TE AHO TĀHUHU

the Progressive Home Ownership Webinar Series

Progressive Home Ownership Products Explained Conrad LaPointe, Habitat for Humanity





Years 1-5

• Property & house type chosen by Habitat.

- Selection process
- Habitat selects Family
- Umbrella Agreement – 10 years
- 10 years
- Sweat Equity agreed

Pre Housing

Stage

 Construction completed. **Tenancy Stage** Habitat = Landlord Family = Tenant

- Tenancy Agreement
- Price confirmation
- Regular rent reviews and inspections
- Sweat equity completed prior to LTSPA.
- Maintenance responsiblity of Habitat as the Landlord.

before the end of year 5 whether family has satisfactorily completed its Umbrella Agreement and Tenancy Agreement obligations.

Habitat determines on or

- If Yes, the conditions of the Umbrella Agreement are declared satisfied and a binding LTSPA Agreement is signed and the Family becomes a "Purchaser in Possession".
- If No, then the partnership and all agreements are cancelled by Habitat to free the house and property for furtherance of Habitats mission.

Partner Family Qualifiication LTSPA Stage Habitat = Vendor Family = Purchaser in Possession

Once LTSPA is signed, net qualifying rental is applied to the settlement figure.
Option to settle early is available.
Maintenance responsiblity passes to the Family. A

maintenance fund is held by

Habitat.

Year 5

 At conclusion of 10 years from date of occupancy, the Family is required to settle in full all funds owing to Habitat. This may be via a commercial loan or other funding means.

Year 10

Settlement

Disclaimer: This Timeline is a visual guide only; other legal documents take precedence.

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Habitat responsibilities

- Develop or secure turn key product.
- Set affordable pricepoint.
- Secure favourable lending conditions
- Ensure robust selection and onboarding process.
- Lead strong financial engagement and planning.
- Support through the bumps along the road.
- Secure settlement at earliest opportunity.

Partner family responsibilities

- Strong and considered application.
- Good communication from outset.
- Transparency of finances.
- Engage in financial planning.
 Habitat and external
- Ensure regular KiwiSaver payments.
- Take the long term view.







Why Rent to own works

- 1. Family receives all equity gain.
- 2. Significant equity gain from day one in most cases.
- 3. Net qualifying rent pays down house value (mortgage) from day one.
- 4. Ability for partner family to show strong repayment history and fiscal management to bank
- 5. PHO subsidy passed through the partner family.
- 6. Assuming long term interest rates hold at historical levels, rental payments will be higher than mortgage payments prior to year 10.







Example of Rent to own 10 year financial transaction

Please note that in not all cases will the value of the home be discounted (as per below). This is very much dependent on whānau affordability levels and the cost or purchase price of the home to Habitat.

Whānau Day 1	Home price Weekly rental	\$ 70 \$	0,000 <mark>620</mark>	Home Day 1	Market Value	\$	770,000
Year 10	Weekly rental @ 2% increase p/a Loan Repayments and net net qualifying rent (approx.) Kiwisaver Home Start Grant	\$8	756 0,000 0,000 0,000	Year 10	@ 3% increase p/a	\$ 1	1,034,815
TOTAL loan required from bank Weekly loan repayment (25 year term @3.29%)			0,000 574	Debt to o	equity ratio		48%

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KEY TAKEAWAYS

- 1. Sound financial modelling of affordability matrix, linking affordable purchase price with household income required.
- 2. Strong communication and relationship building key to successful partnership.
- 3. First 5 years under rental agreement key to building foundation for future home ownership.





CONTACT DETAILS

Conrad LaPointe CEO - Habitat Northern Region 8 Ormiston Rd, Otara conrad.lapointe@habitat.org.nz



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