



This Collier County house was completely rehabilitated by Habitat for Humanity to be a safe, affordable home for a loving family, and they were able to move into their newly rehabilitated home by Christmas thanks to the efforts of Habitat for Humanity and NSP funding.

Habitat for Humanity and NSP: Finding the Formula for Success



Lori Pampilo Harris

Habitat for Humanity has a simple formula for success: build simple and decent homes for families with volunteers, sweat equity and community support. Zero percent interest loans make the house affordable and Habitat affiliates can continue to grow and help others by servicing these

mortgages. What happens when new construction becomes less cost effective than buying foreclosed and abandoned homes that need rehab? Habitat affiliates took the challenge and trained their volunteers to clean up and rehab these homes but capital for acquisition was not readily available. The Neighborhood Stabilization Program (NSP) would seem the perfect fit with its 25% low income setaside and funding available to purchase the units and rehab materials. Could Habitat for Humanity receive NSP funding to buy and rehab and then hold the first mortgages of its buyers? Would the mortgage income be considered program income under HUD rules? Would the NSP grantee be satisfied with no takeout on their expenditures to replenish with program income? How would Habitat homebuyers meet the sweat equity facet of being a Habitat homeowner when many homes just needed minor repairs, a new air

conditioner, appliances and copper piping? Could Habitat for Humanity negotiate purchases from the bank sellers?

Florida's NSP communities operating under the Department of Community Affairs (DCA) were advised initially that the Habitat model would not be allowed under DCA's rules because all program income had to be returned to DCA. How could Habitat affiliates' return NSP funding when there was no financial institution providing a first mortgage? Fortunately, DCA revised its position on program income and Habitat for Humanity affiliates in the 24 communities receiving NSP funds from DCA could become eligible to participate.

The "Habitat question" became part of a national debate and while the NSP 1 obligation clock ticked on, decisions and opinions formed to guide local grantees. If Habitat held the mortgages meeting all other requirements, they could use the program income received from mortgage payments on CDBG eligible activities in the future, such as buying more foreclosed properties. Hundreds of Habitats nationwide are able to mobilize an estimated 1,000,000 volunteers as they combine this donated labor with contributions of materials and funds to participate in

returning foreclosed and abandoned properties to homeownership. The faith-based support systems, along with zero percent interest mortgages, have given Habitat for Humanity an enviable 1% foreclosure rate.

If faith was starting to weaken among Habitat affiliates, it was restored when three Florida affiliates were awarded \$74 million in NSP 2 funds as part of a \$137 million NSP 2 allocation to Habitat for Humanity International. In Florida, the Miami-Dade, Collier County and Escambia County (Pensacola) Habitat for Humanity affiliates will buy, rehab, build or demolish over 400 homes statewide under this program.

Spotlight on Habitat for Humanity of Collier County

Habitat for Humanity of Collier County plans to work in three high risk census tracts which include the neighborhoods of Naples Manor, Trail Acres and Airport Road. These neighborhoods have exhibited the conditions of greatest need including high crime, high rates of foreclosed and abandoned homes, unemployment at over 9%, and affordability issues. Even with these conditions, in 2009, the average home sales price in Collier County was \$383,000. Predatory lending practices including subprime loans and ballooning home equity loans have led to decreasing property values and blighted conditions. The Collier County Foreclosure Task Force has been an active participant in addressing these issues and the Code Enforcement Department has been proactive in working with neighborhood associations, property managers for lenders, and public agencies to clean up neighborhoods and prevent further blight from occurring.

Habitat for Humanity of Collier County is one of the largest and most successful affiliates in the country. Using NSP2 funds, they intend to buy and rehab 90 homes and to build 10

new homes where dilapidated homes have been demolished. At this time, 22 properties have been acquired or are pending purchase and three homes are completed with new families becoming homeowners.

In Miami-Dade, Habitat is working in one of the most devastated communities, Liberty City, to acquire 70 or more dilapidated homes for demolition and new construction. In addition, the goal is set to build 90 new homes on vacant

sites. In this urban core neighborhood, over 51% of homes have been affected by foreclosure resulting from overpriced real estate and the proliferation of subprime loans. Many homes in this community are beyond rehab as they have been subject to a series of storms.

The Pensacola Habitat for Humanity which covers Escambia and Santa Rosa counties will

target areas with high rates of abandoned and dilapidated properties that have been the victim to storms as well as foreclosure. Population levels have decreased in these neighborhoods because of those factors which has greatly de-stabilized the community. Habitat intends to acquire and demolish 195 properties for the construction of new homes as well as purchase and rehab 45 properties.

As the first mortgage holder in these NSP2 projects along with other areas in Florida working with Neighborhood Stabilization Program homeowners will not only have affordable new homes that are energy efficient, but the support system to assist families in maintaining successful homeownership. Habitat for Humanity will be able to use the program income from mortgage payments to continue purchasing and rehabilitating foreclosed or abandoned properties for years to come. This formula for success, for Habitat for Humanity and Florida, will create stronger and healthier communities for families to thrive in. [HNN](#)

