



# Edmonton Mortgage Model Technical Backgrounder

## Overview

In September 2019, Habitat for Humanity Edmonton changed its mortgage model to ensure its long-term financial viability. The decision was made after months of careful planning in consultation with senior financial experts. Habitat Edmonton's new model has been tested and found to be financially sustainable while offering families new benefits that were not available under its previous model.

## Habitat Edmonton's Mortgage Model Benefits

Comparison of New vs. Previous Model

| Habitat Edmonton Model  | Previous Habitat Edmonton Model  |
|---|--|
| No down payment is required   |  |
| Families commit 500 volunteer hours to the Habitat program.   |  |
| <p align="center"><b>Families pay no more than 30% of household income for monthly housing costs.</b><br/>(mortgage, taxes, condo/program fees)</p>   |  |
| <ul style="list-style-type: none"> <li>- Half of mortgage amount offered at 0% interest.</li> <li>- Half of mortgage provided at an interest rate negotiated by Habitat Edmonton to be below market value.</li> </ul> | 0% interest rate on full mortgage amount.  |
| Because half of the mortgage is with a financial institution, families can build a credit history making it easier to qualify for a mortgage in the open market when they decide to sell their Habitat home.          | Since mortgages are offered only through Habitat, families do not have the same opportunity to build a credit history as they would with a mortgage through a financial institution. |
| Potential to gain access to market appreciation. If the value of the home increases families will enjoy increased value, up to a 3% shared appreciation.  | No access to market appreciation at a 0% interest rate but families will still leave the program with the equity they have put into their payments.                                  |
| Families will exit the Habitat program with equity, including potential market appreciation, for a down payment for their next home.  | Families will exit the Habitat program with equity, excluding market appreciation, for a down payment for their next home.   |

## Timeline of New Edmonton Mortgage Model Rollout

| Date                | Event   |
|---------------------|---|
| 2018                | Habitat Edmonton raises concerns about the financial viability of its mortgage model with its Board of Directors and steps are taken to find solutions to address the situation.  |
| December 2018       | Habitat Edmonton begins to engage senior financial leaders to work with Habitat Edmonton on a new mortgage model.   |
| January 2019        | Families in tenancy are notified that the model will be changing for those who do not yet have a signed mortgage agreement with Habitat Edmonton.   |
| January - July 2019 | The new model is researched, developed, and carefully planned in partnership with financial leaders.  |
| May 2019            | Families are updated on status of new model rollout.  |
| September 2019      | - New model is ready for launch and officially rolled out to families who are approaching the end of their tenancy and have not yet signed a mortgage with Habitat Edmonton.<br>- Families approaching the mortgage stage are offered a mortgage agreement under the new model. <b>Note:</b> All families with signed mortgages will remain under the old model by default. |
| October 21, 2019    | Habitat Edmonton and first intermediary, a representative from the local MP's office selected by the families, met with families involved in the lawsuit to reach a resolution.   |
| October 28, 2019    | Habitat Edmonton agreed to meet with families and a second intermediary, Ahmed Abdulkadir, selected by the families.  |
| November 3, 2019    | Habitat Edmonton agreed to meet with families and a third intermediary, Diversity Magazine Editor Franklin Agbur, selected by the families.   |
| December 20, 2019   | Habitat Edmonton arranged for and agreed to pay the cost of professional mediation services, requested by the families.   |

### Status of New Mortgage Rollout and Affected Families

- Approx. 42 families in the program have proceeded into the mortgage stage under the new model.
  - 15 have signed the new mortgage contract and 15 are moving to sign within the next few weeks.
  - 12 will proceed to signing once they meet the qualifications.
- Approx. 90 families have not yet reached the stage in their tenancy where they will be offered a mortgage under the new model. They will reach that point later in 2020 once they have completed the tenancy stage.
- 56 families are part of the lawsuit against Habitat Edmonton.
  - None of the families involved in the lawsuit have a mortgage with Habitat Edmonton at this point and several have not moved into a Habitat home.
  - 22 could have moved to mortgage in December 2019 but chose not to, given the new model.
  - 11 families are in the tenancy stage and have not been offered a mortgage.
  - 8 families are not yet in tenancy so have not been offered a mortgage or a tenancy agreement.
  - Approx. 22 families have never met with Habitat to gain a better understanding of the new model.
  - Habitat Edmonton has already lowered the monthly rental payments for 12 of the families, upon their request, to account for income fluctuations they are experiencing. We are in the process of doing the same for another 4 families.
- Families who signed mortgages prior to December 2018 are unaffected by the change to the new model, but may participate in the new model if they choose to do so.