply, Sheplers Equipment Company, Grants Air Conditioning, Austin Traditional Roofing, and FloorMaster. Examples of services offered to affiliates include legal work, title searches, credit checks, banking, mortgage servicing, engineering work, architectural design and project monitoring, and construction work by skilled and licensed contractors, such as electricians, plumbers, and heating and air-conditioning firms.

— **Materials.** Companies also contribute materials—windows, doors, lighting fixtures, and roofing materials, to mention only a few—both in small quantities and in bulk. Unfortunately, many affiliates are not able to use these materials cost effectively—especially on work sites—due to the sporadic availability of various products, variation in types of materials offered, and transportation and storage requirements. Affiliates that do benefit from contributed materials usually have large, low-cost spaces where materials can be stored for future use. Roanoke and San Antonio are two affiliates that have used warehouse facilities successfully. Even when warehouse space is available, some affiliates prefer not to use donated materials because their quality and quantity vary over time, making it difficult to deliver a consistent housing product. Many affiliates sell donated materials to generate additional cash flow and to offset operating costs.

— **Land and buildings.** Another high development cost item that is often donated is land for development and buildings for rehabilitation. Sometimes these are located in attractive areas that affiliates have targeted for activity, but often they are in neighborhoods that have suffered from years of economic disinvestment. Affiliates that have developed or redeveloped homes in such undesirable neighborhoods have sometimes found it more difficult to attract homebuyers.

- ***Project-Specific Contributions.*** An important component of HFHI's success is project-specific contributions of labor and funds for construction of individual homes. Churches, corporations, academic institutions, and other organizations frequently agree to "sponsor" a home by providing all or most of the money and labor needed to build a single house. Affiliates must then coordinate the construction process and the selection and involvement of a homeowner. Sponsors are a key resource needed to reduce the cost of housing developed by HFHI affiliates. However, in order to keep the overall quality of their housing uniform, affiliates discourage the sponsors of individual houses from contributing too much in the way of luxurious appliances and finishes that are unavailable to other Habitat homeowners.

- ***Individual Volunteers and Workgroups.*** In addition to groups of volunteers provided by project sponsors such as churches and corporations, there are many individuals who volunteer to assist affiliates with construction of houses or with long-term program administration. Some affiliates, instead of incurring costs for permanent staff, use volunteers for administrative positions ranging from executive director to clerical staff and construction supervisor. Affiliates also accept volunteers for periods ranging from a few hours to many months, to build individual homes for which sponsor labor is insufficient. Even when sponsors do provide adequate labor so that additional resources are not necessary, some affiliates use individual volunteers on job sites in order to build long-term relationships and community support. Many volunteers are experienced professionals and craftspeople—retired plumbers, electricians, carpenters, architects, engineers—while others have no prior construction experience and are trained by Habitat.

Large groups of volunteers often help affiliates with short-term projects—especially "blitz building," where an affiliate gears up to build one or more homes within a very short period of time (usually a week). An even more extended commitment is made by large groups of volunteers who travel across the country—especially during summer months—assisting one affiliate after another with housing construction and sharing in the sense of partnership and community engendered by HFHI. Groups of young people also travel to distant locations to build homes for short periods of time. The New River Valley Habitat for Humanity in Virginia has, for example, hosted several youth groups from other states during the summer—providing food and shelter for those willing to help build homes.

- ***Government Funds/Donations.*** As part of the *Affiliate Covenant*, local organizations agree to limit their use of government funds. According to the agreement, "Habitat for Humanity does not seek and will not accept government funds for the construction of houses. Habitat for Humanity welcomes partnership with governments that includes accepting funds to help set the stage for the construction of houses...Setting the stage is interpreted to include land, houses for rehabilitation, infrastructure for streets, utilities and administrative expenses." Numerous affiliates minimize land acquisition costs by purchasing parcels from public entities for very low prices—often one dollar. Most of these low-cost properties are located in urban neighborhoods where private market real estate forces are weak and public entities have become the receiver of property, usually through tax delinquency.

  Some affiliates also use temporary staff that are loaned by federal programs such as AmeriCorps.

HFHI affiliates' heavy reliance on private donations and contributions—whether of labor or materials—has both advantages and disadvantages. On one hand, it allows affiliates to deliver housing at costs well below private-sector market prices and to serve low-income households who have few alternatives for home ownership. On the other hand, it affects the efficiency of the delivery process and the quality of the housing provided. Impacts on Habitat homeowners are diverse. Using contributed materials often means that homes selling for the same price will have widely differing features—from new, top-quality items to reused materials. The volunteer factor is equally problematic. It is difficult to coordinate volunteers to ensure that construction occurs on a reasonable schedule and a home is completed within the anticipated time frame. Also, many volunteers lack construction skills. This can result in poor-quality workmanship that must be redone—causing construction delays. If uncorrected, it can mean maintenance problems down the line for the homeowner.

The use of land donated by private sources and of low-cost land from public agencies also has its pluses and minuses. Using individual land parcels donated by the private sector can mean producing homes in neighborhoods to which it is difficult to attract homebuyers. Or it can result in scattered development that has little impact on the often deteriorating neighborhoods surrounding it. Buyers of these homes are left isolated in neighborhoods that continue to deteriorate. Affiliates that focus their efforts on scattered parcels may miss the opportunity to adequately target neighborhoods where their level of construction activity can have a visible impact, encourage additional investment, and improve neighborhood conditions.

The use of low-cost public land appears to have been more successful. Several affiliates included in this analysis have received large parcels on which they have developed clusters or even subdivisions of Habitat homes. Homeowners in this survey who lived in such areas expressed greater satisfaction with their neighborhoods than those who lived in scattered homes, even when the clusters/subdivisions were surrounded by fairly deteriorated neighborhoods. Apparently, the attractive appearance and perceived safety of even a small enclave can offset the otherwise negative neighborhood conditions.

THE DELIVERY OF AFFORDABLE HOUSING

HFHI's emphasis on creating a partnership with homeowner families and empowering people and communities shapes all aspects of the housing-delivery process from construction and homeowner selection to loan servicing and default counseling. HFHI recommends procedures for implementing this affordable housing program on a day-to-day basis through its *Affiliate Operation Manual*, as well as through ongoing technical assistance and training. However, ultimate decisions regarding policy and procedures are left solely to the discretion of the affiliates. This section discusses approaches used by the 19 affiliates included in this analysis.

Homeowner Selection and Nurturing

Policies and procedures established by affiliates determine the types of households assisted by the program and how their needs are accommodated. Key program components affecting homeowners include the criteria used to define and select eligible households and the procedures used to counsel homeowners regarding their loan repayment obligations and other responsibilities.

Selection of Applicants. The way in which affiliates define eligible families varies substantially from location to location. The materials prepared by many affiliates describing their programs state that they serve "the working poor" or households with very low incomes. Although most of the eligibility criteria are qualitative, some affiliates use very clearly defined income limits to begin defining what terms such as "the working poor" or "low-income family" mean in their communities. For example, Paterson Habitat uses the New Jersey Council on Affordable Housing's "low income" guidelines to determine basic eligibility. Under these guidelines in 1994, a family had to have an annual income of at least $20,500; maximum incomes were 65% of the area median and ranged from $34,190 for a family of three to $50,180 for a family of eight. The New River Valley affiliate in Virginia, as of 1996, used income guidelines that were 25% to 50% of median incomes for the counties in which it operates; thus in Giles County, for example, a family of eight could earn up to $22,050. The San Antonio Habitat follows income guidelines established by HUD. According to San Antonio's *Family Selection Manual*, the maximum income for a family of eight with two wage earners was $29,050 in 1996. Homeowners approved by the District of Columbia Habitat must have incomes between 100% and 200% of federal poverty guidelines. Some affiliates judge applications on a case-by-case basis and it is not clear if they use specific income limits.

Other criteria frequently used by HFHI affiliates include the following:

- ***Need for Shelter.*** Factors used to determine housing need differ among affiliates, but in general they include overcrowding, substandard housing conditions, unsafe or unsanitary neighborhood conditions, and eligibility for conventional or government-assisted mortgage loans. For example, the New River Valley Habitat family selection criteria state that a "family must exhaust all other means of obtaining a mortgage including conventional and/or government-assisted loans." Some affiliates do not accept residents of public housing—believing that this housing provides adequate shelter. However, other affiliates, such as San Antonio, state that "residents of public housing meet our need criteria regardless of the condition of their current housing."

- ***Ability to Pay/Loan Underwriting Criteria.*** To demonstrate their ability to pay, most applicants are required to provide or to authorize the affiliate to obtain documents such as current and past employment verification; credit reports; verification of deposits with financial institutions; verification of public assistance; and personal, employer, and landlord references. For instance, the Jackson affiliate requires that families have a "stable employment record, history of financial responsibility, no current bankruptcies or judgments, and ability to pay $250 down payment without borrowing." Milwaukee Habitat requires that families have a minimum monthly income of $1,000, excluding funds from food stamps and foster parent programs. Similar criteria for selecting homebuyers and underwriting loans are cited by the other 19 affiliates in this analysis, although final determination of an applicant's ability to repay a mortgage is based on case-by-case reviews.

- ***Willingness to Partner with Habitat.*** Most affiliates assess a family's willingness to participate in the homeowner process based on criteria such as the following: completion of some or all required sweat equity hours, attendance at homeowner training classes, attendance at association meetings, participation in the construction of houses of other Habitat homebuyers, honesty on the application, personal references, and good housekeeping in housing occupied at time of application. Most affiliates interview applicants during a visit in their current homes to assess qualitative criteria, such as housekeeping skills and their ability to get along with neighbors, other program participants, and volunteers.

  The sweat equity requirement, an important program component, varies greatly among HFHI affiliates and has changed over time for many. Although the *Affiliate Operation Manual* generally assumes that about 500 hours is appropriate for each family, the number of hours required by affiliates in this analysis ranges from 200 to 500 hours. Families with only one parent are often allowed to devote a smaller number of hours than families with more than one adult in the household; and some affiliates establish specific guidelines for expected and/or approved contributions of hours by various people, including teenage children, extended-family members, and friends. In addition to providing labor that reduces the cost of their own home, homeowners can often reduce their sweat equity commitment by working on other people's houses, in affiliates' offices, or on special projects; taking care of the children of other Habitat owners; devoting hours to other community service projects and programs; and participating in required counseling and training programs.

Some affiliates have additional eligibility criteria, such as San Antonio's requirement that homeowners have at least one child under age 16. Most affiliates give preferences to families, believing that a home will have the greatest long-term impacts on households with children. Sales of homes to single persons are rare. The Jackson Habitat sold one otherwise unmarketable home to a single person.

Homeowner Support. HFHI's mission extends beyond the provision of housing, and "family nurturing" has become a key component of the HFHI program. Board members who are active on "Family Nurture Committees," as well as paid and volunteer staff, are heavily involved in working with families to ensure that they are able to meet the demands of home ownership. Many affiliates provide training, counseling, and one-on-one assistance from a "sponsor" or "advocate" family that works with the HFHI homeowner. Some affiliates direct considerable efforts toward the broader objectives of strengthening Habitat families and helping to break the poverty cycle.

- **Training Programs.** Most affiliates offer training programs to prepare participants for home ownership, while some also address more general social and economic issues. The level of counseling assistance varies dramatically from one affiliate to another. Some—especially smaller affiliates with few staff—have only limited training and counseling programs for homebuyers, while others have very extensive programs. The Fresno Habitat, for example, offers six weeks of training on budgeting and home maintenance, through the local public housing authority's Home Ownership Orientation program. Other affiliates offer at least 10 hours of training on topics such as budgeting, home maintenance, appliance repair, tax preparation, credit improvement, and landscaping. These programs complement on-the-job training that homeowners receive when working on construction sites or other projects to complete sweat equity requirements.

Some but not all affiliates match each homeowner with a sponsor, advocate, or mentor who volunteers to assist the homebuyer with a wide variety of issues and, basically, to become the family's friend. The Sacramento affiliate tries to assign a mentor to each homebuyer to personally work with the family throughout the construction process and well after it has moved into the home. In some affiliates—including the Habitat for Humanity in Lake County, Illinois, which was included in the pretest for this assignment—new Habitat families are assisted by other homebuyers as well as volunteers.

Staff members and volunteers also work with groups of families to form homeowner and/or neighborhood associations that attempt to improve the communities in which Habitat homes are located. In Jacksonville, Florida, affiliate representatives work with these organizations to improve relations with police and to address problems such as crime, inadequate garbage collection, neighborhood disinvestment, and inadequate youth recreational facilities.

- **Loan Servicing.** HFHI's emphasis on family nurturing is clearly evident in the way affiliates handle loan servicing and—in particular—mortgage delinquencies. Many of the affiliates included in this analysis have a substantial number of loans in place that require them to retain an outside servicing organization such as a bank or even an accounting firm to efficiently service the loans. A few of the 19 affiliates contacted continue to collect mortgage payments themselves; however, the majority retain responsibility for counseling delinquent homebuyers and resolving payment problems. Most affiliates have clearly defined policies for handling delinquent mortgage payments. For instance, the policy established by the Roanoke Habitat includes the following:

    - All payments are due on the first day of each month.

    - After the 10th day of the month, payments are "late" and a late fee of 5% of the amount due is added. Homeowners are sent a letter asking for immediate payment.

    - Payments not received by the 15th of the month must be delivered in person to the Habitat office and the homebuyer must work with the affiliate to draw up a family budget to avoid future delinquency.

- Homeowners who are delinquent by as much as 60 days, or who have not demonstrated good faith in keeping their account current, are sent a formal notice that foreclosure proceedings will be initiated—after which no additional payments will be accepted.

- As a condition of remaining in their home, families who are late three or more times in a one-year period are required to meet with a budget counselor once each month until their finances are under control and loan payments are made regularly.

In fact, the 19 affiliates included in this analysis have foreclosed on a combined total of no more than 10 homes. This represents less than 2% of the homes built by the affiliates included in this study. Some affiliates have also repurchased a few homes from families who did not make regular payments. Overall, the experience with serious delinquencies and foreclosures is limited among the affiliates in this analysis, since most of them carefully screen their applicants, require monthly payments that are relatively small (often less than the household's previous rent payments), and work closely with homebuyers to resolve payment problems before they become severe. Although private financial institutions or other companies are usually responsible for recording loan payments and maintaining appropriate records, most affiliates remain heavily involved in the collection process. For delinquent homebuyers, affiliate representatives often work out new lower monthly payment plans by extending the loan amortization period—or they allow families to slightly increase monthly payments temporarily to correct past due accounts.

- **Home Maintenance Assistance.** Other forms of support include assistance with home maintenance problems that could otherwise be costly for homeowners to correct. Affiliates usually try to limit homeowners' reliance on the Habitat staff for maintenance and repairs, but many groups report that owners still come to them for assistance. In some instances homeowners feel that the affiliate is responsible for correcting poor-quality materials or workmanship and incomplete work. In turn, some affiliate staff note that there are homeowners who fail to acknowledge that they had a role in producing the home and should assume responsibility for the work—especially the quality and completion of finishes such as minor painting. Referring to the "tenant mentality" syndrome, some staff say that many homeowners continue to rely on them for repairs and maintenance many years after all rehabilitation or new construction work has been completed, all items on "punch lists" have been addressed, and all problems resulting from inferior materials have been corrected. Homeowners may also ask affiliate staff to require manufacturers to correct problems for equipment and materials that are under warranty, instead of pursuing the corrections themselves.

  In contrast, some affiliates—rather than trying to limit homeowners' reliance on Habitat—believe that homeowners need ongoing assistance with repairs. The Jacksonville affiliate provides a one-year maintenance guarantee on all homes, and after that time it makes construction staff available to provide repairs at low costs—often the price of materials. Other affiliates merely provide homeowners with a list of qualified contractors and repair services with which the affiliate has done business and whose work was acceptable.

A few affiliates, including those in Milwaukee and Jackson, require homeowners to establish escrow accounts to fund needed repairs. Because controversies sometimes arise over control of funds in these accounts and over the authority to use funds for improvements and repairs, some affiliates do not require maintenance escrows. As noted previously, an affiliate in Bend questioned the legality of maintenance escrows and discontinued their use.

Other affiliates provide related forms of ongoing support. For instance, the Roanoke affiliate provides annual home inspections, which are actually mandated in the mortgage agreement. This allows the homeowner and the affiliate to identify maintenance problems and repair needs before they become severe. The Lake County Habitat provides homeowners with standardized letters for use in addressing many problems that may arise. For instance, one letter to service providers such as utility companies states that the homeowner is participating in the Habitat for Humanity program and requests leniency in correcting past-due accounts. Additionally, both the Austin and the Lake County affiliates offer homebuyers free or very low-cost goods and materials such as appliances, plumbing and electrical fixtures, paint, and carpeting that have been donated to the organizations. These goods greatly reduce the homeowner's costs for replacing broken items and maintaining the home.

The Construction Process

Based on the field surveyors' observations as well as homeowners' comments, the quality of most housing produced by HFHI affiliates is very good—especially the quality of new construction. Not surprisingly, the procedures used by affiliates to deliver this housing vary greatly.

For new construction, which represents the majority of the affiliates' housing, some affiliates have very efficient procedures that involve some fabrication of panels and other building components off site. Unlike the "stick construction" techniques used by many affiliates, these methods enable affiliates to better control the quality of housing, to adhere to an established construction schedule, and to limit the amount of theft and vandalism incurred at the construction site. The Milwaukee Habitat, which occupies a former dairy facility, has extensive storage and fabrication space where staff and volunteers can precut most of the lumber required for each home, as well as assemble some easily transportable building components. Components such as walls are also precut and prefabricated by the San Antonio affiliate; according to local staff, such advance preparation enables work crews to complete the construction of a home within 16 to 18 days. Some HFHI affiliates insist, however, that on-site construction of "stick-built" homes can be as efficient as methods that incorporate some prefabricated components. Jacksonville Habitat staff say they can complete a home within five days without using prefabricated parts.

Limited access to capital often constrains efficient and cost-effective new construction activity. For example, staff of the Newark affiliate would like to excavate several basements and lay numerous foundations at one time in order to save time and reduce costs, but the affiliate lacks funds to cover these costs for more than two units at a time.

Delays and problems sometimes result from the use of volunteer labor, even in new construction projects. Many affiliates contract with licensed tradespeople for electrical, plumbing, heating, and air conditioning work. They use specialized firms for work considered dangerous, such as roofing—especially when designs call for steep roofs on multilevel homes. However, the percentage of work contracted to tradespeople is small, and affiliates must coordinate contracted work with that of volunteers.

The scheduling of volunteers offers many challenges. Students from colleges and universities provide a good source of labor (earning college credit for the work), but they are often unavailable during school vacation times. Project sponsors such as churches and corporations may undertake an extensive homebuilding project only to have some of their members/employees lose enthusiasm during the construction process. Tradespeople who volunteer to provide services may discover that they can deliver only when their normal workloads permit. The most challenging aspect of volunteer labor is its unpredictability: typically, affiliates have too few skilled volunteers to complete some projects on time and an excess of unskilled volunteers to complete others—given the limited availability of supervisors, materials, tools, and even work space. One such example occurred in Washington, DC, where the affiliate received donations of steel frames for two homes. Once the project was under way, the affiliate faced the challenge of teaching volunteers the technology of steel framing. These homes took almost two years to deliver and sat unworked on for months at a time until persons with the skills to complete them could be identified and recruited. Such uncertainties tend to compound the normal problems and delays associated with obtaining city permits and approvals.

Rehabilitation adds yet another dimension to the problem of construction delays, since it often involves such difficulties as unanticipated repair needs that become apparent during the construction process. Because of problems such as these, some affiliates take well over a year to build or rehabilitate a single home; on occasion, the process has taken as long as two-and-a-half years. Homebuyers can become frustrated by this experience and a few have reacted negatively to both Habitat and the home ownership experience.

Eliminating such delays is a major focus of several of the affiliates included in the survey. In Jacksonville and Milwaukee, for example, surveyors noted significant efforts to organize the volunteer recruitment process more effectively. Volunteers are required to give firm, specific time commitments, and their skill levels are carefully matched with construction needs and training opportunities.

CHAPTER IV.
HOMEOWNERS' EXPERIENCES WITH HOME OWNERSHIP

The major objectives of this assignment were to examine low-income households' perceptions of home ownership and explore the impacts of ownership on these homebuyers. Because the HFHI program is designed to offer support—both initial and ongoing—to its participants, the experiences of Habitat homebuyers may differ from those of other low-income homebuyers. Habitat affiliates included in this analysis attempt to remove most of the obstacles that homeowners regularly face—not only by minimizing mortgage payments but also by training owners in basic home maintenance and providing additional financial and technical support when homebuyers encounter difficulties. This chapter examines the characteristics and experiences of Habitat homeowners within the context of this unique home-ownership program.

The chapter has several components: a profile of the 95 households interviewed; homeowners' characterizations of and satisfaction with their Habitat homes and neighborhoods as compared with their previous homes and neighborhoods; the relative affordability of Habitat homes; and homeowners' experience with the Habitat program.

BASIC HOMEOWNER PROFILE

Homeowners were asked a series of demographic and economic questions about their household since they became homeowners. The data were used to gain a better understanding of the types of households being served by Habitat. Many questions prompted for differences between household status at the time of their purchase and at the time of the survey. These questions attempt to identify changes in family size, job status, and economic health; the results will help to provide a basis for interpreting households' responses about their homes and neighborhoods, which bear on their expectations of and satisfaction with homeownership. This section of the report is not intended to offer interpretations of household status, but only to provide the factual groundwork for interpreting responses in subsequent sections.

Household Size and Type

The average household size was 4.1 persons at the date of purchase and 4.0 persons at the time of the survey. Specifically, 19% of households lost members, 69% stayed the same size, and 12% of households gained members. The majority of households interviewed were families with children—both at the time of purchasing their home (95%) and at the time of the being surveyed (84%). The 95 Habitat homeowners interviewed had an average of 1.5 children below 18 years of age; 14% were age five and under, 33% were age 5 to 10, and over half (53%) were age 11 to 17.

As can be seen in Exhibit IV-1, two-parent families were slightly more prevalent than single-parent families, at the time of both purchase and survey.

EXHIBIT IV-1
SUMMARY OF HOUSEHOLD TYPES (N=95)

	At Purchase		At Survey	
	Number	**Percent**	**Number**	**Percent**
One-Parent:	39	42%	38	40%
With children	38		31	
Without children	1		7	
Two-Parent:	54	58%	57	60%
With children	50		49	
Without children	4		8	
All Households:	93	100%	95	100%
With children	88	*95%*	80	*84%*
Without children	5	*5%*	15	*16%*
No Response	*2*			

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Many of the children that were junior high and high-school age at the time of purchase have since turned 18. It is estimated that at move-in about one in five children living at home were over 17 years of age; at the time of survey, approximately two in five children at home were over 17 years of age.

Households with no children living in the home either were childless or had children who were grown and had moved out of the home. The share of households with no children was much larger at the time of survey than at the time of purchase; this is attributable to the maturation of the families, with children moving out to go off to school and/or into homes of their own.

Racial/Ethnic and Primary Language Characteristics

The homeowners interviewed represented three racial groups: white, black and Asian/Pacific Islander. As can be seen in Exhibit IV-2, African Americans comprised 63% of the respondent base, whites comprised 34%, and Asians comprised 3%. Approximately 14% of respondents were Hispanic. Approximately two of the 95 households interviewed were racially mixed.

The primary language spoken at most homes is English (96%), although various other secondary languages are used in some households; 3% rely primarily on Spanish and 1% rely on Laotian. Twenty-five families were represented by two respondents during the interview—typically a husband and wife. In a few cases, the second respondent was another family member (sister, brother, adult child) who spoke English more fluently or who had been directly involved with the financial planning of the Habitat home. These secondary respondents in all cases reflected the overall racial and ethnic composition of the group as a whole.

Education

Homeowners were asked the highest level of education attained by the adults living in the home. Only 18% did not graduate from high school. Of the 77 that graduated from high-school, 33 had continued their education by pursuing some course work at the college level, 11 had achieved an Associate level degree (or the equivalent), nine had achieved a Bachelor's degree, and one had attained a graduate degree (see Exhibit IV-3).

EXHIBIT IV-2
SUMMARY OF RACIAL/ETHNIC AND LANGUAGE CHARACTERISTICS

	NUMBER	PERCENT
RACIAL GROUP (N=94)		
Black	59	63%
White	32	34%
Asian/Pacific Islander	3	3%
Not Apparent	*1*	
ETHNIC GROUP (N=94)		
Hispanic	13	14%
Non-Hispanic	81	86%
Not Apparent	*1*	
Primary Language (N=95)		
English	91	96%
Spanish	3	3%
Laotian	1	1%

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

EXHIBIT IV-3
HIGHEST EDUCATION LEVEL ATTAINED BY AN ADULT IN THE HOUSEHOLD (N=94)

	NUMBER	PERCENT
Below High School	17	18%
High School Graduate	23	24%
Some College Course Work	33	36%
Associates' Degree or Equivalent	11	12%
Bachelors' Degree	9	9%
Graduate Degree	1	1%
No response	*1*	

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Employment

As presented in Exhibit IV-4, the majority of households (91%) had at least one employed member. Of those employed, 67 had an adult that was working full-time. In the cases where respondents indicated only part-time employment, either multiple family members (that were working part-time) contributed to the household income or one household member held more than one part-time job. Nine households were unemployed at the time of survey: six were actively seeking jobs, two were retired and one was disabled.

Per Exhibit IV-5, of the 86 households that were employed, an overwhelming majority (79%) had job tenure of over two years at their current job. In addition, of the six unemployed households that considered themselves in the labor force, two had been seeking employment for less than a month, two had been seeking employment for between one and four months, and two had been seeking employment for over four months.

EXHIBIT IV-4
SUMMARY OF EMPLOYMENT STATUS AT THE TIME OF SURVEY (N=95)

	NUMBER	PERCENT
Employed	86	91%
Full-Time	67	
Part-Time	19	
Unemployed	9	9%
Seeking Employment	6	
Retired	2	
Disabled	2	

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Homeowners are employed in a fairly wide variety of industries; however, the "service" category, including health and educational services, encompasses the largest share (37%) of homeowners' jobs. Interviewees represent all occupational categories, but are primarily concentrated in five areas: service (21%); executive, administrative and managerial (13%); handlers, equipment cleaners, helpers and laborers (13%); administrative support (11%); and, professional specialty (10%).

Travel time to work for the majority of homeowners (63%) is less than 20 minutes. The numbers taper off in the categories between 20 and 45 minutes. Travel time to work exceeded 45 minutes for only 9% of the employed homeowners; the longer commutes tend to be in the large urban areas, where congestion slows traffic.

EXHIBIT IV-5
SUMMARY OF LENGTH OF EMPLOYMENT/UNEMPLOYMENT

	NUMBER	PERCENT
LENGTH OF EMPLOYMENT (N=86)		
Less than 6 months	5	6%
6 - 12 months	7	8%
13 - 24	6	7%
More than 24 months	68	79%
N/A	*9*	
LENGTH OF UNEMPLOYMENT (N=6)		
0 - 2 weeks	0	0%
3 - 4 weeks	2	33%
5 - 8 weeks	1	17%
9 - 12 weeks	0	0%
13 - 20 weeks	1	17%
More than 20 weeks	2	33%
N/A	*89*	

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Income

The majority (62 households, or 69%) reported increased earnings over the time in which they had purchased. Another 20% reported static earnings. Only 10 homeowners, or 11%, reported a decline in earnings since purchase; they included several households with adults that have left their jobs and returned to school, several households that have fewer earners because of divorce, one household that is temporarily reliant upon worker's compensation, and one household that is temporarily unemployed. Results of the income survey are captured in Exhibit IV-6.

Because surveyed households purchased over a period of 10+ years, it was not always possible to determine the average household income at the time of purchase; instead, figures in Exhibit IV-6 reflect incomes at the time of the survey. In addition, income characterizations by HUD medians (into very-low-income, low-income, and above-low-income categories) at the time of homeowners' purchases were not readily unattainable for all areas during the wide time span over which households had purchased.

At the time of survey, the earnings[1] of Habitat households averaged $24,251 per year. Incomes of the 90 households that provided income data[2] were matched against their respective area's 1997 HUD median household incomes (adjusted for appropriate household size). This comparison, presented on Exhibit IV-6, shows that over three-quarters of households fell into low- and very-low-income categories: 43% earned less than 50% of their area's median income, constituting very-low-income status; 34% earned between 50% and 80% of their area's median income, constituting low-income status; and 23% earned over 80% of their area's median income.

Racial, ethnic, and household size characteristics were also analyzed by income categories. (See Exhibit IV-7.) There were differences between incomes in black, white and Asian households: on average, black households earned approximately 10% more than white and about 18% more than Asian households. Approximately 48% of the white households had very low incomes, compared to 34% of black households. Similarly, there were striking differences between Hispanic and non-Hispanic incomes; Hispanic households earned approximately 17% more than non-Hispanic households.

Income categories as defined by HUD medians were also applied to household sizes (at the time of survey). Incomes generally rose with larger household size; however, once families exceeded six or more members, household incomes dropped precipitously. As a result of less income being spread over more household members, approximately 62% of households that contain six or more persons fall into the very-low-income category.

[1] Includes wage and salary income and non-wage and salary income.

[2] Five households refused to provide earnings figures.

EXHIBIT IV-6
INCOME DISTRIBUTION* OF HOMEOWNERS AT THE TIME OF SURVEY

	(N=39) VERY-LOW-INCOME	(N=30) LOW-INCOME	(N=21) ABOVE-LOW-INCOME	(N=90) TOTAL	PERCENT
Less than $5,000	4	---	---	4	4%
$5,000-$9,999	5	---	---	5	6%
$10,000-$14,999	7	1	---	8	9%
$15,000-$19,999	11	7	--	18	20%
$20,000-$24,999	10	8	1	19	21%
$25,000-$29,999	2	8	3	13	14%
$30,000-$34,999	---	3	3	6	7%
$35,000-$39,999	---	3	2	5	6%
$40,000-$44,999	---	---	---	0	0%
$45,000-$49,999	---	---	11	11	12%
$50,000 and Above	---	---	1	1	1%
Total	39	30	21	90	100%
% Represented by Income Category	43%	34%	23%		
Mean	$15,435	$24,620	$40,096	$24,251	
Median	$17,000	$23,975	$46,500	$21,480	
No Response				*5*	

* Very-low-income includes households earning less than 50% of their respective area's median; low-income includes households earning between 50% of 80% of their respective area's median; and above- low-income includes households earning above 80% of their respective area's median.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

EXHIBIT IV-7
DEMOGRAPHIC CHARACTERISTICS BY 1997 INCOME CATEGORY *

	VERY-LOW-INCOME	LOW-INCOME	ABOVE-LOW-INCOME	TOTAL	%	MEAN	MEDIAN
Racial (N=89)							
White	16	7	8	31	34%	$22,854	$20,000
Black	20	22	13	55	63%	$25,251	$22,230
Asian	2	1	---	3	3%	$21,433	$23,970
Total	38	30	21	89	100%	$24,251	$21,480
Not Apparent				*1*			
No Response				*5*			
Ethnic (N=89)							
Hispanic	4	4	4	12	13%	$29,543	$24,485
Non-Hispanic	34	26	17	77	87%	$25,251	$22,230
Total	38	30	21	89	100%	$24,251	$21,480
Not Apparent				*1*			
No Response				*5*			
Household Size (N=90)							
1 Person	2	---	1	3	3%	$18,167	$7,500
2 Person	4	4	2	10	11%	$13,968	$16,000
3 Person	12	4	5	21	23%	$22,245	$19,500
4 Person	9	13	4	26	29%	$23,302	$21,480
5 Person	4	6	7	17	19%	$33,763	$33,980
6 +Person	8	3	2	13	14%	$24,053	$21,480
Total	39	30	21	90	100%	$24,251	$21,480
No Response				*5*			

* Very-low-income includes households earning less than 50% of their respective area's median; low-income includes households earning between 50% of 80% of their respective area's median; and above- low-income includes households earning above 80% of their respective area's median.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Sources of Income

Households receive income from both jobs and from other (non-salary) sources. As Exhibit IV-8 shows, most households rely solely on salaried income.

Exhibit IV-8
Sources of Income at the Time of Survey (N=90)

	Number	Percent	Average
Salary Only	56	62%	$26,865
Salary and Other Income	26	29%	$23,589
Other Income Only	8	9%	$8,109
Total	90	100%	$24,251
N/A	*5*		

Source: Surveys conducted by Applied Real Estate Analysis, Inc.

Of the 90 households willing to report their incomes, 56, or 62%, rely on salary income as their only means of support; their incomes averaged $26,865. Of these households, 41% earned less than 50% of their area's median, 30% earned between 50% and 80% of median, and 29% earned above 80% of median.

Approximately 26 households, or 29% of those that reported their income, receive other (non-salary) income as a supplement to their salaried income. Their incomes averaged $23,589 ($18,801 from their salaries and $4,788 from other sources), which is slightly lower than for those households relying on salaries alone. Including both salaried and other income, 35% earned less than 50% of their area's median, 46% earned between 50% and 80% of median, and 19% earned above 80% of median.

Only eight households, or 9% of those that reported their income, receive only non-salary income. These households' incomes were very low. They averaged $8,109, with seven out of the eight earning less than 50% of their area's median and the eighth earning between 50% and 80% of median.

Of the five households that refused to provide income data, two were receiving only salaried income, two were receiving both wage and non-wage income, and one was receiving only non-wage income.

The 34 households receiving "other" (non-salary) income were asked about their sources. As presented in Exhibit IV-9, several reported income from more than one source at the time of survey. The most frequently cited sources were social security pay (representing 43% of responses) and non-custodial parent child support (representing 38% of responses).

EXHIBIT IV-9
SOURCES OF "OTHER" INCOME AT THE TIME OF SURVEY (N=37)

	NUMBER	PERCENT
SSI/SSDI	16	43%
Child Support	14	38%
Foster Care, Military, Student Loans, Vista Grant, Welfare/AFDC	5	13%
Retirement	1	3%
Unemployment	1	3%

NOTE: Does not include households reliant upon salary income only. Three of the 34 respondents received more than one kind of "other" income.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Previous Tenure

The typical household interviewed had never owned a home before purchasing through Habitat. Of the 94 households interviewed about their previous home,[3] 81 respondents (or 85%) had been renting. Of those renters, 15% moved into their Habitat home from public housing; another 17% moved from some other form of governmentally assisted housing. Only five of the households surveyed had owned their previous home. Another minority share, eight respondents, reported having lived with relatives before purchasing through Habitat.

Among the households interviewed, tenure at the previous residence was surprisingly long. The average length of residency was 6.8 years, which represents an annual turnover rate of 14.7%. The average length of residency varied across tenure groups: while renters had been in their homes an average of 6.2 years, owners averaged 10.6 years.

[3] One household that was interviewed was homeless before buying a Habitat home.

COMPARISON OF PREVIOUS HOME AND HABITAT HOME

Each household was asked a parallel set of questions about their previous residence and their current Habitat home in order to identify the differences in their physical living conditions before and since having moved into their Habitat homes. It was important to gain a thorough understanding of the housing that Habitat is delivering, since satisfaction with their own homes is a key determinant of homeowners' feelings about home ownership. The average length of residency for homeowners interviewed was six years—long enough for respondents to develop realistic assessments of their homes.

The attributes explored included housing and construction type, number of bedrooms and bathrooms, adequacy of space, and condition and quality of housing. Data presented in the previous section about household size, previous tenure, and length of residency are utilized in this section as a contextual framework for understanding the homeowners' responses in relation to space, quality, and condition of their homes and are interwoven throughout this section to supplement quantitative findings gathered during individual interviews.

Summary of Findings

For the majority of households interviewed, their Habitat home represented a great improvement in both space and physical living conditions from their previous residence. In addition to providing the vast majority with the opportunity to purchase their first home, Habitat is clearly improving households' physical living conditions. Overall, 98% of respondents moved into Habitat homes that offered the same or more space relative to their previous home. For an equal percentage the condition of their Habitat housing was also the same or better than their previous home. The following are specific summary comparisons between respondents' Habitat homes and their previous homes:

- 99% moved into housing of the same or lower density[4]
- 97% moved into homes with the same number or fewer occupants per bedroom
- 86% moved into homes with the same or a larger number of bedrooms
- 87% moved into homes with the same or a larger number of bathrooms

[4]Housing density refers to the number of dwelling units per acre associated with various housing types, such as single-family homes, townhouses, and multistory-apartment buildings.

Building and Unit Characteristics

The typical Habitat household interviewed was residing in a single-family detached, frame home with aluminum siding. Twelve of the 95 Habitat households lived in attached homes[5]—typically within geographic areas where rapidly rising land costs had driven the local Habitat affiliate to explore attached housing. A few cases represented rehabilitation (as opposed to new construction) of attached units by the local affiliate.

Exhibit IV-10 shows that the number of Habitat households living in single-family detached homes is almost twice the share that lived in single-family detached homes prior to acquiring their Habitat home. When analyzed on a case-by-case basis, the data show that all but one household moved into either the same product type—from a single-family detached home into another single-family detached home—or into a lower-density housing type—from a multifamily unit into a townhome, or from a townhome into a single-family detached house. The only exception to this occurred in the case of a household that moved from a single-family detached home into a duplex; however, in this particular situation, the household had been living with their parents in a single-family detached home prior to moving into their Habitat duplex.

Single-family detached homes are a less common type of housing (relative to attached homes) among renters. Thus, the sample's high incidence of single-family detached rentals (38 of the 42 single-family detached homes that were previously occupied by Habitat households had been rented) probably reflects Habitat's bias for selecting family households.

Site visits were conducted at 19 (one per affiliate) of the homes where Habitat families were interviewed. While involving only a small subsample of the total interviews, the data provide a useful supplement about the product Habitat is delivering, which affects homeowners' general satisfaction or dissatisfaction with Habitat homes. Consistent with building characteristics for the entire sample, 16 of the 19 homes in which site visits were conducted (84%) were new single-family construction; two were duplexes (new construction) and one was a condominium (rehab). All of the site visit homes were of frame construction.

As shown on the graph on Exhibit IV-11, window screens, ceiling fans, and fenced-in yards were provided in the majority of homes. Less typical were garages or carports, separate dining rooms, storm windows, basements, separate entry foyers, walk-in closets, and central air conditioning.

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[5]Includes duplexes, tri-plexes, four-plexes, and townhouses.

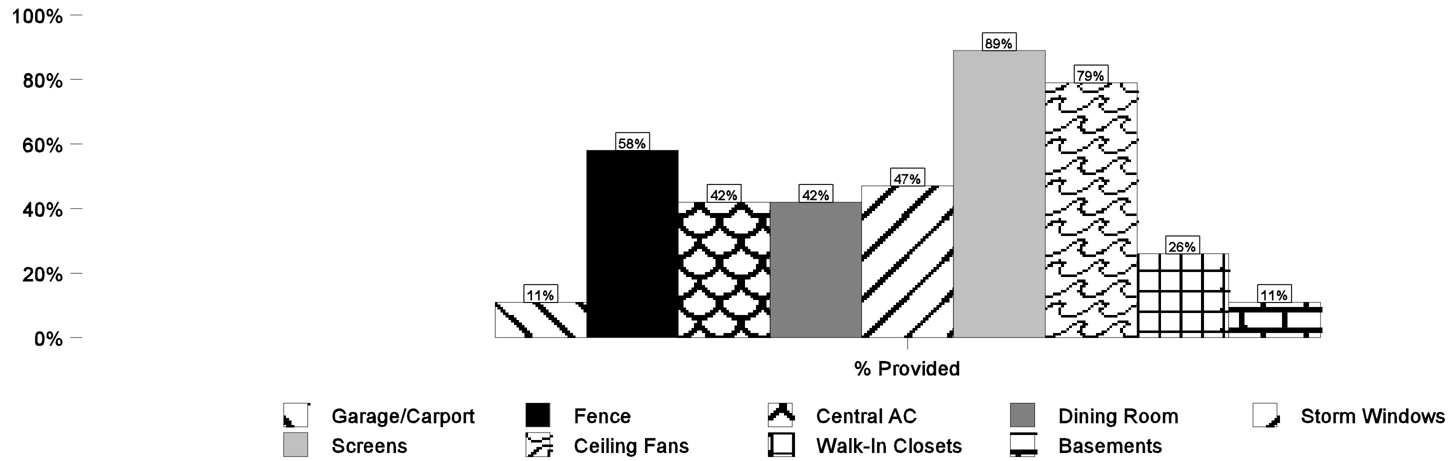
EXHIBIT IV-10
BUILDING CHARACTERISTICS

TYPE OF STRUCTURE	(N=94) PREVIOUS HOME NUMBER	(N=94) PREVIOUS HOME PERCENT	(N=95) HABITAT HOME NUMBER	(N=95) HABITAT HOME PERCENT
Single-Family Detached	42	45%	83	87%
Duplex/Townhouse/Rowhouse	24	25%	10	11%
Multifamily (3-6 units)	10	11%	2	2%
Multifamily (7-12 units)	3	3%	0	0%
Multifamily (13 or more Units)	12	12%	0	0%
Other—Mobile Home	3	3%	0	0%
N/A	*1*			

TYPE OF CONSTRUCTION	(N=94) PREVIOUS HOME NUMBER	(N=94) PREVIOUS HOME PERCENT	(N=95) HABITAT HOME NUMBER	(N=95) HABITAT HOME PERCENT
Frame (siding)	60	64%	90	95%
Frame (stucco)	2	2%	2	2%
Masonry	27	29%	2	2%
Mixed	2	2%	1	1%
Other—Metal Sheeting	3	3%	0	0%
N/A	*1*			

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

EXHIBIT IV-11
FEATURES PROVIDED IN HABITAT HOMES
WHERE SITE VISITS WERE CONDUCTED



SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Exhibit IV-12 shows the most common kitchen appliances noted in the site-visit sample and identifies which appliances were included by Habitat at purchase. In a majority of homes, the refrigerators, ovens, and stoves were provided by Habitat at move-in; in all cases where these appliances were not supplied by Habitat, they were purchased by the homeowners. Dishwashers and garbage disposals were seldom supplied by Habitat; in some cases homeowners had actually purchased dishwashers themselves, but in most cases the homes remained without them. Similarly, the majority of homes did not have garbage disposals.

EXHIBIT IV-12
APPLIANCES IN SITE-VISIT LOCATIONS (N=19)

	PROVIDED BY HABITAT	PURCHASED BY HOMEOWNER	NOT IN THE HOME
Stove and Oven	74%	26%	0%
Refrigerator	53%	47%	0%
Dishwasher	5%	16%	79%
Garbage Disposal	11%	0%	89%

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

In over 75% of cases, refrigerators were frost-free, ovens were self-cleaning, and stoves had exhaust fans. All but one homeowner had been provided with carpeting in the living area and bedrooms. Linoleum was standard in kitchens and bathrooms. Gas heat was more prevalent than electric heat. Wood cabinets were more common than plastic or laminate.

Number of Bedrooms and Bathrooms

The typical Habitat homeowner interviewed lived in a three-bedroom home with one or one-and-a-half bathrooms. As can be seen in Exhibit VI-13, 90% of Habitat homes had three or more bedrooms.

EXHIBIT IV-13
UNIT CHARACTERISTICS

	(N=94) PREVIOUS HOME		(N=95) HABITAT HOME	
	NUMBER	PERCENT	NUMBER	PERCENT
One-Bedroom				
One Bath	11	12%	1	1%
One and a Half Bath	0	0%	0	0%
Two Bath	0	0%	0	0%
Two-Bedroom				
One Bath	36	39%	8	8%
One and a Half Bath	2	2%	1	1%
Two Bath	1	1%	0	0%
Three-Bedroom				
One Bath	24	26%	35	37%
One and a Half Bath	2	2%	16	17%
Two Bath	4	4%	5	5%
Four-Bedroom				
One Bath	4	4%	7	7%
One and a Half Bath	3	3%	9	10%
Two Bath	2	2%	9	10%
Two and a Half Bath	0	0%	1	1%
Five-Bedroom				
One Bath	1	1%	0	0%
One and a Half Bath	1	1%	0	0%
Two Bath	3	3%	3	3%
N/A	*1*			

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Habitat homeowners' previous homes usually had fewer bedrooms (two were most common) and one bath. Specifically, only 46% of the respondents' prior homes had three or more bedrooms compared with 90% of the Habitat homes.

Analysis of each household's experience individually (Exhibit IV-14) shows that Habitat homes provided the same number or additional bedrooms and bathrooms for more than 85% of respondents. The minority of households for which the number of bedrooms and bathrooms decreased represent either households that had resided in their parents' larger homes or households that had owned or rented larger homes that were in significant disrepair.

EXHIBIT IV-14
COMPARATIVE BEDROOM AND BATHROOM ANALYSIS

	(N=94) BEDROOMS		(N=94) BATHROOMS	
	NUMBER	**PERCENT**	**NUMBER**	**PERCENT**
Fewer than in Previous Residence	14	15%	12	13%
Same as in Previous Residence	23	25%	44	47%
More than in Previous Residence	57	61%	38	41%
N/A	*1*		*1*	

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Average Occupancy by Bedroom

Overcrowding is an important consideration in Habitat's assessment of a household's need. Average bedroom occupancy was analyzed as an indicator of overcrowding. When considered by category (Exhibit IV-15), the estimated average bedroom occupancy in the surveyed Habitat homes ranges between 1.0 and 1.4 per bedroom. Overall, the average is 1.3 persons per bedroom.

In respondents' prior residences, average bedroom occupancy ranged between 1.1 and 3.6 persons per bedroom, for an overall average of 1.9 persons per bedroom. For prior residences that contained only one bedroom, average occupancy far exceeded the 2.0-persons-per-bedroom guideline set forth in many federal housing programs.

EXHIBIT IV-15
AVERAGE OCCUPANCY BY BEDROOM

	(N=94) PREVIOUS HOME	(N=95) HABITAT HOME
One-Bedroom Units	3.6	1.0
Two-Bedroom Units	1.9	1.2
Three-Bedroom Units	1.5	1.2
Four-or-More-Bedroom Units	1.1	1.4
All Units	1.9	1.3

NOTE: Only 94 respondents had a house prior to their Habitat home; one household was homeless.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

A comparison of Habitat owners' individual responses with regard to their previous versus current homes shows that occupancy in the Habitat home is the same or lower than in the previous residence for over 97% of respondents. The small number of households for which occupancy increased were either households that resided in their parents' larger homes or households that owned or rented larger homes that were in significant disrepair.

Rating Adequacy of Space

Respondents were specifically asked to rate their level of satisfaction with the overall size of their previous residence, the adequacy of its storage space, and the size of its bedrooms. Homeowners' satisfaction with the additional space was evident; 87% of residents rated the overall size of their homes as adequate and 1% considered them more than adequate. Only 12% considered their Habitat home too small. A review of the individual cases that commented they had too little space at the time of survey revealed that several families had grown since having moved into their Habitat homes and that other households had moved from homes with more space than their Habitat homes to purchase either a smaller home in sound condition or to move out of parents' homes.

The amount of storage and bedroom size were also considered adequate or more than adequate by a majority of respondents; however, as presented in Exhibit IV-16, storage space and bedroom size were considered inadequate by a notable share of respondents (36% and 23%, respectively). When reviewed on an individual case basis, those that considered the amount of storage or the size of the bedrooms inadequate could not be as readily classified as above—by homeowners whose families had grown or whose number of bedrooms had decreased. However, it is noteworthy that homeowners that had been provided with outdoor sheds were generally satisfied with the amount of storage in their Habitat homes. In addition, the half of respondents who considered the size of the bedrooms too small had actually gained additional bedrooms in the move to their Habitat home and had not experienced corresponding increases in the number of residents.

EXHIBIT IV-16
RATINGS ON ADEQUACY OF SPACE (SQUARE FOOTAGE)

	(N=94) PREVIOUS HOME	(N=95) HABITAT HOME
Overall Size		
Too Large	0%	1%
Adequate Size	37%	87%
Too Small	63%	12%
Amount of Storage		
Too Large	0%	2%
Adequate Size	33%	62%
Too Small	67%	36%
Bedroom Size		
Too Large	0%	1%
Adequate Size	45%	76%
Too Small	55%	23%

NOTE: Only 94 respondents had a house prior to their Habitat home; one household was homeless.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Respondents were asked to rate their previous residences against the same criteria. Given the high bedroom occupancy figures at respondents' prior residences (particularly in the one- and two-bedroom units), it is not surprising that the majority of homeowners (over half) rated the space in their prior residences as inadequate on all three counts—overall space, amount of storage, and bedroom size. No one considered the prior amount of space as more than adequate.

Interviews and focus group discussions revealed several ways that a lack of space was affecting families in their prior residences. Respondents said that their children had been sleeping on the floor or on living-room couches because of a lack of beds and bedrooms. Households repeatedly reported being unable to accommodate overnight friends and relatives because of a lack of space. Lastly, households' inability at their previous residence to move aging parents in with them because of tight quarters commonly concerned them.

Condition and Quality Assessments

The physical condition of an applicant's housing is also an important consideration in Habitat's assessment of need. Respondents were asked to rate both the general condition of their previous residence and the quality of the home's interior finishes. Per Exhibit IV-17, over 95% of respondents gave their Habitat homes a general condition rating of 1, 2, or 3—the equivalent of an average or above-average rating. The two homes rated below-average suffered from cracked foundation and leaking problems. In one of the two cases, the home's foundation had cracked twice; the home had reportedly been constructed on donated land whose prior use was a landfill. Site-visit findings corroborate homeowners' assessments of the general quality of the homes: 17 of the 19 homes were rated average or above-average and two were rated below-average. One of two rated below- average was one of the homes with the cracked foundation discussed above.

As in the general ratings, approximately 99% of respondents rated the quality of the finishes in their Habitat homes 1, 2, or 3—the equivalent of an average or above-average rating. The single household that rated the quality of interior finishes below-average had experienced repeated failure in their heating system as well as unevenly hung kitchen cabinets.

Exhibit IV-17
Condition Rating

	(N=94) Previous Home	(N=95) Habitat Home
General		
1 (sound)	17%	63%
2 (cosmetic maintenance needed)	26%	28%
3 (minor repairs needed)	22%	7%
4 (major repairs needed)	17%	1%
5 (dilapidated)	18%	1%

	(N=94) Previous Home	(N=95) Habitat Home
Interior Finishes		
1 (sound)	11%	62%
2 (cosmetic maintenance needed)	29%	27%
3 (minor repairs needed)	21%	10%
4 (major repairs needed)	17%	0%
5 (dilapidated)	22%	1%

NOTE: Only 94 respondents had a house prior to their Habitat home; one household was homeless.

Source: Surveys conducted by Applied Real Estate Analysis, Inc.

Respondents used the same rating scale as used for the Habitat residence to assess the general condition of their previous residences and the quality of the home's interior finishes. In most cases, the Habitat ratings indicated an improvement over their previous home: 40% of respondents gave their prior homes a rating of 1 or 2—the equivalent of an above-average rating—versus 91% of the respondents who rated their Habitat home this high. Another 20%+ gave their previous home a 3, or average rating, versus 7% who rated their Habitat home at this level. Over 40% gave their prior homes a below-average rating of 4 or 5, compared to only 2% of respondents who rated their Habitat home this low.

Interviews and focus-group discussions revealed the extent to which deteriorating conditions had affected families in their prior residences. Some respondents reported having been so embarrassed over poor housing conditions—leaks, bug infestation, broken plumbing, and the like—that they seldom had visitors in their home.

COMPARISON OF PREVIOUS NEIGHBORHOOD AND HABITAT NEIGHBORHOOD

Each household that relocated was asked a parallel set of questions about their previous neighborhood and their current Habitat neighborhood in order to identify differences in their physical living environments before and since having moved into their Habitat neighborhoods. Homeowners' responses were used to help surveyors understand the types of neighborhoods in which Habitat is delivering homes, because homeowners' satisfaction with home ownership is strongly influenced by both home and neighborhood attributes.

The issues explored included questions on location, appearance and convenience, safety/crime, racial/ethnic character of the neighborhoods, access to schools, services, and employment, and overall satisfaction. Data presented in the "Household Profile" section of Chapter IV about race and ethnicity is utilized in this section as a contextual framework for understanding homeowners' responses.

Windshield "surveys" were conducted in 19 Habitat neighborhoods, one per affiliate location. These tours contributed further to surveyors' understanding of the neighborhoods in which Habitat is building. The features noted included age and mix of structures, family composition, racial and ethnic character, convenience, and condition. While these observations represent only a small subsample of the total data collected, they provide a useful supplement to homeowners' assessments of their Habitat neighborhoods. Data collected during windshield surveys and focus-group discussions are interwoven as deemed relevant or as an insightful supplement to quantitative findings gathered during individual interviews.

Summary of Findings

Over 80% of the households interviewed (77 respondents) had changed neighborhoods to become Habitat homeowners.[6] Most had relocated from other neighborhoods within the city limits and some had moved from another town or city. The average distance that a homeowner moved was between one and five miles.

Habitat neighborhoods could be characterized as predominantly residential, with most of the structures having been built since the 1960s. The exceptions were several affiliates located in older northern and midwestern cities. A majority of households in the Habitat neighborhoods were families, a majority were African American, and a majority were non-Hispanic. A majority of households considered their Habitat neighborhoods conveniently located, well served by neighborhood and city services, and as reasonably good environments in which to raise children.

In general, households were more satisfied with their Habitat neighborhood than with their previous neighborhood. They believed their neighborhoods were better located with respect to proximity to employment, schools, and shopping. In addition, they believed that they received better neighborhood services and that their streets were better maintained.

During in-person interviews, homeowners were generally hesitant to offer quantifiable negatives about their living environments. They were more forthcoming in group settings and in open discussion. However, the few concerns that consistently arose in focus groups were echoed in homeowners' responses to certain questions about their Habitat neighborhoods. The largest concern, and one that actually bore out quantitatively, was the sentiment that their Habitat neighborhoods, while generally safe, were less safe than homeowners' previous neighborhoods. A notable share of interviewees admitted that they considered their Habitat neighborhoods unsafe and as fair to poor environments for raising children. In addition, homeowners tended to be less satisfied with the visual upkeep and maintenance of surrounding owners' properties in their Habitat neighborhood than they had been in their previous neighborhood.

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[6] The responses for all 95 homeowners are included in the presentation of frequencies of responses for both previous neighborhoods and Habitat neighborhoods; however, it should also be noted that only the 77 homeowners that actually changed neighborhoods when they moved into their Habitat homes are included in cross-tab comparisons.

One very positive factor currently mitigating homeowners' safety concerns appears to be Habitat's more recent pattern of developing either several houses along one street or entire streets of Habitat homes. In certain cases, where Habitat has developed a critical mass of homes in deteriorating neighborhoods, homeowners believe it has brought improvement beyond the boundaries of Habitat development. They credit Habitat with having changed the whole neighborhood and with having reclaimed it as a safe and desirable place to live.

The concept of clustering development engendered some accompanying concerns about lack of infrastructure (paved driveways, paved streets, and sidewalks that in some cases have not been provided by Habitat). As Habitat affiliates increasingly cluster their development and deliver entire subdivisions, such issues are likely to arise with more frequency. In some areas, infrastructure grants of HUD funds (offered through Habitat's national office) and state and local infrastructure funds are providing the necessary source of funds to support the increased infrastructure costs. But in others, especially in the case of small affiliates, the paperwork requirements and auditing costs to attain these funds may be prohibitive. These groups may have land available for larger development, but they face real challenges in funding the infrastructure costs associated with development on a larger scale.

Neighborhood Demographics

Supplemental demographic, economic, and housing data were collected on the neighborhoods for which the windshield surveys were conducted and also on the larger area surrounding each neighborhood. The data were used as a way of objectively supplementing the consultants' understanding of the neighborhoods in which homeowners interviewed were living. Comparison of the 19 Habitat neighborhoods with the larger areas in which they were located revealed that the neighborhoods in which Habitat was building generally had:

- Larger household sizes
- Lower shares of white residents
- Higher shares of African American residents
- Higher numbers of school-aged children
- Lower shares of white-collar jobs
- Higher shares of blue-collar jobs
- Lower household incomes
- Lower shares of owner-occupied houses
- Higher shares of renter-occupied houses
- Lower housing values and rents

A detailed characterization of the 19 neighborhoods and their respective larger areas is presented in Appendix A.

Patterns of Development

Habitat homes were built in three types of neighborhood settings:

- Individual scattered lots—areas where there are no other Habitat homes on the homeowner's street
- Habitat clusters—areas where the homeowner's block includes other Habitat households but is not exclusively developed with Habitat homes
- Habitat subdivisions—areas where the homeowner is surrounded on the street only by homes built by Habitat.

Based on these delineations, per Exhibit IV-18, the majority (64%) of homeowners, homes were clustered. Far fewer homes were scattered (23%) or located in Habitat subdivisions (13%).

EXHIBIT IV-18
HABITAT "CLUSTERING" (N=95)

	NUMBER	PERCENT
Scattered Sites	22	23%
Habitat Clusters	61	64%
Habitat Subdivisions	12	13%

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

While quantitative analysis on the effects that these three development scenarios have on homeowners does not elicit meaningful conclusions, qualitative findings from interviews and focus groups suggest that Habitat's strategy of building in clusters and subdivisions has had a very positive impact on homeowners' neighborhood experiences. This is most evident in "difficult" neighborhoods—those characterized by general disinvestment and, frequently, by the incidence of illegal activity on adjoining streets. In these areas, homeowners cite an increased sense of security in being next to other Habitat homeowners. A number of respondents actually qualified their "positive" responses about their neighborhood by specifying that they felt safe, or safer (in an area where they otherwise would have felt unsafe) because other Habitat homeowners were living on their street. The following comments are typical:

> Clustering makes [the neighborhood] a lot safer. We look out for each others' homes and kids.
>
> [This area] has always been considered a rough area, with drug dealing and all, until Habitat homeowners moved in....I love the "cluster" idea.
>
> This area's not so bad anymore. We're [Habitat homeowners] putting pressure on the slumlords and drug dealers.
>
> I would not have moved here when Habitat first came in. But now look at it. It's safe and beautiful.
>
> [Habitat] offered me a home [in that neighborhood] and I didn't take it. But now I would because [Habitat's] made the neighborhood nice.
>
> Most people wouldn't live in [this neighborhood], but I don't mind [it]. It was really bad before [Habitat].
>
> Habitat continues to build more houses in this neighborhood and is turning it around.

Scattered-site owners tell a different story:

> I live in a rough area, where there are no other [Habitat] homeowners, and I've had lots of problems with break-ins.
>
> I love my house but I hate the neighborhood. I'd like to pick up my house and move it to the country.

Windshield surveys and discussions with homeowners further suggest that many of these homeowners gave above-average ratings for Habitat neighborhoods that otherwise were more likely to have garnered "unsatisfactory" ratings because of their condition. This dynamic is discussed further in the section on safety.

Racial/Ethnic Characterization

Over 80% of the neighborhoods in which respondents' Habitat homes were built were racially classified as predominantly black or mixed; less than 20% were classified as predominantly white. Comparison of these figures with the racial classifications that respondents offered for their previous neighborhoods reveals that a lower percentage of Habitat neighborhoods (18% versus 26%) were white and more were black (43% versus 39%) or mixed (38% versus 33%).

As can be seen in Exhibit IV-19, over 91% of the neighborhoods in which respondents' Habitat homes were built were ethnically classified as predominantly non-Hispanic or mixed; less than 10% were classified as predominantly Hispanic. Comparison with previous neighborhoods shows that Habitat neighborhoods represented a slight decline in the share of Hispanic neighborhoods (from 12% to 9%) and mixed neighborhoods (from 22% to 20%) and an increase in the share of non-Hispanic neighborhoods (from 66% to 71%).

As presented in the first section of Chapter IV, a majority, 63%, of the respondent base was black, 34% was white, and 3% was Asian; 12% of the respondent base was Hispanic and 88% was non-Hispanic. Windshield survey findings for the selected 19 neighborhoods were consistent with the racial and ethnic characterizations that the 95 homeowners gave for their neighborhoods; a majority of respondents were black and a majority were non-Hispanic.

When the racial distribution of the 77 households that changed neighborhoods is compared to the neighborhood racial classifications shown above, Habitat is seen to have moved households into increasingly mixed neighborhoods. Slightly lower shares of households were moved into neighborhoods whose primary racial group either matched or was different from their own.

When the ethnic distribution of respondents (the 77 households that changed neighborhoods) is compared to the above-presented neighborhood ethnic classifications, Habitat is found to have moved households into more neighborhoods that matched the ethnicity of the homeowner and into fewer neighborhoods where the predominant ethnic group was either different from the homeowner's or was mixed.

Locational Ratings

Homeowners rated the locations of their previous and present neighborhoods with respect to a series of variables, including but not limited to shopping, employment, schools, recreational facilities, friends and/or relatives, and public transportation. The majority gave both their Habitat neighborhoods and previous neighborhoods ratings of good or excellent for almost all variables.

EXHIBIT IV-19
COMPARISON OF PREDOMINANT RACIAL/ETHNIC GROUP

	(N=94) Previous Neighborhood		(N=95) Habitat Neighborhood	
	Number	**Percent**	**Number**	**Percent**
PREDOMINANT RACE				
White	24	26%	17	18%
Black	37	39%	41	43%
Asian	2	2%	1	1%
Mixed	31	33%	36	38%
N/A	*1*			

	(N=94) Previous Neighborhood		(N=95) Habitat Neighborhood	
	Number	**Percent**	**Number**	**Percent**
PREDOMINANT ETHNICITY				
Hispanic	11	12%	9	9%
Non-Hispanic	62	66%	67	71%
Mixed	21	22%	19	20%
N/A	*1*			

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Habitat neighborhoods, however, were rated even more accessible than previous neighborhoods for all variables, even those considered irrelevant—like private schools and public transportation[7]—to a notable share of respondents. Specifically, high shares of excellent and good ratings indicated that many homeowners considered access to public schools, convenience shopping, the supermarket, current employment, alternate employment opportunities, and recreational amenities better from Habitat neighborhoods than from previous neighborhoods (see Exhibit IV-20).

While ratings of access did not incorporate within them ratings of quality, a number of homeowners did distinguish between access to and quality of services. For instance, while shopping was within walking distance of many homes, often the quality of products was considered inferior, the variety limited, and the merchandise overpriced. This distinction between access and quality is sharpest in disinvested urban and/or heavily minority areas, where an exodus of retailers has resulted in less competition, a limited selection of merchandise, and higher prices. Similarly, recreational amenities, while often proximate to homeowners' residences, were frequently considered unsafe because of crime, drugs, traffic congestion or speed, and gang activity.

Safety and Crime

Responses to questions about safety and crime in the current and previous neighborhoods were analyzed carefully with respect to individual comments and focus-group discussions. In the analysis, safety ratings of excellent or good are considered positive (safe) and ratings of fair or poor are considered negative (unsafe). Although a majority of interviewees gave "safe" ratings to both the Habitat and the previous neighborhood, the Habitat neighborhoods garnered more negative ratings than the previous neighborhoods.

Very few respondents—one in five—reported that they had been victims of crime in either their Habitat neighborhoods or their previous neighborhoods. In almost all cases the crime was burglary. A slightly higher share of respondents—one in four—reported having had their personal property vandalized in one of the two neighborhoods.

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[7] Private schools were seldom attended by homeowners' children. Public transportation, even where conveniently available, was frequently not used by Habitat homeowners.

EXHIBIT IV-20
NEIGHBORHOOD ACCESS RATINGS

	1 EXCELLENT	2 GOOD	3 FAIR	4 POOR	N/A
Access to:					
Public Schools					
Previous Neighborhood	40%	34%	12%	9%	5%
Habitat Neighborhood	60%	26%	5%	2%	5%
Private Schools					
Previous Neighborhood	9%	10%	1%	6%	74%
Habitat Neighborhood	5%	16%	2%	6%	64%
Public Transportation					
Previous Neighborhood	39%	23%	9%	6%	22%
Habitat Neighborhood	45%	18%	7%	5%	23%
Convenience Shopping					
Previous Neighborhood	36%	34%	19%	9%	2%
Habitat Neighborhood	56%	26%	11%	5%	2%
Supermarket					
Previous Neighborhood	32%	28%	23%	16%	1%
Habitat Neighborhood	48%	30%	17%	4%	1%
Friends or Relatives					
Previous Neighborhood	38%	32%	17%	12%	1%
Habitat Neighborhood	42%	32%	15%	5%	4%
Current Employment					
Previous Neighborhood	32%	31%	21%	9%	7%
Habitat Neighborhood	41%	30%	11%	6%	13%
Other Employment					
Previous Neighborhood	23%	35%	17%	13%	12%
Habitat Neighborhood	37%	35%	8%	4%	14%
Recreational Amenities					
Previous Neighborhood	31%	31%	22%	12%	4%
Habitat Neighborhood	40%	30%	18%	7%	5%

NOTE: Only 94 respondents responded to previous neighborhood questions; one household was homeless.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Homeowners were asked to assess their previous and current neighborhoods in terms of "safety" and as "good environments in which to raise children." While a slight majority gave positive ratings to both neighborhoods, it was the previous neighborhoods that garnered the higher share of good and excellent ratings (see Exhibit IV-21). Specifically, Habitat neighborhoods were considered safe by 51% of respondents and a good place to raise children in by 53%. Both shares are slightly lower than those given to previous neighborhoods (59% considered their old neighborhood safe and 60% said it was a good place for raising children).

EXHIBIT IV-21
SAFE ENVIRONMENT RATINGS

	1 EXCELLENT	2 GOOD	3 FAIR	4 POOR	NO RESPONSE OR N/A
Safety					
Previous Neighborhood	22%	37%	28%	12%	1%
Habitat Neighborhood	21%	30%	22%	25%	2%
Environment in which to Raise Children					
Previous Neighborhood	28%	33%	23%	11%	5%
Habitat Neighborhood	25%	28%	18%	22%	6%

NOTE: Only 94 respondents responded to previous neighborhood questions; one household was homeless.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

The fact that the "safe" ratings drew such slim majorities reveals that safety issues are a serious concern for homeowners. Habitat neighborhoods received the higher share of negative ratings: safety was rated fair by 22% of households and poor by another 25% of households. This combined percentage of 47% is higher than the 40% that rated previous neighborhoods' safety as fair or poor. In addition, Habitat neighborhoods were rated as only fair environments in which to raise children by 18% of households and poor environments in which to raise children by 22% of households. As in the case of safety, the combined percentage, 40%, is higher than the 34% that characterized their previous neighborhood's environment for raising children as fair or poor. Several negative sentiments about Habitat neighborhoods were offered by homeowners during their interviews:

> I don't feel safe in this [Habitat] neighborhood....I do not want to live [here] for a long time.

> I never would have moved here if it wasn't where the [Habitat] house was.

The sizable share of fair and poor ratings for both neighborhoods nonetheless reflects the fact that a notable share of respondents have lived and are currently living in neighborhoods that they perceive to have safety problems. Focus-group comments and homeowners' explanations of their ratings further reveal subjective adjustments that respondents made in their ratings, which suggest the possibility that respondents are likely to have overstated their positive rating of both Habitat neighborhoods and previous neighborhoods. For instance, a number of homeowners who rated their previous neighborhoods "good" or "fair" had boosted their ratings because they said they knew their street well enough to maneuver around the bad elements or because the neighborhood was the better of a series of very bad neighborhoods in which they had lived before.

Analysis on an individual-case basis shows that of the 77 households that changed neighborhoods, 23% rated their Habitat neighborhood more safe, 36% rated it equally safe, and 40% said it was less safe than the neighborhoods from which they had moved. With respect to raising children, 26% rated their Habitat neighborhood as better than the previous environment, 36% said it was similar, and 38% rated the Habitat neighborhood as a worse environment in which to raise children.

The generally lower ratings given to Habitat neighborhoods, as well as the high share of households that felt that they had compromised safety by moving to their Habitat neighborhood, very likely reflect the types of neighborhoods that Habitat must often select in order to deliver houses in an affordable price range.

However, the role that subjective adjustments may have played in the safety ratings should be noted. Focus group comments and homeowners' explanations of their ratings suggest the possibility that households living in Habitat clusters or subdivisions overrated their Habitat neighborhoods because they had rated their streets positively and wanted to emphasize that the rest of the neighborhood was unsafe.

Upkeep/Maintenance/Neighborhood Services

Habitat neighborhoods and previous neighborhoods were also rated with respect to maintenance, curb appeal, upkeep and neighborhood services. As in the case of safety, both Habitat and previous neighborhoods were rated positively by a majority of respondents (see Exhibit IV-22).

- The condition of street features (paving, curbs, gutters, lighting, signage, mailboxes) was rated excellently kept or well-kept in approximately two-thirds of both the Habitat neighborhoods and previous neighborhoods.

- The adequacy of neighborhood services (garbage collection, landscape and sidewalk maintenance, street sweeping) was rated excellent or good in 78% of both the Habitat neighborhoods and previous neighborhoods.

EXHIBIT IV-22
STREET MAINTENANCE AND NEIGHBORHOOD SERVICE RATINGS

	1 EXCELLENT	2 GOOD	3 FAIR	4 POOR	NO RESPONSE OR N/A
Condition of Street Features					
Previous Neighborhood	31%	36%	14%	17%	3%
Habitat Neighborhood	26%	40%	15%	15%	4%
Adequacy of Neighborhood Services					
Previous Neighborhood	42%	36%	15%	3%	4%
Habitat Neighborhood	35%	43%	6%	5%	11%
Adequacy of Owner Housekeeping					
Previous Neighborhood	23%	40%	23%	8%	5%
Habitat Neighborhood	19%	39%	26%	7%	8%

NOTE: Only 94 respondents responded to previous neighborhood questions; one household was homeless.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

- Habitat neighborhoods rated slightly lower than the neighborhoods from which respondents had moved on the issue of upkeep by surrounding owners. The visible upkeep of neighboring properties (yards, porches, and garages) was rated excellent or well-kept in 58% of Habitat's neighborhoods and in 63% of previous neighborhoods.

Schools

In approximately 35% of the interviewed households, children had to change schools with the family's relocation into a Habitat home. Among these families, less than 20% thought that the move had meant sacrificing quality; about one-third thought the new school was actually better than the old school.

Habitat homeowners were asked to rate the quality of schools in their Habitat neighborhood. Using a scale of 1 (excellent) to 4 (poor), over 60% of the respondents considered the schools to be good or excellent; 19% considered the schools fair and 8% considered them poor. The balance of respondents said they were uncertain of the quality of the schools that their children were currently attending.

Neighborhood Attributes and Deficits

Homeowners named up to three positive and three negative aspects of their Habitat and previous neighborhoods. The categories of the most frequently offered responses were the same for both neighborhoods. In addition, the responses mirrored one another in the positive and negative—for example, quiet (a popular positive attribute mentioned) and noisy (a popular negative attribute)—suggesting that most homeowners are in agreement as to the types of factors that contribute to or detract from a neighborhood.

Of the well over 20 positive attributes that were offered by respondents, five constituted the vast majority (over three-quarters) of the responses given for both Habitat and previous neighborhoods. They were, in order of high to low frequency, a sense of community, convenience, safety, cleanliness, and quiet. Similarly, five negative attributes represented the majority of the detrimental features mentioned for both neighborhoods. In order of high to low frequency these negatives were crime and drug activity, poor maintenance and upkeep, inconvenience of services, congestion, and noise. The five negative attribute categories comprise a larger share of responses for the previous neighborhood than for the Habitat neighborhood (70% versus 57%).

A strikingly high share of respondents (18%) were unwilling to respond to a question that asked them to offer negatives of their current neighborhood situation. This is far higher than the 2% “no response” rates for positives of the Habitat neighborhood and the 5% “no response rates” for negatives of the prior neighborhood. Homeowners’ reticence to offer negatives about their current housing situation may in part be a function of cognitive dissonance—a propensity to ignore the negatives of a situation in which one is invested—and in part a function of homeowners’ unwillingness to offer any criticism that would show Habitat in anything less than a positive light.

Another interesting finding is that a “lack of infrastructure”—while not a frequently cited negative—was offered as a negative attribute in more Habitat neighborhoods than previous neighborhoods. Case-by-case analysis shows that interviewees who offered this response were typically living in those areas where streets and driveways had been left unpaved by Habitat or where Habitat was building in clusters or subdivisions and the streets or sidewalks had not yet been laid.

Overall Satisfaction

On the question of overall satisfaction, respondents rated their Habitat neighborhoods higher than their previous neighborhoods (see Exhibit IV-23). Approximately 60% of households interviewed gave their Habitat neighborhood an above-average rating (a 1 or 2), 32% gave it an average rating (3), and less than 10% rated it below-average (4 or 5). Former neighborhoods garnered a comparatively smaller share (41%) of above-average ratings; 38% rated the old neighborhood average and a comparatively larger share (21%) rated it below-average.

EXHIBIT IV-23
OVERALL NEIGHBORHOOD SATISFACTION RATING

	(N=94) PREVIOUS NEIGHBORHOOD		(N=95) HABITAT NEIGHBORHOOD	
	NUMBER	PERCENT	NUMBER	PERCENT
1 (very satisfied)	18	19%	26	27%
2 (somewhat satisfied)	21	22%	30	32%
3 (satisfied)	36	38%	30	32%
4 (unsatisfied)	8	9%	6	6%
5 (very unsatisfied)	11	12%	3	3%
N/A	1			

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Comments by the 77 households that changed neighborhoods were compared for their previous versus Habitat neighborhoods. That analysis shows that 41 respondents (53%) were more satisfied with their Habitat neighborhood than their former neighborhood; 15 respondents (19%) thought the neighborhoods were about equal, and 21 respondents (27%) were less satisfied with their Habitat neighborhood than their previous neighborhood. The 17 households that moved into a Habitat home without having to change neighborhoods were generally satisfied with their neighborhood: one respondent rated the neighborhood below-average and the other 16 rated it average or above-average.

Although comments made by homeowners during interviews or focus groups may suggest the positive influence of clustering on overall satisfaction, this relationship cannot be substantiated by the data. In fact, this issue highlights the limitations of quantitative analysis.

For example, homeowners' ratings of previous neighborhoods are likely to be overstated because of increased familiarity with the prior environment. Moreover, homeowners living in good neighborhoods where their homes are not clustered would not put the same premium on clustering that homeowners in bad neighborhoods would. Conversely, homeowners that lived in good neighborhoods previously and have moved to much worse neighborhoods, where their home is located in a cluster, may feel insulated from neighborhood dynamics and rate their Habitat neighborhood higher than it would have been rated otherwise.

Not captured in the comparisons are the 18 households—including one previously homeless household—that did not change neighborhoods when they purchased a Habitat home. Half of these owners classified their neighborhoods as average or below-average. As suggested by the following homeowner quote, a portion were accepting of locations that "outsiders" to the neighborhood would have considered unsafe:

> I got my home because no one wanted to be in the neighborhood. But I didn't mind, I already lived there.

AFFORDABILITY MECHANISMS

Because of Habitat affiliates' use of low initial sales prices and zero-interest-rate mortgage loans with relatively long repayment periods, the monthly costs of acquiring a home are very low for the majority of Habitat homeowners. Other mechanisms discussed in Chapter III—including second mortgages, deed restrictions, down payments, escrow accounts, and rent-to-own agreements—do not affect monthly housing costs as directly; in most cases, they are more important as methods for controlling the affiliates' investments in affordable housing. For example, second mortgages, by adding additional debt that is usually forgiven over a 10-year period, are used by some affiliates mainly to discourage homebuyers from selling their homes within a short time period and taking profits.

For most homeowners the low sales price, zero-interest-rate loans, and loan repayment periods are sufficient to make housing affordable at the time of purchase. Thus, the other financing mechanisms such as down-payment requirements—while varying somewhat from affiliate to affiliate—are not used by specific affiliates on a case-by-case basis to address the needs of individual homebuyers.

Given the scope of the assignment, the data needed to assess the short- and long-term affordability of Habitat housing and the impacts of housing costs on Habitat homeowners had to be collected during interviews with the 95 Habitat homeowners rather than from the files of the 19 HFHI affiliates. Frequently, however, the homeowners could not respond to specific questions on housing purchase prices, mortgage amounts, loan repayment periods, taxes and insurance payments, utility costs, and housing repair costs. Thus, certain tables and text sections of this report are based on a relatively small number of responses. (See Appendix A for a more detailed discussion of data limitations.)

Sales Prices

The purchase prices for most Habitat homes are very low—especially when compared with other new housing in the communities in which the survey was conducted. As discussed in Chapter III, the appraised value of a Habitat home is often substantially higher than the sales prices set for it by the local affiliate.

Based on interviews with Habitat homeowners, the average sales price of a dwelling covered by this analysis is only $37,782 and the median sales price is approximately $33,478. As seen in Exhibit IV-24, the typical mortgage amount is very similar to the sales price, since most homeowners pay only small cash down payments and some pay none. Although the range of mortgage size is wide—$14,750 to $80,000—the average mortgage amount is $37,447 and the median is slightly lower at $33,812. Less than 20% of the homeowners have mortgages of more than $50,000, even though many are located in high-cost urban areas.

Mortgage Terms

As stated, Habitat's practice of charging no interest on its mortgages and its fairly lengthy loan repayment periods are key to keeping monthly payments affordable. Down-payment practices vary among affiliates—but where the requirement exists, it is always low by market standards. Fifty-one percent of the homeowners stated that they were not required to make a cash down payment, and most of those who made one said they had ample time to accumulate this equity investment. In most cases, the down payment amounted to less than 2% of the purchase price. In contrast, most conventional lenders require down payments of 20%, and even many programs designed to make home ownership affordable by low-income households require down payments of at least 5%.

The majority (62%) of Habitat's homebuyers who made a down payment estimate that they paid exactly $500. This amount is consistent with data provided by representatives of the HFHI affiliates on program characteristics. The minimum down payment cited by a homeowner was $100 and the maximum was $1,000.

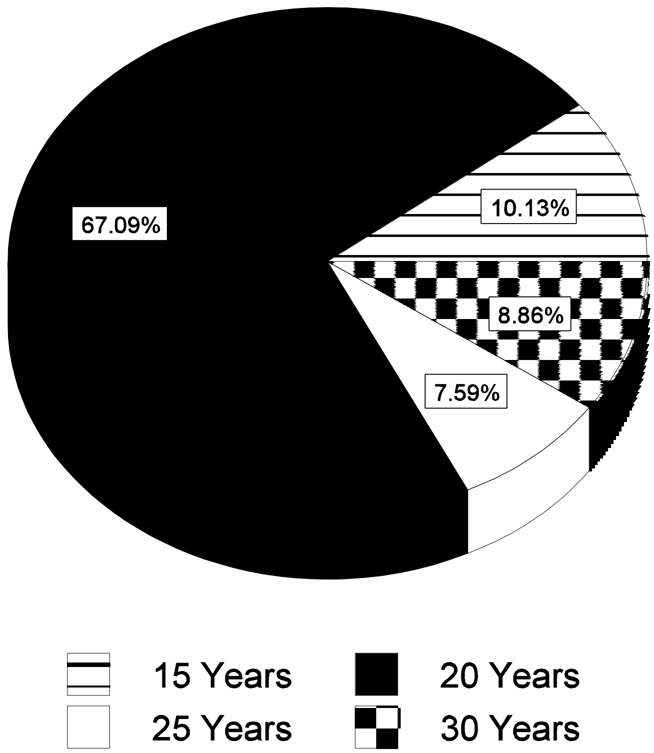
EXHIBIT IV- 24
HOUSING SALES PRICES AND MORTGAGE AMOUNTS

	Sales Price		Mortgage Amount	
	Number	Percent	Number	Percent
$10,000 - $20,000	3	3.85	3	3.85
$20,001 - $30,000	28	35.90	29	37.18
$30,001 - $40,000	23	29.49	22	28.21
$40,001 - $50,000	13	16.67	13	16.67
$50,001 - $60,000	4	5.13	4	5.13
$60,001 - $70,000	3	3.85	3	3.85
$70,001 - $80,000	2	2.56	4	5.13
$80,001 +	2	2.56	0	0.00
Total	78	100.00	78	100.00
No Response	17		17	
Minimum		$15,000		$14,750
Maximum		$80,500		$80,000
Average		$37,782		$37,447
Median		$33,478		$33,812

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS.

The average first-mortgage repayment period for Habitat homeowners was 21 years. As shown in Exhibit IV-25, of the 79 homebuyers for whom information is available, 73% (58 buyers) have 20-year loans and approximately 17% have 25- to 30-year loans. Habitat's typical loan-repayment period is not necessarily longer than the term available for many conventional mortgage loans, but when combined with the other financing mechanisms, it is adequate to allow the low- and very-low-income homeowners in this program to afford housing costs at the time of purchase.

EXHIBIT IV-25
LOAN REPAYMENT PERIOD



SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Unlike affordable housing programs that tailor financing mechanisms to meet the needs of individual borrowers, Habitat's financing mechanisms may differ slightly from affiliate to affiliate but are not highly customized for specific borrowers. Neither the size of the down payment nor the length of the loan-repayment period varies substantially on the basis of household income. In fact, the results show that over 40% of Habitat's very-low-income buyers spent 50% or more of their monthly income on a down payment. Because Habitat down-payment amounts are generally $500 regardless of income, this was less true for more affluent buyers. Less than a fourth of the buyers categorized as low-income paid 50% of their monthly incomes as a down payment; and of those buyers earning more than 80%

of the area’s median income, none paid more than 30% of monthly income. In contrast, conventional loans often require down payments that equal from 100% to over 800% of a borrower’s monthly income; this often necessitates months of saving to accumulate the required investment. For example, assuming no more than 25% of a household’s monthly income is devoted to mortgage costs, a household earning $25,000 per year could potentially afford an $85,000 home, if mortgage financing costs were reduced by a 20% down payment. But the required $17,000 down payment would represent over 800% of the household’s monthly income.

The majority of homeowners received 15- to 20-year loan-repayment periods regardless of their income category; however, of the small number of borrowers who received 25- to 30-year loans, all but one had very low incomes. Habitat homebuyers’ monthly payments to HFHI affiliates are generally very low because of the low purchase prices and mortgage amounts. As shown in Exhibit IV-26, the total monthly payment averages just $269 (with a range of $103 to $655).

For most homeowners this total monthly payment includes allocations for taxes and/or insurance, which are placed in escrow accounts for use when needed. The portion of the monthly payment devoted to repayment of mortgage loans averages only $149 (the range is from $61 to $296). Because of the large number of homeowners with very small mortgage payments, the median is only $138.

EXHIBIT IV- 26
MONTHLY PAYMENTS TO HABITAT AFFILIATES

	TOTAL PAYMENT		MORTGAGE PAYMENT*	
	NUMBER OF HOME-OWNERS	PERCENT	NUMBER OF HOME-OWNERS	PERCENT
$1-$100	0	0.00%	8	11.76%
$101 - $150	9	10.59%	34	50.00%
$151 - $200	15	17.65%	17	25.00%
$201 - $250	21	24.71%	5	7.35%
$251 - $300	20	23.53%	4	5.88%
$301 - $350	7	3.8.24%	0	0.00%
$351 - $400	4	4.71%	0	0.00%
$401 - $450	1	1.18%	0	0.00%
$451 - $500	2	2.35%	0	0.00%
$501 +	6	7.07%	0	0.00%
Total	85	100.00%	68	100.00%
No Response	10		27	
Minimum	$103		$61	
Maximum	$655		$296	
Average	$269		$149	
Median	$244		$138	

*Estimate based on sales price and mortgage term, which were not provided by some homeowners.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS.

Based on mortgage and total-payment data, a substantial percentage of homeowners' monthly payments to HFHI affiliates goes for costs over which the affiliates have little control—property taxes and insurance. On average, 57% of each monthly payment reduces the outstanding mortgage amount and the remainder is accumulated to offset annual taxes and insurance. In one case of extremely high taxes and insurance—an Annapolis homeowner—over 70% of the monthly payment is devoted to these costs. This owner resides in a very attractive neighborhood near the waterfront that has substantially revitalized in recent years and consequently has high taxes (no other Annapolis homes included in the survey are located in this neighborhood). In Paterson, where taxes are also high, households devote 61% to 69% of their monthly payments to taxes and insurance. Eight of the nine homeowners shown in Exhibit IV-26 as paying more than $400 in monthly payments are located in either Paterson or Newark. One buyer who pays $500 per month is the owner of a duplex building in Milwaukee, from which she receives rental income of $250 per month.

As might be expected given the financing terms for Habitat homes, mortgage costs represent a very small percentage of homeowners' incomes. On average, mortgage payments represented 12% of a homebuyer's income at the time of closing. More than 85% of all interviewees initially spent 15% or less of their incomes on this cost. In contrast, conventional mortgage lenders who serve primarily higher-income households usually assume that about 25% of income can be devoted to mortgage payments and interest costs.

Since mortgage payments remain constant over the life of the Habitat loan, they have become a smaller percentage of total household income as homeowners' incomes have grown. On average, the homebuyers in this study currently spend 10% of their incomes on mortgage payments; none devote more than 30% of their income on mortgages (see Exhibit IV-27).

When Habitat homebuyers are grouped into categories of very-low-income, low-income, and above 80% of median income as defined by HUD, the data indicate that very-low-income homeowners devote the highest percentages of their incomes to mortgage payments. All of those who must spend more than 15% of their income on loan repayments are very-low-income. In contrast, all of the households with incomes above 80% of their respective area median incomes pay less than 10% of their incomes for housing.

When homeowners encounter problems such as job loss, divorce, or illness—resulting in temporary or long-term decreases in income—many affiliates will reduce the homeowner's monthly mortgage costs by extending repayment periods. Such adaptations enable households to continue making loan payments when their incomes decline.

EXHIBIT IV- 27
MONTHLY MORTGAGE PAYMENTS RELATIVE TO INCOME

PERCENT OF HOMEOWNERS' INCOMES DEVOTED TO MORTGAGE PAYMENTS	HOUSEHOLDS AT CLOSING	HOUSEHOLDS NOW
1% - 5%	3	12
5.1% - 10%	26	30
10.1% - 15%	15	10
15.1% - 20%	3	0
20.1% - 25%	3	2
25.1% +	2	4
Total	52	58
No Response/Inadequate Data	43	37
	PERCENT OF INCOME	**PERCENT OF INCOME**
Minimum	3.01%	3.01%
Maximum	28.56%	28.56%
Average	10.94%	9.49%

SOURCE: SURVEYS BY APPLIED REAL ESTATE ANALYSIS, INC.

If the Habitat homes were sold at prices more closely reflecting their construction costs—including labor—and if conventional financing terms were used, very few of the homebuyers included in this survey would be able to afford the homes. Assuming that on average the homes cost just 50% more than the prices charged by HFHI affiliates, and assuming interest rates of just 8% for 30-year mortgage loans, the monthly costs of these homes would increase substantially—making them unaffordable[8] for at least 40% of the current homeowners. These changes in purchase price and mortgage terms would increase

[8]Affordability is defined here as households paying no more than 25% of their incomes for mortgages.

the average monthly payment required for ownership from $149 to $406, and several homeowners would have to pay more than 50% of their incomes to amortize mortgages.

The homeowners in this survey acknowledge the importance of Habitat in providing financial and other support that has enabled them to acquire homes. When asked about their opportunities for purchasing homes without Habitat assistance, only 10% of the homeowners stated that they would have been able to buy a home without this assistance.

Other Forms of Assistance

HFHI affiliates occasionally provide homebuyers with assistance other than easy financing terms. Interviewees said that appliances, furniture, landscaping materials, and even bedding and free telephone installation are sometimes donated by the affiliate, individuals, or project sponsors and made available to homebuyers. Some affiliates include these items in the total mortgage costs and others offer low-cost financing to enable homebuyers to make purchases. One homeowner reported that she received a zero-interest-rate, five-year loan to purchase a washer/ dryer for which she pays $10 per month.

Although affiliates usually donate such goods when homebuyers initially move into their homes, others provide ongoing support. Respondents tell of receiving paint, ceiling fans, other electrical fixtures, appliances, and furniture to help maintain their homes over time. In Lake County, Illinois, when appliances and other fixtures break, homeowners are able to obtain replacement appliances and fixtures, such as refrigerators and ceiling fans, from the affiliates's supply of donated goods. One interviewee stated that the Habitat homeowners' association maintains a "wish list" of members' needs, to refer to in case Habitat receives donated items. Several homeowners said that affiliates help by completing repairs and billing the homeowners—often for only the cost of the materials. One owner also stated that an affiliate provided a loan to enable him to pay property taxes.

ONGOING HOUSING COSTS

To date, most Habitat homeowners who participated in this analysis have not incurred ongoing housing costs. Their combined costs—mortgage costs plus monthly charges for taxes, insurance, utilities, and some maintenance costs—appear to be manageable for the majority of homeowners thus far.

Current Versus Past Housing Costs

The success of Habitat's efforts to provide affordable home ownership opportunities is borne out by the fact that for the majority of surveyed homeowners—most of whom were renters before purchasing their Habitat home—the costs of housing have remained constant or even decreased as a result of participating in the program. As shown in Exhibit IV-28, the average of the monthly rents paid previously by HFHI homeowners was $422, including utilities and some maintenance costs[9]; however, individual rent payments ranged from $94 to $900. In contrast, homeowners' current total housing costs—including loan repayment, property taxes and insurance, utilities, and some maintenance—average $434 and range from $240 to $884.[10]

As discussed earlier, approximately 32% of the Habitat homeowners had previously lived in subsidized housing (including public housing), where their housing rental costs were relatively low. The highest rent for previous occupants of subsidized housing was $601, as opposed to $900 for the homeowners who lived in market-rate housing. The average rental payment for the households who lived in subsidized housing was $294, versus $422 for all renters. Several homeowners complained that as renters of subsidized housing they were never able to get ahead on finances, because their rent was raised whenever their income increased. Now that they are in the Habitat program, they believe that their housing costs are held constant and that they are better able to control and improve their financial situation.

Only five Habitat homeowners in this analysis owned homes prior to purchasing their present house. Information about their past expenditures as homeowners is very limited. Three of the five past homeowners had paid off the mortgages on their previous homes;

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[9] Total housing costs, especially for homeowners, may be substantially understated in this analysis because Habitat program participants had limited information about maintenance and repair expenditures either as current owners or as past renters. The Appendix B discusses this data limitation in greater detail.

[10] Unfortunately, data are not available on Habitat homeowners' housing costs at the time of purchase. Since most of the homeowners surveyed have been in their homes at least six years and some have lived in their homes 10 or more years, their costs have changed over time, including the monthly payments to affiliates. During the interviews, homebuyers had only limited information at hand on current housing costs and could not estimate housing costs at the time of purchase.

EXHIBIT IV- 28
PAST VERSUS CURRENT MONTHLY HOUSING COSTS*

	Past Total Cost of Rental Housing		Current Total Cost of Habitat Home	
	Number of Households	Percent of Households	Number of Households	Percent of Households
Less than $100	3	5.36	0	0.00
$101 - $200	4	7.14	0	0.00
$201 - $300	7	12.50	6	14.63
$301 - $400	16	28.58	16	39.03
$401 - $500	11	19.64	7	17.08
$501 - $600	4	7.14	6	14.63
$601 +	11	19.64	6	14.63
Subtotal	56	100.00	41	100.00
No Response/ Inadequate Data	*33*		*54*	
Total Number Renters/Buyers	89**		95	
Minimum	$94		$240	
Maximum	$900		$884	
Average	$422		$434	

*Includes rent or loan repayment, utility costs, and maintenance costs when available.
**Includes eight households who previously lived with and rented from their parents.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

but even though they no longer had financing costs for these homes, they had very high maintenance costs because the dwellings were in such poor condition. The two former owners whose homes were not free of mortgage debt estimated that their total monthly housing costs were $100 to $200, including mortgage, property taxes, and insurance.

Utility Costs. A number of homeowners in this analysis appeared to have reliable information about utility costs without referring to payment records. Estimates of monthly costs—including water, electricity, cooking gas, heating gas, oil, and other resources—ranged from $60 to $400[11]. Approximately 44% of the respondents estimated that their monthly utility costs were $50 to $150. The average monthly payment was $175.

For the very small number of surveyed homeowners who previously owned homes, the utility costs for those houses were similar to costs for the Habitat homes. Several estimated their past monthly utility costs to range between $100 and $150.

Maintenance Expenses. Very few homeowners were able to provide information about housing maintenance costs.[12] More importantly, only 38% of the 95 homeowners in the survey have paid for repairs since moving into their homes. The number of homeowners undertaking maintenance and repairs to date is low because over 80% have been living in their Habitat homes for less than five years—and all of the homes are either new or substantially rehabilitated. Also, some homeowners have completed minor repairs and maintenance themselves without having to pay for expensive skilled services.

The majority of homeowners who could provide information about repairs stated that they pay an average of less than $50 per month for these costs. Estimates of average monthly repairs range from $25 to $209. The highest expense was incurred by a family in Annapolis that moved into its home in 1989 and was hit with repair costs of $2,000 to $3,000 in one year; the cause was problems with both the plumbing and electrical systems, plus minor problems such as a broken dishwasher. In general, homeowners have relied on payment plans and, in at least one instance, insurance, to cover major repair costs.

When asked how they paid for repairs, the majority of homeowners reported having used their savings or available cash. A few said that they paid only for the costs of materials, as Habitat staff had performed the repairs at no cost; a few others had withdrawn funds from maintenance escrow accounts maintained by their affiliates. As discussed in Chapter III, a small number of affiliates establish such escrow accounts to help homeowners save for repair problems and other affiliates provide ongoing assistance by performing some needed housing repairs.

None of the homeowners to date have had to borrow funds to make repairs or to complete normal maintenance. At the time of the survey, 85 of the 95 homeowners commented that they had adequate financial resources to make necessary minor repairs and to maintain their homes properly.

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[11]One homeowner whose utility costs included heating fuel had very high average monthly utility costs.

[12]See Appendix A for a discussion of data limitations.

When asked about the types of maintenance and repairs for which current Habitat homeowners have paid, 42% of the people who have made repairs stated that they have had to correct problems with their heating systems. These problems are concentrated in a few cities where several homeowners complained of unreliable heating systems. Approximately one-third of the homeowners who have made repairs specified plumbing problems—ranging from small leaks to replacing fixtures. A small number of homeowners also have corrected electrical problems, done painting, or replaced carpeting that was damaged or of poor quality.

In contrast to the low maintenance costs currently incurred by Habitat homeowners, the few survey respondents who owned homes in the past said they had very high maintenance and repair costs in their previous dwellings. However, they were not able to provide the specific dollar amounts of these costs. Types of repairs that they mentioned include painting and electrical, heating system, and plumbing repairs. In all cases, they used savings and available cash to make needed repairs and perform ongoing maintenance.

Only 11% of the homeowners who were previously renters had to pay for repairs and maintenance costs in their former homes. The predominant items were minor plumbing repairs and/or painting. In all cases they used savings or available cash to cover these expenses. Although few homeowners could precisely remember their past costs for repairs and maintenance, most estimated that these costs did not exceed $50 per month.

The training and hands-on construction experience offered by HFHI affiliates has paid off. When questioned about their ability to perform minor repairs and maintenance on their homes, 91 of the 95 homeowners in this survey stated that they felt adequately prepared. During interviews and focus-group sessions, numerous homebuyers commented that the training sessions offered by Habitat have enabled them to do many repairs themselves rather than retaining expensive tradespeople. One man said that he had learned so many skills building his house that he was able to find a job doing carpentry work.

Several homeowners mentioned that they had been very skilled at making housing repairs before participating in the Habitat program. One owner said he had made numerous major improvements to the house that he previously rented—including construction of an extra bedroom—and that he continues to make most of the necessary repairs and improvements to his Habitat home. Other homeowners stated that they have relatives and/or friends on whom they rely for help with needed repairs and maintenance.

Housing Costs versus Income

The limited amount of available data on homeowners' maintenance and repair costs constrains the analysis of total monthly housing costs relative to income. Although the total current housing costs that were shown in Exhibit IV-28 include fairly reliable estimates of payments for principal, property taxes, insurance, and utilities, they may underestimate total costs because so few homeowners provided information on maintenance expenditures. Based on available data, total monthly housing costs average $434 and range from $240 to $884.

Costs that are controlled and kept low by Habitat represent a fairly small percentage of total housing costs for most homeowners. As shown in Exhibit IV-29, of those owners for whom information is available, approximately 57% have mortgage costs that are less than 35% of their total housing costs. As the costs of taxes, insurance, utilities, and maintenance increase, the mortgage costs that are controlled by Habitat will represent a decreasing percentage of total costs for many homeowners.

EXHIBIT IV-29
MORTGAGE PAYMENT AS A PERCENT OF TOTAL HOUSING COSTS

PERCENT OF TOTAL	HOMEOWNERS	
HOUSING COSTS	NUMBER	PERCENT
1% - 25%	8	26.67
26% - 35%	9	30.00
36% - 45%	6	20.00
46% - 55%	6	20.00
55% +	1	3.33
Total	30	100.00
No Response/Inadequate Data	65	

SOURCE: SURVEYS BY APPLIED REAL ESTATE ANALYSIS, INC.

To date, total housing costs have not become a burden for the majority of the reporting homebuyers. At the time of purchase, when mortgage financing was arranged, affiliates carefully selected homebuyers who could afford housing payments—including principal, taxes, and insurance—given Habitat's available housing subsidy mechanisms. The affiliates report that, as a result, households did not spend a very high percentage of their incomes for housing—usually 25% to 30% for loan repayment, taxes and insurance.[13] Since the Habitat homes were new or recently rehabilitated, maintenance costs were also especially low at the time of purchase.

Over time, conditions appear to have improved as homebuyers' incomes have increased. At present, homeowners pay an average of 24% of their incomes for all housing costs and over half devote less than 20% of their incomes to these expenses (see Exhibit IV- 30). Only a very few homeowners continue to have total housing costs that are burdensome. Very-low-income households have the highest housing costs relative to income; and the homeowners with household incomes above 80% of their area's median income spend less than 20% of their incomes for housing. In two households with temporarily low incomes, over 50% of income is spent on total housing costs. One of these respondents is a community activist with a degree in social work who is currently attending graduate school and is reliant upon student grants. The other was a single, disabled male, who earned very little disability income but lived off of a large settlement from a former employer.

In the future, total housing costs may become more burdensome for Habitat homeowners as the costs of property taxes, maintenance and repairs increase. As discussed earlier, property taxes have already become a problem for some Habitat homeowners, especially those in Paterson and in selected neighborhoods in other cities where HFHI affiliates have successfully provided housing in sound or revitalizing neighborhoods.

Although regularly collected data are not available on the costs of maintaining owner-occupied, single-family homes, it is possible to estimate likely changes in housing maintenance costs over time based on data for similar types of structures. The Institute of Real Estate Management (IREM) annually compiles the costs of managing property, including condominium units in townhouse structures. In the 1996 *Expense Analysis: Condominiums, Cooperatives, & Planned Unit Developments,* IREM reports the 1995 costs of repairs and maintenance for owner-occupied townhouse units valued under $60,000. These costs, which include security, common area maintenance, and exterior painting, range from $23 to $48 per month with a median of $33. Most important is the fact that repair and maintenance costs are higher for older townhouse units. According to IREM, average monthly costs for townhomes built from 1965 to 1977 range from $38 to $84, while costs for units built since 1978 run from $31 to $72.

[13] Unfortunately, data are not available on total housing costs at the time of purchase. This includes payments to HFHI affiliates, maintenance, and utilities—all of which have varied over time and are not recorded by homeowners. Consequently, we can not verify that at the time of purchase, all homebuyers paid 30% or less of their incomes as payments to HFHI affiliates.

EXHIBIT IV-30
TOTAL HOUSING COSTS AS A PERCENT OF HOUSEHOLD INCOME

PERCENT OF HOMEOWNERS' INCOME DEVOTED TO HOUSING COSTS	NUMBER OF HOUSEHOLDS				
	ABOVE-MEDIAN INCOME	LOW-INCOME	VERY-LOW-INCOME	NOT AVAILABLE	TOTAL
1% - 10%	1	0	0	0	1
11% - 20%	8	4	0	6	18
21% - 30%	0	2	4	3	9
31% - 40%	0	1	0	2	3
41% - 50%	0	0	1	0	1
51% +	0	1	1	0	2
Total	9	8	6	11	34
No Response/Inadequate Data					61
					PERCENT OF INCOME
Minimum					9.42%
Maximum					71.66%
Average					23.9%

SOURCE: SURVEYS BY APPLIED REAL ESTATE ANALYSIS, INC.

Clearly some of the costs included in the IREM data, such as security, are not applicable for single-family dwellings; and others, such as interior repairs, are excluded from IREM's estimates. However, the differential in costs that IREM estimates for newer versus older condominium townhouses should be similar to the change in maintenance costs that Habitat homeowners will experience as their houses age. Therefore, in constant dollars, the costs of maintenance and repairs for Habitat homeowners could increase within the next 10 years from the current average of $32 per month to nearly twice that amount—or to about 3% of the average Habitat household's current income. If the incomes of Habitat homeowners continue to increase, these costs may not become a major problem as long as they are anticipated and spread over time.

However, while even small regular maintenance costs can be a problem for households with limited incomes, housing repair and maintenance costs usually occur suddenly. When the furnace breaks, the roof begins to leak, or the refrigerator stops functioning, the impact can be overwhelming. As Habitat homes grow older, these episodes will become more frequent. As discussed previously, HFHI affiliates have often helped owners with such emergencies. In the future, both this type of assistance and Habitat's continued loan-repayment flexibility may continue to be critical.

HOMEOWNERS' EXPERIENCE WITH THE HABITAT PROGRAM

This section of the report looks at the ways in which homeowners were prepared for home ownership through the Habitat program, the nature of their ongoing relationship with Habitat, and the role they played in their home's delivery. It is not intended to offer interpretation or an evaluation of the Habitat program, but only to provide additional factual groundwork for interpreting homeowners' responses, presented in Chapter V, about the expectations they brought to home ownership, the difficulties that they have encountered, their perceived preparedness for home ownership, and the actual impacts that home owning has had on their lives.

Orientation, Screening, and Qualification

Homeowners were asked how they had first heard about the Habitat program. Most commonly, the information had come through their churches; from family, friends, or neighbors; from other Habitat homeowners; or through television or newspaper features. Combined, these sources represented 87% of all responses (see Exhibit IV-31).

EXHIBIT IV-31
MEANS THROUGH WHICH HOMEOWNERS LEARNED ABOUT HABITAT (N=95)

	NUMBER	PERCENT
Friend or Neighbor	19	20%
Church	14	15%
Another Habitat Homeowner	14	15%
Television News Story	13	14%
Newspaper Feature Article	13	14%
Family Member	9	9%
Other	13	14%

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Mentioned less frequently (13 responses) were hearing about Habitat from an employer, having seen a sign at a Habitat home under construction, and getting the word through the city housing authority.

When homeowners were asked how their first contact with Habitat had occurred, 68% said they had telephoned the local affiliate to request information, 13% had visited the affiliate in person to learn more about the program, and 7% had received preliminary materials through the church.

Three-quarters of the homeowners interviewed had participated in Habitat-sponsored orientation sessions that presented the general responsibilities of home ownership, the application process, and the specific requirements of the Habitat program. Other topics that had been presented, though with less consistency from affiliate to affiliate, included budgeting, home maintenance, and energy conservation.

Homeowners rated their satisfaction with the “orientation” component of the process very high: 99% said orientation sessions had helped them understand their expected role within the Habitat program and 87% said the sessions had been very helpful with respect to assessing the responsibilities of home ownership.

Despite their high satisfaction with orientation, many interviewees were unclear about Habitat's criteria for selection and its screening and qualification procedures. Those that did answer the question on this process mentioned income and employment history, home conditions, criminal record, number of children, credit history, and accompanying documentation as the primary selection criteria.[14]

Only 12 of the 95 homeowners reported having had difficulty qualifying for their homes. Typical difficulties included credit glitches that needed to be ironed out or job loss during the period between application submission and approval.

Training

Once homeowners are accepted into the program, training typically is offered at various stages in the application process: a number of affiliates require training sessions as a prerequisite to moving in; some consider training time as sweat equity hours; and others offer training on an ongoing basis well after families are in their homes. Approximately 70% of homeowners (67 of 95) were offered training. In general, those not offered training had typically become homeowners very early in their affiliate's history, before training sessions were a standard part of the process. Of the 67 who were offered training, 57 (or 85%) participated.

Homeowners were asked what topics were covered in training.[15] Those most frequently covered (representing 88% of all responses) are listed in Exhibit IV-32. The least commonly mentioned topics that were covered in training (representing 17 responses) included stress management, parenting, energy conservation, insurance, teen activity programs, the importance of good credit, and health issues.

Respondents agreed overwhelmingly on the usefulness of training during the interviews and focus groups. Some homeowners emphasized that the skills they learned through home-repair training—how to fix running toilets, patch drywall, retrack sliding closet doors, and repair other housing components—had enabled them to save money. Homeowners also discussed the usefulness of classes in budgeting. Some affiliates worked with each individual family to create a budget for that family and to raise their awareness about how their money was being spent; others conducted group sessions on budgeting issues and categories of spending. Many homeowners had never budgeted their resources before and were following a financial plan for the first time in their lives as a result of their Habitat experience.

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[14] The actual documents that homeowners recalled having to submit included tax returns, proof of employment, list of outstanding debts, authorization for a credit check, social security numbers, birth certificates, reference letters, and proof of children's enrollment in school; several mentioned also having had to submit essays on why they wanted to become homeowners and on why they thought they would be an asset to the community.

[15] The number of responses was not limited by homeowner.

EXHIBIT IV-32
TRAINING TOPICS MOST COMMONLY OFFERED BY HABITAT (N=136)

	NUMBER	PERCENT
Home Maintenance	36	26%
Budgeting	25	18%
Homeowner Training (escrow, property taxes, mortgage)	17	13%
Miscellaneous Social Events	16	12%
Landscaping/Gardening	13	10%
Legal Issues (income taxes, wills)	12	9%
Other	17	13%

NOTE: Many homeowners offered multiple responses.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Homeowners also discussed their prior lack of knowledge on the steps in the closing process and on the concepts of escrows, amortization, etc. In the course of interviews, it became clear that as a result of training some homeowners had a grasp of the basic concepts affecting their monthly costs—what items were included in their monthly payment; the fact that their loans were zero interest; and that by lengthening the term of their loans they could reduce their monthly payments. However, it was evident in discussing homeowners' unexpected difficulties—for example, finding that their tax escrows were coming up short because of errors or appreciation; or not being able to take out home equity loans—that many did not understand some of the more complex mechanisms that did not have a regular impact on their costs.

Nonetheless, when asked to rate the helpfulness of training in preparing them for the responsibilities of home ownership, 68% (39 homeowners) rated it very helpful, 19% (11 homeowners) rated it helpful, 11% (six homeowners) rated it neutral, and one homeowner rated it not at all helpful. The homeowner couple that considered training unhelpful had been homeowners before entering the Habitat program and already knew the material; otherwise, they would have found training very helpful.

Program Requirements and Skills Learned

The sweat equity requirement ranged by affiliate from 200 hours to 500 hours. On average, prospective homeowners spent approximately half of the required hours on construction of their own homes. Another 43% of the hours were spent working on the homes of other Habitat homeowners. The balance was spent working in affiliate offices or on specific Habitat activities. In a few cases, a homeowner's home had been built prior to the family's selection and all hours were spent in alternative activities such as office work and construction of other people's homes. Three-quarters of all homeowners reported having contributed additional hours over and above the required amount.

EXHIBIT IV-33
CONSTRUCTION ACTIVITIES MOST COMMONLY PERFORMED BY HABITAT HOMEOWNERS (N=414)

	NUMBER	PERCENT
Interior Painting/Drywalling	82	20%
Exterior Painting/Siding Installation	66	16%
Yard Work/Landscaping	64	16%
Installing Flooring	49	12%
Applying Roofing	45	11%
Laying Foundation	44	11%
Clean Up/Debris Removal	22	4%
Other*	42	10%

NOTE: Many homeowners offered multiple responses.
*Includes work on electrical, heating and cooling, and plumbing systems; and fixture installation, framing, carpentry, and construction-crew food preparation.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Homeowners were asked about the types of construction activities they had performed during construction on their own and other Habitat homeowners' homes.[16] With the exception of work requiring licensed tradespeople, respondents had engaged in the spectrum of construction/rehabilitation activities. Those activities most commonly performed by homeowners (accounting for over 85% of all responses) are shown in Exhibit IV-33.

The active roles that respondents played in the construction process were overwhelmingly considered a positive experience. Like training in repairs and maintenance, homeowners' sweat equity investments—constructing their own home and those of others—had invariably made them more comfortable with, and proficient at, the maintenance responsibilities that accompany home ownership.

In the course of construction, most homeowners (87%) were allowed to make choices on certain features of their own home. These choices were primarily aesthetic decisions related to choosing the color of paint, carpet, and appliances; selecting fixtures; and locating electronic jacks and electrical outlets. A few homeowners actually offered design input about their home's layout. In addition, at some affiliates, homeowners were allowed to make a selection from among multiple neighborhoods in which the affiliate was active or lots the affiliate owned.

When asked to rate (on a scale of 1 to 5) their satisfaction with the range of choices they had been offered, over 80% rated them a 1 or 2 (reflecting above-average satisfaction), 13% rated them a 3 (average satisfaction), and 5% rated them a 4 or 5 (below-average satisfaction).

Homeowners were asked if they maintained ongoing relationships with Habitat, and, if so, in what capacity.[17] Over 80% said they maintain an active relationship with Habitat, ranging from continuing to volunteer for construction work to supporting Habitat activities "as needed." The areas in which the homeowners were most frequently involved are shown in Exhibit IV-34.

The most common area of involvement was volunteer construction; this may demonstrate both the value of and return on the time homeowners have spent constructing homes with Habitat. Neighborhood watch, the second most common response, was offered almost exclusively by homeowners who were living in clusters or in Habitat subdivisions. This response may well testify to the sense of community and group cohesiveness taking place among Habitat homeowners that are grouped together.

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[16] Homeowners were limited to a maximum of five responses.

[17] Homeowners were not limited to the number of responses they could offer, since a substantial share of homeowners were involved in several capacities.

In almost all cases, homeowners considered their ongoing involvement with Habitat too irregular to estimate in hours.

EXHIBIT IV-34
ONGOING ACTIVITIES IN WHICH
HABITAT HOMEOWNERS ARE MOST COMMONLY INVOLVED (N=118)

	NUMBER	**PERCENT**
Construction	24	20%
Neighborhood Watch	22	19%
Social Activities/Programs	20	17%
Help "As Needed"	17	14%
Serve on Committee	16	14%
Other*	19	16%

NOTE: Many homeowners offered multiple responses.
*Includes serving as a Habitat employee, volunteer speaker, or family sponsor/supporter, and preparing food for social activities.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

CHAPTER V.
OUTCOMES OF HOME OWNERSHIP

This chapter relies upon the information presented in Chapter IV—the profile of homeowners, Habitat housing and neighborhood characterization, cost and affordability, and homeowners' experience with the Habitat program—to interpret homeowners' responses about the expectations they brought to home ownership, the difficulties that they have encountered, their perceived preparedness for home ownership, and the actual impacts that homeowning has had on their lives.

PERCEIVED BENEFITS AND BURDENS OF HOMEOWNERSHIP

This section presents homeowners' expectations/perceptions of the benefits and the burdens of home ownership—both before and since becoming homeowners. Their attitudes toward home ownership before and after purchase are used in subsequent sections to determine if the realities of ownership differed from their expectations.

Perceived Benefits

Interviewees were asked what they had perceived the benefits of home ownership to be before moving into their Habitat home and how they viewed these same issues after having experienced home ownership for a while.[1] Overall, homeowners reported similar perceived benefits of home ownership prior to and since purchase; home ownership was perceived to create greater stability in their lives and to instill a positive outlook on the future.

The 10 most common benefits listed are presented in Exhibit V-1; they accounted for over 75% of all responses given. Seven of the 10 are benefits that homeowners enjoy while living in their house; the other three are future oriented.

The most common benefit cited was pride and security of ownership. Most interviewees could not keep from smiling when they described how they felt about their homes. Some kept scrapbooks containing pictures taken during the various construction stages and since move-in, plus the legal documentation for the home. One family even showed a

[1] Homeowners were limited to a maximum of three responses each. The number of responses included in each table varies depending on the number of multiple answers.

EXHIBIT V-1

PERCEIVED BENEFITS OF HOME OWNERSHIP

	PRIOR TO BECOMING A HOMEOWNER (N=229)		SINCE BECOMING A HOMEOWNER (N=241)	
	NUMBER	PERCENT	NUMBER	PERCENT
IMMEDIATE AND NEAR-TERM BENEFITS				
Pride/Positive Feeling/Security about Owning	38	17%	43	18%
Better-Quality Housing	18	8%	11	5%
A Place of My Own	16	7%	18	8%
More Space	15	7%	13	5%
Greater Privacy	13	6%	15	6%
Lower Housing Costs	13	6%	9	4%
Control Over Surroundings/ Flexibility to Change and Decorate	12	5%	17	7%
FUTURE BENEFITS				
Something for My Children	24	11%	26	10%
Chance to Build Equity	22	10%	24	10%
Can Stay in One Place/ Won't Have to Keep Moving	12	5%	9	4%
Other*	46	20%	56	23%

NOTE: Many homeowners offered multiple responses.

*Includes approximately 25 responses such as the following: opportunity to have a yard, moved to a better neighborhood, better access to friends/family, greater independence, monthly payments known and constant, wanted to own pets, chance for a fresh start, place for visitors, and sense of belonging to a community.

SOURCE: SURVEYS BY APPLIED REAL ESTATE ANALYSIS, INC.

video of their home. As a focus-group participant put it: “I love coming home every day to my house. It’s mine. Nobody is making noise or knocking on walls like they did in the projects. It took me two weeks to sleep after I moved in.” Another owner, formerly homeless, reported that “now we know where we will sleep and eat. We have a place for the kids to get dressed for school and a place for them to come home and study....Now we can relax.”

Most thought of their homes as something that they would have forever. They had no plans to move up or capture appreciation, because they planned to pass the home along to their children. Certain homeowners, whose families had grown or whose incomes had risen substantially, had plans for improvements and additions—building a deck or garage, or finishing the basement.

For just a few respondents, the Habitat home was not their dream home because they considered the neighborhoods to which they had moved unsafe and hoped to be able to move out in the future. Several families had expanded since purchase; they considered the space inadequate for the larger family and hoped to move into a larger home in the future.

Perceived Burdens

The perceived burdens of home owning were few; approximately one-third of respondents stated that they had believed there were no disadvantages to home ownership prior to having purchased. This share who believed there were no disadvantages to home ownership increased to about half after purchase.

Responsibility for repairs and maintenance was by far the most common burden cited. As discussed in the cost section of Chapter IV, homeowners may have understated their costs over time because they have forgotten, have not kept detailed records, are deferring needed maintenance, or actually have not needed to make repairs to date. Whatever the reason for the low maintenance costs cited, the fact that so few have performed repairs to date may account for the low share that listed maintenance as a burden since having moved into their homes.

Of the disadvantages that households associated with owning, the most frequently offered are presented in Exhibit V-2.[2] It is notable that fairly small numbers of households cited increased taxes, the ongoing responsibility for mortgage payments, and increased housing costs as burdens of home ownership.

[2] Homeowners were limited to a maximum of three responses each. The number of responses included in each table varies depending on the number of multiple answers.

EXHIBIT V-2
PERCEIVED BURDENS OF HOME OWNERSHIP

	Prior to Becoming a Homeowner (N=78)		Since Becoming a Homeowner (N=66)	
	Number	Percent	Number	Percent
Responsibility for Maintenance	42	54%	34	52%
Tax Increases	13	17%	10	15%
Responsibility for Mortgage Payments	11	14%	8	12%
Increased Housing Costs	6	8%	7	11%
Other	6	8%	7	11%

NOTE: Only includes the number of homeowners that thought there were disadvantages to home ownership. Some homeowners offered multiple responses.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

CHALLENGES OF HOME OWNERSHIP

This section explores the extent to which homeowners have encountered difficulty meeting financial obligations, have relied on Habitat for ongoing financial assistance, and anticipate needing ongoing assistance from Habitat in the future. It considers income, training, housing costs, and the expectations homeowners brought to home ownership as a basis for interpreting their actual experiences.

Difficulty Making Payments

Approximately 34 of the 95 survey respondents (36%) reported that at some point during the time that they have owned their Habitat homes they have found it difficult to meet financial obligations—e.g., pay utility bills, real estate taxes, homeowner's insurance, and mortgage payments.

The 36% share (or 34 households) that have actually experienced difficulties is lower than the share that—since having purchased—thought there would be burdens associated with home ownership. Homeowners that anticipated burdens associated with home ownership actually experienced no greater difficulty in meeting financial obligations than did those who had not anticipated burdens.

According to Exhibit V-3, difficulty paying the mortgage on time is the most common hardship homeowners experienced; 31% of homeowners' mortgages have been delinquent at some point over the period in which they have owned their Habitat homes.

EXHIBIT V-3
SUMMARY OF HOMEOWNERS' DIFFICULTY
IN MAKING HOUSING-RELATED PAYMENTS (N=141)

	NUMBER	PERCENT
Scheduled Housing Repairs/Maintenance	11	12%
Homeowners' Insurance	20	21%
Real Estate Taxes	23	24%
Monthly Utility Bills	24	25%
Monthly Mortgage	29	31%
Difficulty with Any of the Above	34	36%

Note: Some respondents provided multiple answers.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

For about half of these homeowners, late payment was not a short-term problem; 10 of the 29 had missed mortgage payments for more than three months and four of the 29 had missed them for four or more months. Such delinquencies are usually not accepted by conventional mortgage lenders.

Per Exhibit V-4, approximately 38% of the households with very low income and 37% of those with low income at the time of survey reported having had trouble paying their mortgage on time. Clearly, households that earned less than 80% of their respective area's median household income encountered difficulties more frequently than did the higher-income households. Only 14% of the households earning above 80% of their respective area's median income had encountered difficulty paying their mortgage.

The most frequently cited reason for failure to meet financial obligations was serious illness or medical problems. Of the 29 households that encountered difficulty paying their mortgage, about 22% indicated that they fell behind on mortgage payments because of budgeting problems and other financial obligations, such as children's educational costs and automobile purchases. Approximately 19% experienced financial setbacks when a household member lost a job. Other problems causing mortgage delinquencies included seasonal work fluctuations, divorce, holiday expenses, theft, real estate tax obligations, and home repair emergencies.

EXHIBIT V-4
ABILITY TO PAY THE MORTGAGE ON TIME BY INCOME CATEGORY

INCOME CATEGORY	(N=29) HAVE ENCOUNTERED DIFFICULTY		(N=61) HAVE NOT ENCOUNTERED DIFFICULTY		(N=90) * TOTAL REPORTING HOUSEHOLDS	
Very-Low-Income	15	38%	24	62%	39	100%
Low-Income	11	37%	19	63%	30	100%
Above-Low-Income	3	14%	18	86%	21	100%
Total	29	32%	61	68%	90	100%
N/A					*5*	

***** Only 90 of the 95 households reported their incomes.

SOURCE: SURVEYS BY APPLIED REAL ESTATE ANALYSIS, INC.

These higher incidences of difficulty among lower-income households reflect the extent to which lower-income families are forced to make choices among necessities— educational and transportation costs versus housing costs, for example—and the extent to which interruptions in steady cash flow (like job loss) can threaten the provision of basics. Two focus group participants—both low-income single mothers (who had moved into their Habitat homes from public housing)—illustrate the types of choices that families face. Both homebuyers had to choose on a monthly basis between purchasing food and paying their mortgages. In both cases, the mortgages usually took precedence over grocery shopping. As a result, toward the end of every month both families ate at the local soup kitchen until they received the next paycheck. Although these homeowners chose to pay their mortgages, other families in similar situations chose to delay their mortgage payments in order to take care of other needs, which resulted in mortgage delinquencies.

Households that encountered problems making mortgage payments also had total housing costs that were a high percentage of their incomes. As shown in Exhibit V-5, 60% of the households with the highest total housing costs—over 30% of household income—experienced difficulty making mortgage payments, compared to only 25% of households whose total housing costs were less than 20% of household income. Because Habitat affiliates keep mortgage payments below 20% of household income for the majority (90%) of homebuyers, the percentage of income devoted to mortgage payments is not correlated with difficulty in making mortgage payments. Although the Habitat program is successful in making mortgage payments affordable, high uncontrollable housing costs, such as taxes, utility costs, and maintenance, can still cause financial difficulties that affect homeowners' ability to pay their mortgages.

EXHIBIT V-5
ABILITY TO PAY THE MORTGAGE ON TIME
BY PERCENT OF INCOME DEVOTED TO TOTAL HOUSING COSTS

PERCENT OF INCOME DEVOTED TO TOTAL HOUSING COSTS	(N=12) HAVE ENCOUNTERED DIFFICULTY		(N=19) HAVE NOT ENCOUNTERED DIFFICULTY		(N=31) TOTAL REPORTING HOUSEHOLDS	
20% or less	4	25%	12	75%	16	100%
20.01% to 25%	0	0%	3	100%	3	100%
25.01% to 30%	5	71%	2	29%	7	100%
30% and over	3	60%	2	40%	5	100%
Total	12	39%	19	61%	31	100%
N/A					*64*	

SOURCE: SURVEYS BY APPLIED REAL ESTATE ANALYSIS, INC.

Compared with the mortgage payment burden, the costs of insurance, taxes, and utilities represented hardships for fewer households—but still a notable share (21%-25%)—and maintenance and repair costs posed difficulties for very few (12%). (See Exhibit V-3.) These figures are ironic in light of homeowners' responses to their perceived burdens of home ownership: the most commonly cited burden—responsibility for maintenance and repairs—was the one with which homeowners actually had the least trouble. Taxes and mortgage obligations—though far less frequently cited—were the areas in which many more homeowners experienced trouble. One possible reason for this discrepancy is that taxes and mortgage payments have immediate negative consequences if not addressed, while preventative maintenance can be ignored at least temporarily.

Recalling that the population being served by Habitat comprises people who typically have never owned their own home (many have always lived in rented properties, even as children), it is likely that homeowners would equate their Habitat monthly payment with rent, writing its "risk" off as a figure they have always paid and will always have to pay. By the same token, they would be more concerned about the somewhat ominous responsibilities of maintenance, which had always been handled by their landlords.

Inexperience may account for yet another problem suggested by the interviews: unless trained to know what preventive measures they should be performing by month or by season, it would not be surprising for homeowners to move into their homes and fail to perform basic preventive maintenance measures, such as exterior painting and caulking, simply out of unawareness. Conversations with homeowners who have been in their homes for years support this supposition. In many cases, expenditures to date have been either aesthetic (interior painting or wallpaper borders) or limited to repairing items already broken (a toilet, a broken cabinet hinge, a leak). They have not included basic preventive maintenance measures. In such situations, deferred maintenance costs could increase as the homes get older, the need for upkeep compounds, and homeowners' difficulties meeting these costs escalate.

While homeowners' praised the value of training and orientation sessions—particularly in the area of home maintenance and repairs—there was no quantitative correlation between the respondents' participation in training and the incidence of households' difficulty. However, the disparity between the expectations of burdens and the actual burdens homeowners have encountered may suggest an unrealistic understanding of the relative scale of the various costs associated with home ownership (as well as an issue that might be incorporated into training).

This mismatch in expectations from a group composed mainly of previous renters suggests that while training is effective in providing homeowners with the skills to fix things that are visible or already broken—thereby reducing the maintenance and repair costs homeowners have incurred to date—the scope of training should perhaps go beyond this. Homeowners need to develop a better sense of the "invisible" things they should be doing on an ongoing or seasonal basis (as well as their associated costs). This will prevent the need for more expensive (potentially structural) repairs at a later date and provide homeowners with a clearer sense of the relative scale of the costs and variances in cost associated with home ownership.

Need for Ongoing Financial Support from Habitat

While the majority of homeowners (60 of 95 households, or 63%) have received no financial support from their HFHI affiliate beyond the terms specified in the initial mortgage agreement, 35 homeowners (37%) have relied upon Habitat since moving in for some kind of financial support.

By far, the most common assistance that Habitat has provided—representing 69% of cases where assistance was received—is flexibility in the mortgage payment deadline or reduction of monthly payments through restructuring of homeowners' loans over longer periods. Of the 29 households that had experienced difficulty making their mortgage payments on time, 24 specifically relied upon Habitat for relaxed payment terms (Exhibit V-6).

EXHIBIT V-6
SUMMARY OF TYPES OF FINANCIAL ASSISTANCE THAT HOMEOWNERS HAVE RECEIVED FROM HABITAT (N=35)

	NUMBER	PERCENT
Flexibility in Making Payments on Time or Reduced Monthly Payments	24	69%
Funds for Housing-Related Costs or for Non-Housing-Related Costs	3	9%
Free/Low-cost Maintenance/Repairs	2	6%
Free/Low-cost Appliances or Furniture	3	9%
Other Assistance	3	9%
Total Households that Have Received Assistance	35	100%

NOTE: Only includes the number of homeowners that have received assistance from Habitat.

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Other much less typical types of assistance include funds for other housing- and non-housing-related costs and free or reduced-price repairs, furniture, or appliances. When asked if homeowners foresaw being able to continue as homeowners without ongoing financial support from the Habitat affiliate, four out of five, or 80%, said that they anticipated being able to continue as homeowners without ongoing support from Habitat in the future (see Exhibit V-7). In light of the fact that only 63% of homeowners interviewed have not relied on Habitat thus far, homeowners' projections appear overly optimistic.

Those homeowners most confident about their ability to handle their costs without assistance are generally in the higher income categories. While they include very-low- income families, they represent almost all of the households in low-income and above low-income categories: 20 of the 21 households earning above 80% of median at the time of survey and 25 of the 30 earning between 50% and 80% of median.

EXHIBIT V-7
HOUSEHOLDS' PROJECTED NEED FOR CONTINUED FINANCIAL ASSISTANCE FROM HABITAT BY INCOME CATEGORY

INCOME CATEGORY	(N=18) ANTICIPATE NEEDING ASSISTANCE		(N=72) DO NOT ANTICIPATE NEEDING ASSISTANCE		(N=90) TOTAL* REPORTING HOUSEHOLDS	
Very-Low-Income	12	31%	27	69%	39	100%
Low-Income	5	17%	25	83%	30	100%
Above-Low-Income	1	5%	20	95%	21	100%
Total	18	20%	72	80%	90	100%
N/A					*5*	

***** Only 90 of the 95 households reported their incomes.

SOURCE: SURVEYS BY APPLIED REAL ESTATE ANALYSIS, INC.

Of the 18 homeowners who believe they will be unable to support their costs without ongoing assistance from Habitat, two-thirds represent households that have experienced difficulties in the past and relied upon Habitat for help. In addition, only 69% of the very-low-income households are confident about their ability to manage their costs (without ongoing assistance from Habitat) compared to 83% of low-income households and 95% of higher income households.

EFFECTS OF HOME OWNERSHIP

This section explores the effects that home ownership has had on households in terms of tangibles—like employment opportunities, financial stability, and children's performance at school—and intangibles—like stability in the family, belonging in the neighborhood, and security about one's home.

General Effects

Owning had never seemed possible for most interviewees; many thought at first that the Habitat terms were too good to be true. Some respondents had been looking for a home before entering the HFHI program and had not qualified because they earned too little and/or had poor credit. Others had not researched purchasing because it seemed out of their reach. A Cambodian refugee family—dual income but earning less than $28,000 per year—reported that "[they] thought [they] would never own a home in America." A homeowner who had just invested in wallpaper, borders, and curtains said, “it’s all mine to mess up or keep up.” Another homeowner told of wrapping the signed closing papers in a big box and giving it to the kids to open at Christmas; she said it was a present they still talk about.

Based on a list of criteria, interviewees were asked to what extent home ownership had affected their lives (Exhibit V-8). For the distinct majority, home ownership was considered to have “contributed a lot” to creating stability in the family and helping them feel safe and secure about their home. There was less agreement about home ownership “contributing a lot” to their sense of belonging in the neighborhood, to their personal financial stability, or to their ability to save money and build up personal credit. Respondents who felt that home ownership did not contribute to financial stability or saving did not give increased/unforeseen housing costs as the reason; instead most felt that they just didn’t make enough money to plan or “get ahead.”

EXHIBIT V-8
EFFECTS OF HOME OWNERSHIP (N=95)

	HOME OWNERSHIP CONTRIBUTES:		
	A LOT	**A LITTLE**	**NOT AT ALL**
Creating Greater Stability in the Family	88%	8%	4%
Feeling of Belonging in the Neighborhood	68%	15%	17%
Creating Personal Financial Stability	69%	20%	11%
Feeling Safe and Secure About One’s Home	90%	10%	0%
Saving Money and Building Up Personal Credit	67%	21%	12%

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Effects on Employment Outlook

Forty percent of interviewees had changed jobs since moving into their Habitat homes. While the majority of respondents could not name any specific positive effects that home ownership had had on their employment opportunities, 25% claimed that the opportunities available at the new job were greater than those available at the old job. In general, homeowners who claimed that home ownership had positively affected their employment situation attributed their success in part to the reliability of constant home payments, which they did not anticipate changing over time. As renters, they had experienced rent increases that occurred periodically or with income increases, making any financial risk-taking difficult.

What they perceived as constant house payments had given them new flexibility, though it may not have translated directly into a new job with higher earning potential. Some had returned to school or taken the time to learn a new trade, which had positively affected their future earning potential or their employment outlook. Others had been able to take off time needed to find a job that offered advantages over the previous job. One homeowner said that skills learned through building his home and other Habitat homes enabled him to become an apprentice woodworker. Habitat gave him the skill to start a new and better career.

Effects on Children

Home ownership seems to be having a positive effect on homeowners' children. Parents emphasize the feeling that their family has stabilized. It was typical for homeowners to say that their children now had privacy and a door to close. One owner's son wrote a school essay on what his new home meant to him. Many respondents said that their children were home more often and brought friends home to visit and spend the night—something they had not done before because their house had been too small or the children had been ashamed of its condition. One homeowner mentioned that rats had infested her former home; she said her children were too embarrassed to let anyone visit and refused to tell people where they lived. Another homeowner cried as she told of being able to give her daughter a sleepover birthday party for the first time; before moving into her Habitat home she and her two kids had shared one bedroom and the living room couch in her mother's home. Homeowners' children piped up during the interviews to show what part of the house "they had built" and emphasized that it would be theirs one day.

The impact on school performance was not quantifiable. Of the 35% of respondents who had one or more children that had changed schools with the move, performance in school had improved in 27% of cases, remained the same in 67% of cases, and declined in 5% of cases. No one attributed their children's decline in performance to a move, let alone the home or home ownership. A number of households, however, attributed their children's improvement in school to the increased stability they enjoyed as a result of owning a home.

Effects on Future Generations

Interviews also revealed that Habitat has been in existence long enough to provide housing to different generations within the same family. At least five families either got their own Habitat home after moving out of their parents' Habitat home or had taken over their parents' home. In addition, children still living in their parents' homes often expressed a desire to acquire their own home through Habitat.

PERCEIVED PREPAREDNESS FOR OWNERSHIP ROLE AND SATISFACTION WITH HOME OWNERSHIP

This section explores homeowners' sense as to whether they were adequately prepared for home ownership, their satisfaction with home ownership, and their assessments as to whether—if given the opportunity, in light of what they now know—they would become homeowners again.

Perceived Preparedness

When asked if they were adequately prepared for home ownership, a clear majority—four out of five respondents, or 79%—believed that they were prepared. One out of five households (21%) thought they were inadequately prepared for home ownership.

As can be seen in Exhibit V-9, a disproportionate share of the households that considered themselves unprepared for home ownership fell into the very-low-income category.

EXHIBIT V-9
HOUSEHOLDS' THAT CONSIDERED THEMSELVES UNPREPARED FOR HOME OWNERSHIP (N=18)

	NUMBER OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
% Very-Low-Income	11	61%
% Low-Income	4	22%
% Above Low Income	3	17%

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

In addition to lower incomes, the group that considered themselves unprepared for home ownership had correspondingly more difficulties and future concerns about their ability to continue as homeowners without assistance from Habitat (Exhibit V-10).

Homeowners who considered themselves unprepared for home ownership, however, did not have lower participation rates in training and had not relied on Habitat for assistance to any greater degree than those that considered themselves prepared for home ownership.

EXHIBIT V-10
HOUSEHOLDS' PERCEIVED PREPAREDNESS FOR HOME OWNERSHIP VERSUS EXPERIENCES

	(N=75) PREPARED	(N=20) UNPREPARED	(N=95) TOTAL
% Did Not Participate in Training	41%	35%	40%
% Encountered Difficulty Making Housing-Related Payments	32%	50%	36%
% Encountered Difficulty Making Mortgage Payments	27%	45%	31%
% Have Relied on Habitat for Financial Assistance	37%	35%	37%
% Anticipate Needing Ongoing Assistance from Habitat	21%	25%	22%

SOURCE: SURVEYS CONDUCTED BY APPLIED REAL ESTATE ANALYSIS, INC.

Satisfaction with Home Ownership

Despite the difficulties incurred, the homeowners' opinions about whether they would require ongoing assistance from Habitat, and their own sense of preparedness for home ownership, all 95 homeowners interviewed agreed that the benefits of home ownership not only outweighed the burdens, but that, if given the opportunity again, they would purchase. When asked to rate their overall satisfaction with home ownership on a scale of 1 to 5 (1=very satisfied; 5=very unsatisfied), 89% rated satisfaction a 1, 9% rated it a 2, and 1% gave it a 3.

CHAPTER VI.
SUMMARY OF FINDINGS AND CONCLUSIONS

This chapter summarizes findings and conclusions from the survey of Habitat homeowners and interviews with HFHI affiliates' representatives with regard to the types of households assisted, the homes provided by the program, the impacts of home ownership on participant families, and their satisfaction with home ownership.

KEY ASPECTS OF HABITAT'S PROGRAM

HFHI's primary objective is to provide low-income people with simple, decent, and affordable shelter—a goal which the 19 affiliates included in this analysis have achieved for nearly 1,000 families. The vast majority of Habitat program participants included in this survey are first-time homebuyers. At the time of survey, three-quarters of the households fell into very-low-income or low-income categories as defined by HUD on the basis of 1997 median household incomes in the respective areas. Most of the households consist of families with children, since Habitat affiliates usually target households on which they can have a multigenerational impact. Most important, almost all of the homebuyers say it is unlikely that they could have become homeowners without Habitat's assistance.

While priced comparably to their previous homes in terms of monthly housing costs, the Habitat homes to which homebuyers moved are typically lower density, substantially less crowded, and in better physical condition than the dwelling units in which families lived previously. The majority of houses delivered by HFHI affiliates are new, single-family detached, frame dwellings. Although some affiliates have successfully rehabilitated houses for homebuyers, these structures represent only about one-fifth of the total structures completed by the 19 affiliates in this study. Less than 5% of the dwellings are in structures containing two or more units.

HFHI affiliates have also succeeded in providing these homes at a very low cost. The average sales price for homes included in our survey is $37,782. Costs to homebuyers are well below both the costs of constructing the homes and the homes' market values as indicated by real estate appraisals obtained by some HFHI affiliates. Using zero-interest-rate loans with long repayment periods, Habitat is able to keep the monthly mortgage costs very low. The average monthly loan repayment for homeowners in this survey is only $149, and the median is just $138 because of the large number of homeowners with extremely low monthly mortgage payments.

The combination of zero-interest-rate loans and purchase prices that are well below production costs provides the substantial housing subsidies that enable low- and very-low-income households to afford housing—at least at the time of purchase. If HFHI affiliates required interest charges and purchase prices that reflected even a slightly higher percentage of housing production costs, a sizable percentage of the current program participants would not be able to afford home ownership.

OUTCOMES FOR HOMEOWNERS

Habitat homebuyers have benefited from home ownership both in monetary terms and in terms of qualitative lifestyle changes. On average, Habitat homeowners currently pay only 24% of their incomes for total housing costs—including mortgage payments, real estate taxes, homeowners' insurance, and some maintenance. They pay only 10% of their income for mortgages alone. For many homeowners, the costs of housing have actually decreased since they purchased their Habitat home, because their incomes have gone up. Most families that participated in the survey had previously lived in rental housing. In most cases, their monthly costs as renters were about the same as, or sometimes more than, their current total housing costs as Habitat homeowners. The average monthly rent plus utility costs for families in their previous rental units was $422, compared to current total housing costs that average $434. Former renters—especially those who lived in subsidized housing—report that they now feel better able to control their finances: they believe that their housing costs will be constant, and that as their incomes increase they will not have to make higher housing payments.

In addition to monetary impacts, home ownership has benefited Habitat homebuyers in many qualitative ways. The most frequently mentioned benefit of home ownership was the pride and increased stability that the family got from feeling safe and secure about their home. Most homeowners interviewed had no plans to move up or capture appreciation. They planned to keep their homes forever and saw them as a valued asset to pass on to their children. Since homeowners had received better quality, more spacious houses, they were enjoying the ability to entertain company without embarrassment. Home ownership is also having a positive effect on homeowners' children. Parents emphasize the feeling that their family has stabilized, though they say the impact on school performance is not always quantifiable. Many mentioned that their children now have privacy—a door to close. In addition, Habitat has now been around long enough to provide housing to different generations within the same family. Some families got their own Habitat home after moving out of their parents' Habitat home; others had taken over their parents' home. The majority of interviewees could not name any specific positive effects that home ownership had on their employment opportunities; however, those that claimed a positive impact on their jobs explained consistently that the reliability of constant home payments had given them new flexibility to plan for their future, return to school, learn a new trade, or look for a better job.

The burdens, or disadvantages, to home ownership were perceived as few. Responsibility for maintenance was by far the most common aspect that owners had considered a burden before moving into their houses, though ironically, repairs and maintenance is the area in which homeowners have had the least trouble making payments thus far. A disadvantage mentioned by some homebuyers—especially those living in scattered houses as opposed to clusters of Habitat homes—was the perception that they had moved into a less safe or well-maintained neighborhood in order to purchase a home. Many homeowners, however, thought that there were no disadvantages to owning a home.

ONGOING CHALLENGES OF HOME OWNERSHIP

Habitat affiliates have succeeded in eliminating many of the obstacles that make home ownership difficult, especially for very-low-income households. The careful training of homeowners—through special classes and through sweat equity participation in housing construction—has done much to prepare them for housing ownership. However, the key to the program's success appears to be the ongoing assistance and loan-repayment flexibility offered to homeowners over time. Many buyers never require help from Habitat once they receive a low-cost home with affordable loan-repayment terms. But for those homeowners who do need additional support, Habitat affiliates are there to help.

Although the default rate on Habitat loans is very low, this is largely due to the "nurturing" offered by HFHI affiliates. Often homebuyers are allowed to delay mortgage payments or restructure payment terms—thus avoiding delinquencies and default. At least 35% of the homebuyers have missed monthly payments for three months or more and required special assistance from Habitat. In a few instances, affiliates have even helped homeowners to meet other financial obligations, such as real estate property tax payments. Periodic financial difficulties are particularly problematic for the 43% of surveyed homeowners who fall into the very-low-income category as defined by HUD, which includes households below 50% of their respective area's median household incomes.

Affordability notwithstanding, very-low-income buyers spend a larger share of their incomes on housing costs than do the others. Whereas the average Habitat household spends 10% of its income on mortgage payments, all of the very-low-income households spend over 15% of income on this item. In addition, it has been more difficult for these families to consistently meet their financial housing obligations. The very-low-income group benefits most from both the ongoing financial support that the Habitat structure provides—in terms of training, leniency with respect to payments, willingness to lengthen loan periods in order to reduce monthly costs, and free or low-cost repairs, appliances, and furniture—and the psychological support that often accompanies training, mentoring, sponsorship, and affiliates' general interactions with homeowners. A higher share of very-low-income homeowners, relative to those with higher incomes, have relied on Habitat for financial assistance and anticipate needing their assistance in the future.

Finally, while the acquisition financing mechanisms and ongoing support employed by HFHI affiliates have kept homeowners' total housing costs very low thus far, these costs may increase in the future and become a higher percentage of homebuyers' incomes. At present, costs over which HFHI affiliates have little control account for a substantial percentage of some homeowners' payments to Habitat. For approximately half of the homeowners in this study, taxes, insurance, and maintenance costs represent over 65% of total monthly housing costs. As the houses age, higher maintenance costs will compound this problem, forcing home buyers to set aside larger percentages of their incomes for housing costs; and as neighborhoods improve, property values will increase, resulting in higher real estate taxes. Given the very low incomes of many home purchasers, these additional costs could well have a serious impact.

IMPLICATIONS FOR HOME OWNERSHIP PROGRAMS

The Habitat experience has implications for other programs that seek to offer home-ownership opportunities for low- and very-low-income households. HFHI affiliates achieve their success in helping low-income families to become homeowners by providing not only an up-front subsidy but also ongoing assistance to many of the families whom they aid. All aspects of the Habitat program are structured to nurture families and break the poverty cycle—not just provide an affordable house. Usually, before homeowners move into their homes they have gone through the affiliate's careful selection process and received training in a wide variety of areas, from home maintenance and budget preparation to gardening and parenting. HFHI affiliates build pride and confidence by involving families in the construction of their own homes and encourage them to help other families become Habitat homeowners. After the move-in, affiliates often provide ongoing support in the form of low-cost maintenance and repairs; donated appliances, fixtures, and furnishings; and even additional financial assistance.

Despite the Habitat affiliates' homebuyer selection criteria, careful selection process, and deep housing subsidies, the very-low-income homebuyers (even more than the other buyers) encounter periodic financial difficulties that require Habitat's intervention to prevent loan repayment defaults or failure to meet other obligations such as property tax payments. All of the homeowners included in this research are by definition "successful" in that they continue in the Habitat program and their loans have not been foreclosed; those homeowners who clearly failed were not included in this survey. In reviewing characteristics regarding homeowners who encountered even temporary difficulty with such ownership responsibilities as loan repayment, income was the major factor that clearly predicted difficulties. Other household characteristics, such as size and education level, had no influence on ability to meet the obligations of home ownership. The actual causes of financial difficulties—such as serious illness, divorce, or theft—were usually unpredictable. In addition, households whose total housing costs represented a high percentage of income encountered difficulty paying their mortgages more frequently than those paying less than 25% of their incomes for total housing costs. Utilities, taxes, and maintenance—the components of total housing costs that are not controllable by Habitat—are frequently the items that cause financial problems for some homebuyers.

As a model for efforts to provide home ownership opportunities for very-low-income families, the Habitat program appears to work very well. By providing not only a one-time, upfront subsidy but also ongoing nurturing to overcome new financial hurdles as they arise, Habitat makes housing ownership possible for those for whom even small unexpected expenses can cause financial crises. This model is continually tested by the ongoing challenges of home ownership. Because many of the homeowners included in this research have been in their homes five years or less, their costs to date for housing repairs and maintenance have been low. As the Habitat homes age, these costs will increase. Already some homeowners have experienced property tax hikes that substantially raise their total housing payments. In the future, HFHI affiliates may have to provide greater support—especially to very-low-income households—so that they can meet these increased obligations. Other programs to assist comparable households will have to offer similar forms of ongoing support.

All of the homeowners interviewed said that they would purchase again. The challenge for Habitat and other programs offering home ownership to low- and very-low-income families in the future will be to continue delivering the highly affordable housing that affiliates have provided in the past—and to continue preparing homeowners for, and assisting them with, the ongoing responsibilities of home ownership.

APPENDIX A

APPENDIX A
RESEARCH DESIGN

HUD's key objective for this assignment was to learn about the home ownership experiences of low-income households directly from the homebuyers themselves. This information was obtained primarily through two research methods: (1) structured interviews with Habitat homeowners conducted in person, either in the respondent's home or at the local Habitat office; and (2) focus-group sessions moderated by senior AREA staff (with a short survey form completed by each participant in the group). To supplement this data, we also conducted document reviews, field inspections, and interviews with staff and board members of the 19 selected affiliates. All fieldwork was conducted by teams composed of two AREA staff members.

This appendix provides a detailed discussion of the research design and data collection methods used in conducting this assignment.

PRIMARY DATA COLLECTION METHODS

Data Collection Instrument Design and Pretesting

Draft data collection instruments were submitted to HUD and revised based on comments received. Survey instruments were then pretested at two affiliates in the Chicago metropolitan area: one located in a neighborhood on Chicago's west side and the other in suburban Lake County. Pretesting took place in late 1995; the results were used to make modifications in all data collection procedures prior to final OMB submission and approval in November 1996.

Affiliate Selection Process

Geographic clustering of affiliates and homeowner interviewees was necessary to ensure efficient collection of data. Working with HUD and Habitat for Humanity International (HFHI) representatives, and using data provided by Habitat, AREA began the selection process with 131 affiliates grouped in 40 geographic clusters. Criteria used to refine this initial group were not adhered to strictly because of inaccuracies in data about the number of homeowners, tenure in their homes, structure type, etc.

- **Homeowner Experience.** To obtain the most useful information from homeowners, it was important to visit affiliates whose homeowners had already occupied their Habitat homes for a period of time. The research targeted families who had been in their new homes at least two years and consequently had sufficient experience to comment on the benefits and burdens of ownership.

- **Number of Experienced Homeowners.** In order to ensure an adequate number of homeowners from which to select both interview and focus group participants for each affiliate visited, AREA attempted to select affiliates with at least ten homeowners in place for several years. In some cases a selected homeowner's tenure was slightly less than the desired two years. There were also cases in which the affiliate's total number of homeowners with sufficient tenure to participate was less than ten. But all affiliates had the requisite five homeowners with whom to conduct the homeowner interviews.

- **Geographic Clustering.** AREA grouped affiliates into geographic clusters, the majority of which fell within or proximate to metropolitan areas. As specified in HUD's Request for Proposal, the goal was to select only those geographic clusters that contained at least two affiliates within easy driving distance of each other.

At the second stage of the selection process, AREA asked HFHI staff at both the national and regional levels to recommend affiliates that were especially noteworthy and should be included in the field visit sample. This review enabled AREA to select affiliates with a strong track record of successfully helping low-income persons to become homeowners. It also eliminated affiliates that would be unwilling to participate in the research due to staff time constraints.

During December 1996 and January 1997, HFHI contacted national and regional representatives by telephone to obtain their recommendations and to finalize a list of 19 affiliates selected for field visits in ten metropolitan areas or geographic clusters. Criteria used to narrow the list of affiliate participants included geographic distribution of metropolitan areas, the presence of both urban and rural affiliates, staff size, and the specific characteristics of individual affiliate projects. One affiliate (Milwaukee) was within driving distance of AREA's Chicago headquarters. The other 18 were located in nine clusters throughout the United States.

Throughout the selection process, AREA attempted to identify affiliates that represented the diversity of approaches used by Habitat to facilitate home ownership, rather than to select a statistically representative sample of programs. It was important to represent, to the extent possible, the various types of housing units being produced by Habitat—detached and attached, new construction and rehab, scattered sites and clustered homes—and different neighborhood settings. Because this type of information was not available in HFHI's data base, AREA asked HFHI representatives for descriptions of the programs of recommended affiliates.

Homebuyer Interviews and Focus Groups

Our aim was to complete at least five individual interviews for each affiliate. Where homeowners were numerous enough, we conducted focus-group interviews, typically with three to five homeowners. Staff of each Habitat affiliate assisted AREA in identifying homeowners with the requisite experience and in scheduling the interviews and focus-group meetings. Habitat staff were also helpful in explaining the nature and purpose of the interviews to their partner families.

Although we attempted to select a random sample of homeowners, it was not always possible because not every experienced homeowner was willing to participate and others could not arrange their schedules to do so. Either one or both of the AREA team members conducted the interviews, depending on schedule constraints. Both team members attended the focus group, one acting as the moderator while the other took notes and recorded impressions.

Each field visit to an affiliate took approximately 2½ days; thus a week of field work was needed for each metropolitan cluster. Where the travel time between the two affiliates was greater than a few hours (as in California and Oregon), the field work extended beyond the targeted week.

A total of 95 in-person interviews and 13 focus groups were completed.

Background Research and Affiliate Interviews

To gain an understanding of the context for homebuyers' responses to survey questions, AREA field staff interviewed representatives of each Habitat affiliate visited. The interviewees included the executive director and/or other paid office staff, and one or more members of the affiliate's volunteer board of directors. These respondents did not complete structured questionnaires. Rather, they were allowed to respond freely to open-ended questions posed in AREA's interview guide.

AREA staff also obtained various informational materials from Habitat officials during the site visits. Documents reviewed include general background and history of the affiliate, statistical information on homeowners, applications, training materials, publicity, volunteer recruitment information, legal forms, annual reports and newsletters, site maps, and project/product descriptions.

Site Visits and Neighborhood Surveys

The two members of the AREA staff team inspected at least one neighborhood in which the Habitat affiliate was active, noting the characteristics of land and buildings in the area and the convenience of its location for shopping, schools, church, and health care. They also recorded observations on one or more Habitat homes, noting the size of the home, construction materials, quality of finishes, appliances, presence of basements, yards, off-street parking, and other physical attributes.

Affiliate Report

AREA field staff summarized their observations and the information gained from document reviews in a brief site-visit report. A list of highlights and key findings was prepared to assist in formulating the conclusions presented in this report.

Selected Affiliates

The 19 affiliates whose homeowners are the focus of this report were geographically distributed as follows:

- East region: District of Columbia and Annapolis, MD
Newark, NJ and Paterson, NJ
- Midwest region: Cleveland, OH and Chagrin Falls, OH
Milwaukee, WI
- South region: Clay County, FL and Jacksonville, FL
Jackson, MS and Meridian, MS
Austin, TX and San Antonio, TX
Roanoke, VA and New River Valley, VA
- West region: Fresno, CA and Sacramento, CA
Bend, OR and Eugene, OR

The oldest among the 19 affiliates was San Antonio—HFHI's first U.S. affiliate, which was established in 1975. Most of the other affiliates date from the l980s; the newest (Eugene) started in 1990. The largest affiliate, Jacksonville, had completed 176 homes at the time of our field visit (it was established in 1988). Completed units for the other 18 affiliates ranged from a low of 11 (Eugene) to a high of 150 (San Antonio). The vast majority of homes represented involved new construction. However, all but four of the 19 affiliates had completed at least one rehabilitated home. Habitat affiliates covered in this report build or rehabilitate primarily single-family detached units; three affiliates had experience with single-family attached units and two had completed condominium and/or cooperative housing projects involving rehabilitation.

DATA CONSTRAINTS

This research assignment provides very valuable qualitative data regarding low- and very-low-income households' experiences with and perceptions of home ownership. Both the in-person interviews with homeowners and the focus group sessions provided information that can be used to understand the perceived and actual benefits and burdens of home ownership for low-income Habitat program participants. In reviewing the findings from this research, it is important to recognize some of the limitations of the data collected during this assignment. Key data constraints are the following:

- **Limited Survey Size.** The scope of work for this assignment permitted in-person interviews with homeowners representing only 95 households. While this number is sufficient to obtain valuable qualitative information about these homeowners and their experiences, it does not permit statistically reliable analysis of subsets of data. When the 95 responses are divided into more than two subcategories, the number of responses in each category is very small, thus limiting the reliability of conclusions drawn from them. For example, it was not possible to analyze if or how homeowners' comments on home ownership varied depending on the geographic locations in which they lived—major cities, small towns, or rural areas—because of the limited number of data points. Although we included qualitative analysis of topics for which there are very few responses, we recognize the limitations of this analysis.

- **Sample Characteristics.** This sample of homeowners of necessity includes only those homebuyers who have succeeded with home ownership. Although some may have encountered difficulties, they are still active participants in the Habitat program. Households that have clearly failed as homebuyers have by definition been foreclosed and are not longer part of the program. Although we could have potentially gained important information from previous homeowners who were forced to sell or return their Habitat homes, this analysis was not part of the work scope for this assignment.

- **Number of Responses to Specific Questions.** Although 95 homeowners completed interviews, many were unable or unwilling to answer some questions, especially about housing costs and household income. In addition, many questions were applicable only for selected homeowners. For instance, the interview included five questions—including two multipart questions—for Habitat homeowners who had previously owned a home. Since only five households were in this category, the number of responses to these questions was very small.

- **Housing Cost Information.** Very few homeowners had readily available information on housing costs that they could discuss without referring to household records. Although most homeowners were sure of their current payment to the Habitat affiliate, some did not know if that payment included the costs of property taxes and insurance. Many homeowners also did not recall the terms of their mortgage agreement, including the number of years for loan repayment, the down payment, and purchase price.

  Information was especially limited on other housing costs, including repair and maintenance costs, utilities, and property taxes and insurance—when the latter were not included in the payment to Habitat. As a result, the number of responses to these questions is very small. Because the research effort had to rely on cost information supplied by the homeowners rather than the affiliates' records, this information may sometimes be inaccurate or incomplete.

- **Lack of Historical Data.** Homeowners were not able to provide information regarding their housing costs at the time of purchase. Because housing costs vary over time—including the size of monthly payments to Habitat affiliates—data are not available to assess these costs when families were initially approved for home ownership. In some instances, historical demographic information are also missing, such as household composition and income.

- **Housing Construction Costs.** For many of the 19 affiliates, we were unable to estimate the cost of housing production accurately. Because most affiliates do not maintain records regarding the cost of purchased or contributed labor and materials for individual homes, they could not estimate the total costs of construction. In a few instances we were able to obtain appraisals of specific homes based on market valuations and/or replacement cost approaches to housing values.

- **Demographic Data Sources.** Demographic, economic, and housing data were collected for both the 19 neighborhoods in which the windshield surveys were conducted and for the broader geographic areas in which the subject neighborhoods were located. Its source was the 1990 Census. Thus the usefulness of data on income, rental rates, and home values is limited; while it can be used to compare one area to another, it is not a useful representation of current figures. In addition, some of the areas visited are likely to have undergone substantial change since 1990, which is not captured in these figures.

- **Focus Groups Sessions.** AREA conducted focus groups in areas where there were enough homeowners to both complete the individual interview targets and have enough additional homeowners (minimum of three) to conduct group discussions. These sessions were used to supplement findings from the individual interviews and were often useful in providing quotes and "flavor" to the responses. In some cases, homeowners were more forthcoming with their opinions in group settings than they were one-on-one; instances where AREA felt focus group findings differed from quantitative findings are highlighted in the report.

- **Cognitive Dissonance.** Generally, homeowners seemed reticent to offer "negatives" about their current housing situation. This phenomenon is evidenced when a person that is already invested in a situation elects to minimize, or even ignore, the situation's limitations. AREA believes that homeowners' reluctance to entertain negatives about their current Habitat neighborhoods demonstrates the psychological phenomenon known as cognitive dissonance. This phenomenon is further demonstrated by homeowners who actually refused to respond to questions about the drawbacks to their current neighborhood.

APPENDIX B

APPENDIX B
SUMMARY OF DEMOGRAPHIC, ECONOMIC, AND HOUSING CONDITION DATA

	Subject Neighborhood*	Annapolis, MD	Subject Neighborhood	Austin, TX	Subject Neighborhood	Bend,OR	Subject Neighborhood	Chagrin Falls, OH
Population	3,178	411,893	4,110	616,563	1,355	74,168	1,478	1,468,344
Household	1,042	149,114	1,318	255,079	594	29,217	621	590,149
Average Household Size	3.05	2.76	2.83	2.42	2.26	2.54	2.35	2.49
% White	18%	86%	16%	75%	98%	98%	82%	74%
% Black	79%	12%	50%	10%	0%	0%	17%	24%
% Asian	1%	2%	0%	3%	1%	1%	1%	1%
% Hispanic	3%	2%	48%	22%	2%	2%	0%	2%
% White Collar	63%	67%	16%	69%	58%	55%	78%	63%
% Blue Collar	38%	33%	68%	31%	42%	46%	25%	38%
Average Household Income	$40,684	$52,155	$15,316	$36,445	$29,795	$34,033	$46,459	$37,710
%<18 Years of Age	32%	25%	32%	24%	21%	26%	23%	24%
%>65 Years of Age	10%	9%	13%	7%	21%	14%	17%	19%
% Own	45%	73%	36%	47%	66%	71%	72%	63%
% Rent	55%	27%	65%	53%	35%	29%	28%	37%
Average Home Value	$125,168	$158,768	$38,915	$98,155	$67,780	$91,828	$136,450	$90,557
Average Monthly Rent	$364	$536	$165	$380	$395	$379	$580	$336

*Subject neighborhood is defined as the area within 1/2 to 3/4 mile of the selected Habitat site-visit location.

SOURCE: 1990 U.S. Census

APPENDIX B
SUMMARY OF DEMOGRAPHIC, ECONOMIC, AND HOUSING CONDITION DATA

	Subject Neighborhood*	Christiansburg, VA**	Subject Neighborhood	Clay County, FL	Subject Neighborhood	Cleveland, OH	Subject Neighborhood	Fresno, CA
Population	1,373	127,883	1,430	186,237	4,386	1,388,059	2,033	25,510
Household	536	51,258	509	70,089	1,669	563,243	576	7,274
Average Household Size	2.56	2.49	2.81	2.66	2.33	2.46	3.52	3.41
% White	86%	93%	43%	91%	16%	73%	9%	19%
% Black	13%	4%	56%	7%	79%	25%	50%	42%
% Asian	1%	2%	0%	1%	4%	1%	6%	9%
% Hispanic	0%	1%	2%	3%	3%	2%	43%	41%
% White Collar	60%	53%	46%	62%	52%	63%	39%	39%
% Blue Collar	40%	47%	54%	38%	48%	37%	61%	61%
Average Household Income	$31,683	$29,058	$26,116	$41,057	$11,116	$36,996	$21,320	$21,910
%<18 Years of Age	26%	19%	33%	26%	35%	24%	36%	36%
%>65 Years of Age	11%	11%	13%	12%	9%	16%	11%	13%
% Own	77%	62%	62%	72%	10%	62%	43%	48%
% Rent	23%	38%	38%	28%	90%	38%	57%	52%
Average Home Value	$62,991	$68,905	$39,567	$103,104	$26,305	$88,115	$54,913	$59,569
Average Monthly Rent	$255	$321	$167	$424	$145	$335	$247	$270

*Subject neighborhood is defined as the area within 1/2 to 3/4 mile of the selected Habitat site-visit location.
**Neighborhood within New River Valley affiliate’s territory.

SOURCE: 1990 U.S. Census

APPENDIX B

SUMMARY OF DEMOGRAPHIC, ECONOMIC, AND HOUSING CONDITION DATA

	Subject Neighborhood*	Jackson, MS	Subject Neighborhood	Jacksonville, FL	Subject Neighborhood	Meridian, MS	Subject Neighborhood	Milwaukee, WI
Population	4,026	329,897	3,854	97,475	3,715	73,091	12,041	933,426
Household	1,503	120,881	1,402	273,437	1,407	28,232	3,145	372,048
Average Household Size	2.68	2.73	2.35	2.55	2.63	2.59	3.81	2.5
% White	9%	57%	22%	62%	18%	65%	13%	75%
% Black	90%	42%	77%	38%	81%	35%	79%	20%
% Asian	1%	1%	0%	1%	0%	1%	4%	2%
% Hispanic	1%	1%	1%	3%	0%	1%	1%	47%
% White Collar	54%	63%	31%	62%	38%	56%	35%	59%
% Blue Collar	47%	38%	69%	38%	62%	44%	65%	41%
Average Household Income	$21,087	$34,550	$14,859	$35,471	$15,903	$27,806	$16,895	$33,901
%<18 Years of Age	33%	28%	26%	26%	31%	28%	51%	265
%>65 Years of Age	7%	11%	17%	11%	15%	14%	4%	14%
% Own	38%	66%	32%	63%	48%	66%	21%	52%
% Rent	62%	34%	69%	37%	52%	34%	79%	48%
Average Home Value	$49,936	$70,657	$33,887	$78,544	$33,587	$56,651	$26,448	$74,775
Average Monthly Rent	$280	$291	$203	$355	$164	$228	$301	$375

***Subject neighborhood is defined as the area within 1/2 to 3/4 mile of the selected Habitat site-visit location.**

SOURCE: 1990 U.S. Census

APPENDIX B

SUMMARY OF DEMOGRAPHIC, ECONOMIC, AND HOUSING CONDITION DATA

	Subject Neighborhood*	Newark, NJ	Subject Neighborhood	Paterson, NJ	Subject Neighborhood	Roanoke, VA	Subject Neighborhood	Sacramento, CA
Population	13,447	2,609,218	14,308	2,018,617	2,755	171,548	6,673	1,153,338
Household	4,314	976,447	4,238	742,901	1,043	71,385	2,170	445,502
Average Household Size	3.02	2.67	3.36	2.72	2.61	2.4	2.94	2.59
% White	2%	70%	35%	70%	8%	85%	35%	75%
% Black	95%	20%	50%	21%	92%	15%	31%	9%
% Asian	0%	5%	1%	4%	0%	1%	20%	9%
% Hispanic	6%	15%	32%	12%	1%	1%	20%	13%
% White Collar	47%	65%	40%	66%	33%	62%	57%	65%
% Blue Collar	53%	35%	60%	34%	67%	39%	43%	35%
Average Household Income	$22,004	$52,056	$32,315	$54,451	$20,142	$35,011	$24,104	$39,501
%<18	35%	22%	34%	23%	25%	22%	34%	26%
%>65	8%	14%	7%	14%	19%	15%	11%	11%
% Own	14%	53%	30%	57%	57%	65%	41%	56%
% Rent	86%	47%	70%	43%	44%	35%	59%	44%
Average Home Value	$59,247	$229,381	$104,554	$101,839	$31,342	$78,813	$84,651	$37,429
Average Monthly Rent	$324	$525	$460	$536	$206	$305	$368	$481

*Subject neighborhood is defined as the area within 1/2 to 3/4 mile of the selected Habitat site-visit location.

SOURCE: 1990 U.S. Census

APPENDIX B
SUMMARY OF DEMOGRAPHIC, ECONOMIC, AND HOUSING CONDITION DATA

	Subject Neighborhood*	San Antonio, TX	Subject Neighborhood	Springfield, OR**	Subject Neighborhood	Washington, DC
Population	4,001	1,156,699	1,358	275,423	7,796	2,358,098
Household	999	409,043	445	110,799	2,903	931,790
Average Household Size	3.58	2.83	3.03	2.49	2.66	2.53
% White	67%	74%	98%	95%	2%	56%
% Black	1%	7%	0%	1%	97%	36%
% Asian	0%	1%	1%	2%	5%	5%
% Hispanic	93%	50%	3%	2%	3%	6%
% White Collar	37%	62%	56%	56%	52%	74%
% Blue Collar	63%	38%	44%	44%	48%	26%
Average Household Income	$18,685	$33,623	$44,291	$31,588	$28,629	$54,649
%<18 Years of Age	29%	29%	34%	25%	29%	22%
%>65 Years of Age	13%	10%	6%	13%	5%	9%
% Own	65%	58%	69%	61%	29.7%	55%
% Rent	35%	42%	31%	39%	70.3%	45%
Average Home Value	$30,435	$70,465	$73,389	$51,270	$85,689	$203,324
Average Monthly Rent	$194	$335	$433	$371	$352	$622

*Subject neighborhood is defined as the area within 1/2 to 3/4 mile of the selected Habitat site-visit location.

**Neighborhood within Eugene affiliate's territory.

SOURCE: 1990 U.S. Census