

**FIRST-TIME HOMEBUYERS PROGRAM AGREEMENT BETWEEN  
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
AND  
LEXINGTON HABITAT FOR HUMANITY**

**THIS AGREEMENT**, made and entered into on this 19<sup>th</sup> day of November 2019, by and between **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government pursuant to KRS Chapter 67A, and located at 200 East Main Street, Lexington, Fayette County, Kentucky 40507 (hereinafter referred to as "GOVERNMENT"), and **LEXINGTON HABITAT FOR HUMANITY**, a Kentucky non-profit corporation pursuant to KRS Chapter 273, and whose mailing address is 700 East Loudon Avenue, Lexington, Kentucky 40505 (hereinafter referred to as "SUBRECIPIENT").

**RECITALS**

**WHEREAS**, the GOVERNMENT, in accordance with the regulations codified at 24 CFR 92.102 - 92.104 for the HOME Investment Partnership Program, has been designated a PARTICIPATING JURISDICTION by the U.S. Department of Housing and Urban Development (hereinafter referred to as "HUD");

**WHEREAS**, the GOVERNMENT has been awarded federal funds from HUD's HOME Investment Partnerships Program (CFDA # 14.239);

**WHEREAS**, the GOVERNMENT'S 2019 Consolidated Plan provides for the allocation of \$85,627 in funds to the SUBRECIPIENT for down-payment assistance for Lexington Habitat for Humanity's First-Time Homebuyer's Program for low-income families;

**WHEREAS**, the GOVERNMENT is responsible for ensuring that HOME funds are used in accordance with all program requirements; and,

**WHEREAS**, federal regulations require the PARTICIPATING JURISDICTION to enter into a written agreement with a SUBRECIPIENT ensuring compliance with all applicable federal regulations.

**WHEREAS**, the SUBRECIPIENT has established a program to assist low-income families to become homeowners.

**NOW THEREFORE**, in consideration of the foregoing and mutually agreed upon promises, conditions, and covenants hereinafter set forth, the GOVERNMENT and the SUBRECIPIENT hereto agree as follows:

**ARTICLE I**

**A. Use of HOME Funds**

1. The SUBRECIPIENT agrees to implement a First-Time Homebuyers Program in accordance with the HOME Investment Partnerships Program regulations as stated in 24 CFR Part 92, and in accordance with the guidelines adopted and approved by the GOVERNMENT, which are incorporated herein as Exhibit A, HOME First-Time Homebuyer Assistance Guidelines, dated July 2019, except as otherwise specified in this agreement and the Program Design adopted and approved by the Government, which is incorporated herein as Exhibit B, Lexington Habitat for Humanity Board Approved Policies, effective July 30, 2019.
2. SUBRECIPIENT agrees to provide homebuyer down payment assistance to at least 3 households with these funds.
3. SUBRECIPIENT is prohibited from charging servicing, origination, processing, inspection, or other fees for the costs of administering a HOME program, except as permitted by § 92.214(b)(1).

**B. Duration of the Agreement**

The terms of the Agreement shall expire on December 31, 2021.

**C. *Request for Disbursements of Funds***

1. The SUBRECIPIENT may not request disbursement of funds until the funds are needed for payment of eligible costs (i.e., down payment assistance). The SUBRECIPIENT agrees that it will submit the information as requested in Exhibit C, HOME Program Loan Approval Form, for the GOVERNMENT to approve a client file for HOME participation, at least 15 business days prior to date of closing. The GOVERNMENT retains the right to amend the form as needed with a 5 day notice. If additional clarifications or additional information is needed to approve the file, the approval will be delayed.
2. The amount of the request of HOME funds will be limited to the amount needed and must be reduced by the amount of any Program Income on hand.

**D. *Program Income***

The SUBRECIPIENT agrees to return all Program Income received within 10 days of receipt.

**E. *Maximum Per Unit Subsidy***

For eligible first time home buyers below 80% of median income, the maximum home purchase subsidy may be \$20,000 for 1 person households, \$25,000 for households of 2 and \$30,000 for households of 3 or more if needed. The HOME subsidy may be used to fund acquisition costs up to 106% of fair market value to include eligible closing costs. The minimum HOME subsidy cannot be less than \$1,000. All incomes shall be verified within six months of closing. The SUBRECIPIENT shall fully document the need for the subsidy.

**F. *Period of Affordability***

SUBRECIPIENT agrees that all housing assisted under the terms of this agreement will meet the affordability requirements in accordance with 24 CFR Part 92.254. The period of affordability shall be a minimum of five years.

**G. *Determination of Income***

1. HOME Investment Partnerships Program regulations mandate that all HOME funds expended by a PARTICIPATING JURISDICTION must be invested in housing for low-income families, as defined at 24 CFR 92.2. Generally, this means families with incomes of 80 percent or less of the area median, as adjusted for family size.
2. SUBRECIPIENT agrees to determine the anticipated annual income of all adults in using the Part 5 definition of annual income as defined in 24 CFR 5.609.

**H. *Records, Retentions and Reports***

1. The SUBRECIPIENT shall maintain all records required by the federal regulations specified in 24 CFR Part 92.508 that are pertinent to the activities to be funded under this Agreement. Such records shall include but not be limited to the original HOME client files, counseling files, post-closing files, and servicing files.
2. The records must be available for review and maintained for a minimum of five years after the period of affordability has ended and be available when requested in advance by the GOVERNMENT, HUD, Comptroller General, and any of their duly authorized representatives.
3. SUBRECIPIENT agrees to report on an annual basis by July 30 of each calendar year, an Equal Employment Report and an Unserved Report, as incorporated in Exhibit D to this Agreement.
4. SUBRECIPIENT agrees to provide any additional reports as may be required by the GOVERNMENT.

I. **Reversion of Assets**

If applicable, the SUBRECIPIENT shall transfer to the PARTICIPATING JURISDICTION any HOME funds on hand at the time of expiration and any accounts receivable attributable to the use of HOME funds upon expiration of the agreement.

J. **Additional Provisions**

1. SUBRECIPIENT shall be responsible (in the manner and to the extent permitted by law) for all lawfully proven claims, losses, actions, and expenses (including legal expenses), including claims against the GOVERNMENT, arising from the performance of SUBRECIPIENT of the terms of this agreement in accordance with the requirements of the HOME Investment Partnerships Program but excepting any such claims, losses, causes of action and expenses arising as a result of fault on the part of the GOVERNMENT, its officers, agents and employees. SUBRECIPIENT is not responsible for negligent acts of the GOVERNMENT, its officers, agents, and employees.
2. SUBRECIPIENT shall insure that all potential recipients of HOME first-time homebuyer funds receive homeownership counseling, and a minimum of one year post-purchase counseling.
3. As stated in Section 92.254(a)(2)(iii) of the Final Rule published on July 24, 2013, HUD issues annual homeownership value limits for HOME PARTICIPATING JURISDICTIONS. Effective April 15, 2019, the SUBRECIPIENT shall insure that the maximum fair market value for a new unit does not exceed \$227,000 and the maximum fair market value of an existing unit shall not exceed \$167,000 for FY19. This limit remains in effect until HUD issues a new limit.

**ARTICLE II: Other Program Requirements**

- A. **Discrimination:** Under any program funded in whole or in part with HOME funds, SUBRECIPIENT shall not exclude from participation in, deny the benefits of, or subject to discrimination any person in the United States on the grounds of race, color, national origin, religion, or sex.
- B. **Fair Housing and Equal Opportunity:** SUBRECIPIENT agrees to comply with the requirements of the *Fair Housing Act* (42 U.S.C. 3601-3620) and implementing regulations at 24 CFR Part 100-115; *Equal Opportunity in Housing* (Executive Order 11063, as amended by Executive Order 12259) (3 CFR, 1958-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) and implementing regulations at 24 CFR Part 107; *Title VI of the Civil Rights Act of 1964*, as Amended (42 U.S.C. 2000d et seq) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR part 1; and *Age Discrimination Act of 1975*, as Amended (42 U.S.C. 6101-07) and implementing regulations at 24 CFR part 146.
- C. **Handicap Accessibility:** SUBRECIPIENT agrees to comply with the requirements of the Americans with Disabilities Act (42 U.S.C. 12131; 47 U.S.C. 155, 201, 218, and 225): the requirements of *Section 504 of the Rehabilitation Act of 1973* (29 U.S.C. 794) and implementing regulations at 24 CFR part 8.
- D. **Employment and Equal Opportunity:** SUBRECIPIENT agrees to comply with the requirements of *Equal Employment Opportunity, Executive Order 11246 as amended* (3 CFR 1964-65, Comp., p. 339) (Equal Employment Opportunity) and the implementing regulations issued at 41 CFR chapter 60; and, the requirements of *section 3 of the Housing and Urban Development Act of 1968* (12 U.S.C. 1701u).
- E. **Affirmative Marketing:** As it may be applicable, SUBRECIPIENT agrees to comply with the *Affirmative Marketing Plan* as adopted by the GOVERNMENT and as approved by HUD. The Affirmative Marketing Plan is located in the consolidated plan/annual action plan.

- F. **Minority/Women-Owned Businesses:** To the maximum extent possible, SUBRECIPIENT agrees to afford minority- and women-owned business enterprises the opportunity to participate in the performance of this Agreement. As used in this Agreement, the term "minority and female business enterprise" means a business at least fifty-one (51) percent owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians.
- G. **Lead-Based Paint:** SUBRECIPIENT agrees to comply with HUD Regulations governing Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at part 35, subparts A, B, J, K, M and R of this title for all housing assisted with HOME funds. The SUBRECIPIENT agrees to provide the GOVERNMENT with copies of lead based paint tests, risk assessments, plans for corrections, proof of contractors' certifications of lead-based paint safe work practices training, and clearance tests for all pre-1978 houses being rehabilitated.
- H. **Environmental Review:** The SUBRECIPIENT agrees to provide property addresses to the Government prior to commitment of HOME funds for purposes of completing environmental review requirements under 24 CFR Part 58.
- I. **Uniform Relocation Act:** The SUBRECIPIENT agrees to comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) and 49 CFR part 24. Upon request, the SUBRECIPIENT agrees to provide documentation to the GOVERNMENT of previous occupancy of the property to include names of occupants, dates of occupancy, and circumstances of vacancy.
- J. **Conflict of Interest:** The SUBRECIPIENT agrees to comply with the Conflict of Interest rules as identified in 24CFR 85.36 and 24 CFR 84.42, regarding written standards governing the performance of their employees engaged in awarding and administering contracts.
- K. **Accounting Standards and Cost Principles:** The SUBRECIPIENT agrees to comply with 2 CFR 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" and agrees to adhere to the accounting principles and procedures required therein, use adequate internal controls, and maintain necessary source documentation for all costs incurred. Additionally, the SUBRECIPIENT shall administer its program in conformance with 2 CFR 200. These principles shall be applied for all costs incurred whether charged on a direct or indirect basis.

### ARTICLE III

- A. The GOVERNMENT agrees to reserve \$85,627 of its HOME funds allocation for use by eligible clients of SUBRECIPIENT in the implementation of a First-Time Homeownership Program.
- B. The GOVERNMENT agrees to monitor the performance of SUBRECIPIENT to assure compliance with all applicable federal regulations; however, monitoring does not relieve SUBRECIPIENT of primary responsibility for compliance.
- C. The GOVERNMENT agrees to prepare and submit any and all required reports to HUD.
- D. The GOVERNMENT agrees to assist SUBRECIPIENT staff in interpreting HOME regulations, resolving eligibility and contract problems, and the inspection of properties to be purchased by prospective clients, to insure those homes meet local housing codes.
- E. The GOVERNMENT agrees to fund approved first-time homebuyers in the form of repayable and non-repayable loans as described in the HOME First-Time Homebuyer Assistance Guidelines, dated July 2019. The Government will prepare and close all HOME loans for the SUBRECIPIENT. The HOME funds must be available at the closing.

#### ARTICLE IV

- A. No right, benefit, or advantage inuring to SUBRECIPIENT and no burden imposed on SUBRECIPIENT hereunder may be assigned or otherwise transferred without the prior written approval of the GOVERNMENT.
- B. This agreement or any part hereof, may be amended from time to time hereafter only in writing executed by the GOVERNMENT and SUBRECIPIENT.
- C. This agreement, in accordance with 24 CFR 85.43 can be terminated if the SUBRECIPIENT fails to comply with any term of the agreement. This agreement may be terminated for convenience in accordance with 24 CFR 85.44 upon written notice by the PARTICIPATING JURISDICTION.
- D. The failure to perform or comply with any of the covenants, warranties, terms or conditions as set forth in this agreement shall constitute events of breach and default entitling the GOVERNMENT to take all action set out in this agreement or as otherwise allowed by law, including an action for specific performance.
- E. All notices hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid, return receipt requested, or emailed to the parties at their respective addresses as first set out herein.

[INTENTIONALLY LEFT BLANK. SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Contract at Lexington, Kentucky, the day and year first above written.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

BY: Linda Gorton  
Linda Gorton, Mayor

DATE: 11/6/2019

ATTEST:

Mackenzie Sommer  
Deputy Clerk of Urban County Council

LEXINGTON HABITAT FOR HUMANITY

BY: Rachel Childress  
Rachel Childress, Executive Director

DATE: 10-31-19

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**LEXINGTON**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
HOME FIRST TIME HOMEBUYER ASSISTANCE  
POLICIES  
Effective July 1, 2019**

**INTRODUCTION**

The Lexington-Fayette Urban County Government (LFUCG) will make HOME funds available to nonprofit corporations for the purpose of developing and operating first-time homeownership programs for low-income households. The government's primary objective in using part of its HOME allocation for first-time homeownership programs is to increase the number of affordable housing units in the community and to increase the opportunities for homeownership for low-income families in Fayette County. In general, the LFUCG will provide HOME funds to approved nonprofit organizations for the purpose of purchasing or rehabilitating existing single-family houses; new construction of single family houses which will be marketed to eligible and qualified first-time homebuyers; and direct assistance to first-time homebuyers for the purchase of new or existing single-family houses. Assistance will be provided to eligible homebuyers under the recapture option.

These guidelines will serve as operational parameters within which nonprofit organizations can receive HOME funds and provide financial assistance to first-time homebuyers. Hereinafter in this document, nonprofit organizations may be referred to as grantor agencies. In addition to these guidelines, all projects funded under the HOME Investment Partnerships Program are subject to the regulations codified at 24 CFR Part 92.

**STATEMENT OF INTENT**

The content of this document establishes the operating parameters for all Lexington-Fayette Urban County Government HOME funded first time homebuyer programs. It is the intent of the Lexington-Fayette Urban County Government to provide in each homebuyer case the smallest subsidy necessary to make the purchase possible. As the Lexington-Fayette Urban County Government provides funds for the first time homebuyer programs of several organizations, it is the responsibility of each these organizations to attract other public and private funds and to minimize the use of HOME funds.

**FAIR HOUSING**

LFUCG administers a variety of HUD programs and is required to affirmatively further the purposes and policies of the Fair Housing Act, which is Title VIII of the Civil Rights



Act of 1968. The Fair Housing Act not only prohibits discrimination, but in conjunction with other statutes, directs LFUCG to take steps to proactively overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities for all.

Under Consolidated Plan regulations, LFUCG is required to undertake fair housing planning, which consists of the following: 1) an Analysis of Impediments (AI) to fair housing choice; 2) actions to address the identified impediments; and 3) maintenance of records to support the affirmatively furthering fair housing certification.

The Affirmative Marketing Plan is part of the Consolidated Plan which may be viewed on the LFUCG website at [www.lexingtonky.gov](http://www.lexingtonky.gov).

### **ELIGIBLE FIRST-TIME HOMEBUYERS**

All Applicants for homebuyer assistance must meet the following criteria:

- Be a first time homebuyer (Borrower cannot currently own or have owned a home for at least the last three years).
- Must occupy the home as its principal residence throughout the period of affordability.
- Must not have at any time in the past received HOME funding for homebuyer assistance as provided by the LFUCG.
- Must have completed 8 hours of pre-purchase counseling and homebuyer education through a HUD-certified counseling agency as evidenced by a Certificate/Letter of Completion dated within the previous 12 months at time of closing.
- Annual household income, as calculated by HUD regulations at 24 CFR Part 5, must not exceed 80% of the Area Median Income limit for the Lexington-Fayette MSA. The purchasing household must be low income at the time the HOME funds are invested. Verification of income is required and is good for a period of six months.

Funds are available for any low-income family that has been a resident of the Fayette County Metropolitan Service Area for one (1) year which includes: Bourbon, Clark, Fayette, Jessamine, Scott and Woodford Counties. The assisted unit must be located in Fayette County.

**ELIGIBLE ACTIVITIES**

- New Construction
- Acquisition and rehabilitation of existing vacant single-family residential structures
- Acquisition of an existing unit that meets Housing Quality Standards and local property maintenance code

Nonprofit organizations may use HOME funds to purchase and rehabilitate properties whose after-rehab appraised value is less than actual costs of production only with prior written approval from the Division of Grants and Special Programs. In cases where the costs for acquisition and rehabilitation are greater than 120% of the after-rehab fair market value, the grantor agency shall document the reasons for excess costs and obtain written permission of the Lexington-Fayette Urban County Government's Division of Grants and Special Programs before proceeding with the project.

The Lexington-Fayette Urban County Government's Division of Grants and Special Programs will evaluate on a case-by-case basis each project in which costs are expected to exceed 120% of the fair market value of the property to determine an acceptable level of excess costs. The LFUCG Division of Grants and Special Programs will consider such factors as location, size, and environmental factors (Examples are presence of lead-based paint and lead-based paint hazards, presence of asbestos and historic preservation requirements) in its evaluation of each property.

**INELIGIBLE ACTIVITIES**

- Luxury improvements or improvements that exceed the neighborhood standard.
- Reconstruction of a unit that was not standing at least 12 months prior to the commitment of HOME funds.
- Land acquisition or demolition that does not result in a unit of affordable housing.

**ELIGIBLE PROPERTIES**

The property must be located in Fayette County. The value of an existing home or after-rehabilitation value may not exceed 95 percent of the area median purchase price for single family housing as determined by HUD. The value of a new home may not exceed 95 percent of the median purchase price for the area based on Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing. Both of these limits will be updated annually by program staff as they are released by HUD. All properties must be appraised by a state licensed or certified appraiser in the Commonwealth of Kentucky prior to purchase.

**PROPERTY STANDARDS**

New construction of single family units (units that were constructed during the past 12 months) shall comply with the building codes adopted by the LFUCG Division of

Building Inspection. Effective January 1, 2019, the 2018 KRC (2015 IRC with 2018 Kentucky Amendments) applies to construction of single-family residential buildings.

An existing housing unit (12 months or older) must meet the Section 8 Housing Quality Standards and the local property maintenance code. In addition, a home inspection is required for all existing homes, by a state licensed inspector. If the property requires rehabilitation, then LFUCG Building codes apply as well as rehabilitation standards adopted by the LFUCG Division of Grants and Special Programs.

The property type must be a single family property (one unit detached) and deeded as such. Condominiums, townhomes, and duplexes will not be considered.

**FORM OF OWNERSHIP**

For the purposes of the HOME program, homeownership means ownership in fee simple title.

**PERIOD OF AFFORDABILITY**

The HOME rule at §92.254(a)(3) requires that all HOME-assisted homebuyer housing be acquired by an eligible low-income family, and the housing must be the principal residence of the family throughout the period of affordability.

The following table outlines the required minimum affordability periods.

<b>If the total HOME investment or direct subsidy in the unit is:</b>	<b>The period of affordability is:</b>
Under \$15,000	5 years
Between \$15,000 and \$40,000	10 years
Over \$40,000	15 years

The mortgage documents and/or deed restrictions must include language detailing the affordability period and the recapture provisions.

**AFFORDABILITY CRITERIA**

All applicable ratios noted below are based on the Income of the qualifying applicant for a 30 year conventional or government subsidized mortgage (FHA, VA), the only types of mortgages allowed under this program. If the qualifying applicant is married, the income of both spouses will be included in determining the ratios even if only one applicant is the qualifying applicant. The monthly expenditure for Principal, Interest, Taxes, and Insurance (PITI) shall not be less than the percentage of gross household income indicated in the table below and shall not be more than 33% of the gross income at the

time of loan approval. All applicants should only be provided gap financing based on the maximum amount of mortgage they can repay.

If the homebuyer receives a Housing Assistance Payment (HAP) from HUD's Section 8 Housing Program, the minimum percentages are not applicable for PITI.

Family Size	Minimum PITI %
1	20%
2	19%
3	18%
4	17%
5	16%
6	15%
7	14%
8	13%

The first-time homebuyer may not commit more than 41% of their gross income for total long-term debt. Long-term debt is defined as debt exceeding repayment for more than 6 months or debt with an outstanding balance of more than \$3,000. The homebuyer will be required to commit to the financing of the purchase of the home all cash reserves, to include checking and savings accounts, cash on hand, and certificates of deposit, which is in excess of six months of PITI unless pre-approved by the Division of Grants and Special Programs. There is no requirement that first-time homebuyers remain low income after they purchase the property. Increases or decreases in gross income or changes in PITI do not affect the eligibility of a family outside of the six-month period noted in the section on homebuyer eligibility. If homeowner association fees are required, then these will be considered as housing costs and counted along with PITI.

All variances in calculating the required percentages noted above must have prior written approval from the Division of Grants and Special Programs.

**Borrower Criteria and Credit Worthiness**

Of all criteria used to evaluate the credit worthiness and capacity of a low- and moderate-income borrower, the individual borrower's credit must be the driving determinant factor. Each household will be evaluated on a case-by-case basis in order to determine credit-worthiness.

Income must have a history, be verifiable in the present and be able to be relied upon in the future. Income history must at least cover a twelve-month period. It must be

verifiable in writing through traditional sources. Tax returns are only acceptable verification for self-employed persons.

*Definition of Household Size and Members:* The Household is comprised of ALL individuals who will be occupying the home over the next or upcoming 12 months. The following individuals are not counted as part of the household: foster children, unborn children, children who live with the applicant (parent) less than 50% of the time, children being pursued for legal custody or adoption who are not yet living with the household at the time of application, and non-family care-takers. A child who resides with the household at least 50 percent of the time and receives over 50% of the care from the applicant, can be counted as a household member.

### **FORMS OF SUBSIDY**

- A. *Principal Reduction.* In order to make the monthly carrying cost of PITI affordable to the homebuyer, the Urban County Government will allow HOME funds to be used by the grantor agencies to subsidize units by providing "gap" financing or principal reduction to make up the difference between the market value of the property and a sales price that renders the monthly PITI affordable. A **second** mortgage shall be placed upon the property by the grantor agency or the Lexington-Fayette Urban County Government. The second mortgage shall provide for the **RECAPTURE** of the HOME subsidy in the event that the homebuyer sells the property, is foreclosed upon by another mortgagee, or ceases to occupy the property as the principal residence.
  
- B. *Amount of Subsidy.* For eligible first time home buyers below 80% of median income, the maximum home purchase subsidy may be \$20,000 for 1 person households, \$25,000 for households of 2 and \$30,000 for households of 3 or more if needed. The HOME subsidy may be used to fund acquisition costs up to 106% of fair market value to include eligible closing costs. The minimum HOME subsidy cannot be less than \$1,000. Subsidy amounts are to be calculated utilizing the HOME Downpayment Assistance Underwriting Template provided by Grants & Special Programs and rounded to nearest \$1,000.
  
- C. *Development Subsidy.* In the event the total development costs exceed the appraised value, the house may not sell for more than the appraised value. The difference between the total development costs and the appraised value is development subsidy. LFUCG permits eligible grantor agencies to use HOME funds as development subsidy with a minimum of \$1,000 provided as a direct subsidy to the homebuyer. Eligible grantor agencies will be required to submit documentation to LFUCG to support the necessity of a development subsidy. This may include but is not limited to an appraisal and a detailed final cost breakdown.

### **TERMS**

The buyer will be required to invest at least \$500 in cash at the time of closing. The remaining funds needed for closing costs, down payment, or principal reduction will be provided in the following forms:

- 1) 2% repayable loan for homebuyers between 71% and 80% of median income with a term of 20 years.
- 2) 1% repayable loan for homebuyers between 61% and 70% of median income with a term of 20 years.
- 3) A non-repayable loan for homebuyers at or below 60% of area median income with a term of 20 years. Beginning in year 11, 10% of the loan amount will be forgiven each year.

The monthly repayment amount for any repayable HOME loan will be included in the cap of 33% of gross income for PITI. The Urban County Government will take loan servicing responsibility for repayable loans in the form of receiving and documenting payments, unless otherwise approved in a written agreement. The requirements of private lenders and government regulations must prevail if the terms of the direct loan would violate said requirements and regulations. Any deviations from the terms stated above will require justification and prior approval from the Division of Grants and Special Programs.

#### **SUBORDINATION**

The grantor agency may provide for subordination of the mortgages(s) securing the HOME subsidy only if as identified: (1) if there is no change in the government's mortgage position and total encumbrances do not exceed 106% of the appraised value of the property; (2) if there is a change to the government's position, the new position is not lower than third position; total encumbrances do not exceed 90% of the appraised value (appraiser subject to approval by the LFUCG); the total long-term debt as defined previously does not exceed 41% of household income; and the reason for the subordination is capital improvements for the subject property. The government reserves the right to decline the subordination requests if the terms of the new mortgage are determined to negatively impact the homeowner's financial position.

#### **VIOLATION OF RESTRICTION ON PRINCIPAL RESIDENCE**

In the event that the homebuyer ceases to occupy the HOME-subsidized unit as his or her principal residence during the required period of affordability, the Mortgagee shall provide for foreclosure of the mortgage which secures the HOME subsidy.

#### **INSURANCE REQUIREMENTS**

Grantor agencies are responsible for ensuring that HOME units are properly insured during the construction/rehab process. Grantor agencies should also ensure through mortgages that the assisted property remains insured throughout the affordability period. At a minimum, the policy must be in an amount sufficient to cover the HOME

investment. If HOME is subordinate to another mortgage, the policy must cover both mortgages. For all home buyer units, either the LFUCG or the grantor agency must be listed as a loss payee on the insurance policy. LFUCG shall contract with a loan servicing agency that has the capacity to purchase forced placed insurance in the event that homeowner fails to maintain coverage.

### **SECURITY**

All properties developed under a HOME-assisted first-time homebuyer program, whether or not the first-time purchaser receives a repayable or non-repayable loan as described above, will be considered to be HOME-assisted and therefore are subject to all HOME restrictions.

All HOME restrictions regarding the period of affordability and use of property as principal residence during the period of affordability shall be included in the loan agreement, mortgage, and mortgage note, made in favor of the grantor agency or the Lexington Fayette Urban County Government; however, if the unit only receives a Developer's subsidy, then a recorded Deed of Restriction is also required.

The Lexington Fayette Urban County Government must approve all loan agreements, mortgages, mortgage notes, and deed of restrictions (if applicable) for properties assisted under the provisions of these guidelines prior to a grantor beginning a program.

If and when possible, the LFUCG will encourage participating private lenders to include all pertinent HOME requirements in the loan and mortgage documents for the private financing.

### **ASSUMABILITY OF SUBSIDY**

No HOME subsidy mortgage may be assumed during the period of affordability.

### **USE OF RECAPTURED HOME SUBSIDY**

Any HOME funds recaptured by the grantor agency under the provisions of these guidelines shall be returned to the Lexington-Fayette Urban County Government within ten days of receipt, unless otherwise noted in a written agreement.

### **PROGRAM INCOME**

All program income must be reported and returned to the LFUCG within 10 days of receipt, unless otherwise noted in a written agreement.

### **REPORT TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**

The grantor agency shall report all pending property sales, all pending foreclosures (pertaining to events during the period of affordability), and violations of restrictions on use of HOME-assisted properties as principal residences of homebuyers to the

Lexington-Fayette Urban County Government within five working days of their knowledge of the action.

**HOME RELOCATION REQUIREMENTS**

A HOME-assisted homeownership project is subject to relocation requirements under the Uniform Relocation Act (URA). In order to avoid the costs of relocation and to avoid the displacement of persons, the Urban County Government requires that nonprofit organizations purchase only vacant properties or properties which are owner-occupied and are being publicly marketed. An owner-occupant who sells a property is not eligible for relocation assistance under the URA as long as the seller, prior to sale, is informed in writing: (1) of the fair market value of the property; and (2) that the buyer does not have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable sales agreement. The nonprofit will be required to document all steps of the acquisition. If vacant units are purchased, the government will evaluate whether or not the seller removed tenants in order to sell a "vacant" building.

**CONFLICT OF INTEREST**

All grantor agencies must establish a Conflict of Interest policy that adheres to 24 CFR Part 84.84, and 2 CFR 200, as applicable. Potential conflicts of interest may arise from many situations. Some of the more common examples are:

- Requests for program assistance from employees, families of employees or board members, or families of board members of recipients or sub-recipients
- Recipients or sub-recipients contracting with or procuring materials from employees, families of employees or board members, or families of board members of recipients or sub-recipients.

All HOME grantor agencies are responsible for identifying situations in which a conflict of interest, whether real or perceived, may exist. If a conflict of interest is identified, the grantor agency must seek an exemption before proceeding with the project.

**LEAD-BASED PAINT (For all pre-1978 units)**

*Per 24 CFR Part 35, sellers must disclose to the purchaser or lessee the presence of any known lead-based paint and/or lead-based paint hazards; provide available records and reports; provide the purchaser or lessee with a lead hazard information pamphlet; give purchasers a 10-day opportunity to conduct a risk assessment or inspection; and attach specific disclosure and warning language to the sales or leasing contract before the purchaser or lessee is obligated under a contract to purchase or lease target housing.*

All grantor agencies shall ensure that these regulations are followed.



**APPLICATION FOR HOMEOWNERSHIP ASSISTANCE**

Each grantor agency must develop and use a standard program application form. Each household must complete the standard application form. If necessary, the grantor agency will provide assistance in preparing the form, especially to the elderly, handicapped, limited-English speaking persons and persons who are unable to read and/or write. A Uniform Residential Loan Application is not considered a program application and cannot be used as such under this program.

Each grantor agency shall comply with Title VI of the Civil Rights Act, ensuring that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance. Each grantor agency shall implement a language assistance program for persons who have limited English proficiency.

**HOME INCOME LIMITS**

Annual household income must be calculated based on HUD regulations at 24 CFR Part 5 and compared to the most recent HUD Income limits based on HUD estimates of median family income, with adjustments based on family size.

**BENEFICIARY AGREEMENT**

All prospective first-time homebuyers will receive counseling on the obligations, terms, and conditions associated with a HOME funded property. This counseling will cover how the first-time homebuyer program works and require the potential homebuyer to sign acknowledgement of program guidelines.

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Revised October 2007  
Revised February 2008  
Revised May 9, 2008  
Revised March 2010  
Revised April 28, 2011  
Revised April, 25, 2013  
Revised February 25, 2014  
Revised May2016  
Revised July 1, 2019

**LEXINGTON HABITAT FOR HUMANITY  
 BOARD APPROVED POLICIES**

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## **EMPLOYMENT POLICY STATEMENTS**

### **Statement on Equal Employment Opportunity**

In accordance with federal, state, and local laws, Lexington Habitat for Humanity (LHFH) does not discriminate against any employee or applicant for employment in job application procedures, hiring, termination, advancement, compensation, training or other privileges of employment on the basis of disability, race, sex, religion, color, national origin, age (40 and over), tobacco-smoking status, sexual orientation or gender identity, genetic information, pregnancy, marital status, veteran's status or any other trait or characteristic protected by applicable law.

Some positions with LHFH have minimum physical requirements which are delineated on the job description.

### **Statement on Harassment & Discrimination Prevention**

Lexington Habitat for Humanity is committed to ensuring a work environment that is free from harassment and discrimination. LHFH does not tolerate harassment or discrimination of any kind in its offices, stores, work sites, or in any other setting related to the work of LHFH, including, but not limited to, business trips, meetings and social events. All employees must avoid offensive or inappropriate behavior at work and are responsible for ensuring that the workplace is free from harassment at all times. Any harassment and/or discrimination on the basis of a protected status (disability, race, sex, religion, color, national origin, age (40 and over), tobacco-smoking status, sexual orientation or gender identity, genetic information, pregnancy, marital status, or veteran's status, or any other status protected by applicable law) is both unlawful and contradictory to the values of LHFH.

Sexual harassment is defined as any unwelcome sexual advances, requests for sexual favors and/or other unwanted verbal, non-verbal or physical conduct of a sexual nature.

## **WORKPLACE POLICIES**

### **Conflict Resolution & Employee Grievances or Appeals**

LHFH is committed to providing a work environment where discussion of problems is encouraged and open lines of communication are maintained. Employees are encouraged to try to resolve misunderstandings, disputes and disagreements among themselves in a professional manner.

Individuals who are unable to work out difficulties among themselves must document their positions, concerns and issues in writing. The matter should then be brought to the attention of the Director(s) of the parties involved.

If the grievance involves an employee and Director or the Director(s) cannot resolve the matter, the CEO shall be notified and attempt resolution. If the parties fail to amicably resolve the grievance, the CEO shall provide a written directive to resolve the grievance. The parties may accept the resolution or may appeal to the Lexington Habitat for Humanity Executive Committee in writing. The Executive Committee



shall provide the parties a written directive to resolve the dispute. There shall be no further appeal, other than those authorized by law.

### **Statement on a Drug-Free Workplace**

LHFH is a Drug-Free Workplace. In order to promote a safe and healthy working environment, the use, possession of or being under the influence of intoxicating substances or illegal drugs is not permitted at any LHFH work site, in LHFH vehicles or while in the conduct of LHFH business.

LHFH has the right to conduct inspections of all LHFH property and premises and to implement and conduct drug and alcohol screening tests. Employees who violate the drug-free policy, fail to cooperate, refuse to be tested, provide false information or omit information may be subject to disciplinary action, including termination.

LHFH will conduct a drug screen test prior to extension of an employment offer and if a situation warrants "reasonable cause." Applicants and employees will have the opportunity to list all drugs (prescription, over-the-counter or other) and explain the circumstances surrounding the use of such drugs. All records containing medical information will be maintained in accordance with applicable law.

## **ETHICS GUIDELINES & CODE OF CONDUCT**

### **Gift Acceptance**

Personal acceptance of gifts from any of LHFH's constituents: donors, volunteers, contractors, families, etc., may be perceived as a conflict of interest. No gifts shall be personally accepted by employees unless they are:

- Not cash – no cash gifts may be accepted under any circumstances. Should a constituent want to make a cash gift to an employee, it shall be made clear that the gift will be turned in as a donation.
- Not excessive in value – no more than \$50.
- Could not be construed as a bribe or pay-off.
- Does not violate any law, regulation or other LHFH policy.

### **Conflict of Interest**

All members of the Board of Directors, employees, committee members and regular volunteers, unless otherwise noted, shall annually read and sign the affiliate's Conflict of Interest policy and fully disclose any potential conflicts.

### **Employment of Relatives & Household Members**

Family/household members may not report to each other.

Family/household members may not be in positions where they are making decisions that affect their own family members.

Family/household members may not be in positions where opportunities exist to approve financial



transactions.

Family/household members may not both be in significant management positions.

Those who obtain “family/household member” status while employed are treated in accordance with these guidelines. If in the opinion of LHFH, a conflict or an apparent conflict arises, one of the employees will be expected to resign at the earliest practicable time or, failing that, will be dismissed.

Unless otherwise noted, this policy applies to volunteers and all categories of employment, including regular, temporary, flexible, and part-time classification, but may not include other short-term or contractual labor, depending on the situation.

#### **Use of Affiliate Resources**

All Affiliate resources are the sole property of Lexington Habitat for Humanity.

All computers, phones, servers, or other technology hardware provided for use by employees and volunteers are the sole property of LHFH. All software packages on the area network, e-mail and Internet systems are the sole property of LHFH. All information transmitted by, received in or from, or stored in these systems are the sole property of LHFH.

Hardware and software that are donated to LHFH become the sole property of LHFH and may be allocated according to Affiliate needs (i.e. designated for another user, sold, and/or stripped for parts).

#### **Requests to Use Tools/Equipment**

LHFH allows staff, board members and key volunteers to borrow tools and/or equipment (including vehicles) on an occasional basis for personal use. A written request to use the item must be made in advance and approved by the director of the department responsible for the item. The CEO approves requests from the director of the department responsible for the item.

The Board President must approve requests by the CEO. By signing the written request, the borrower releases LHFH from all liability related to the item or its use. LHFH makes no representations about the condition of the tools or equipment or about the fitness for use of the tools or equipment.

Items/vehicles taken for which there is not approved use will be considered stolen.

#### **Compliance with the Law**

Every employee and volunteer shall obey all applicable laws and regulations of any government, government agency, or regulatory body while engaging in work on behalf of the Affiliate.

Should any employee or volunteer break the law while on affiliate business or in reference to the affiliate, the Executive Committee may elect to press criminal charges.



## **Reporting of Violations and Anti-Retaliation (Whistle Blower)**

Lexington Habitat for Humanity intends to adhere to all laws, regulations, policies, and procedures that apply to the organization. Every employee has an obligation to comply with such laws, regulations, policies and procedures. Any employee who believes there has been a violation of these regulations should report the alleged activity to his or her supervisor, Department Director or the CEO. A report may be made verbally or in writing. A report made verbally by an employee may be written down by the supervisor and the employee making the report will be asked to review the written summary in order to ensure the information captured is accurate. All reports of alleged non-compliant activity will be investigated in a timely manner and corrective action will be taken if necessary. Without disclosing confidential or proprietary information, an update or explanation will be given to the employee who reported the activity following the investigation, as appropriate.

LHFH will not retaliate against any employee who, in good faith, has made a protest or raised a complaint about a person or practice of LHFH on the basis of a reasonable belief that a law, policy, etc., has been violated or could reflect negatively on the organization. Disciplinary action will be taken against employees who retaliate or attempt to retaliate against an employee who has made such a report.

## **PERSONNEL**

### **Employment Practices**

Lexington Habitat for Humanity complies with all applicable Federal, State, and local laws related to employment. In the absence of an express contract to the contrary, Kentucky law provides that a person's employment is for no specific term and may be ended at-will.

### **Hiring Practices**

A job description shall be written for each position prior to the onset of the hiring process. The Department Directors, in consultation with Human Resources, shall develop job descriptions for positions in their departments. The Executive Committee develops the job description for the CEO.

All employment for LHFH shall be made through formal application or submission of a résumé. A letter confirming the terms and conditions of employment shall be provided for all employees of LHFH.

### **Pre-Employment Screenings**

All potential employees will be checked against the National Sex Offender Registry. Persons who appear on the registry may not be offered employment.

All potential employees will be required to submit to a drug screen test at an approved medical testing facility. Persons who test positive for illegal substances will not be offered employment.

A driver's license and driving record check will be performed for any potential employee who may drive an Affiliate vehicle. Applicants whose records do not meet LHFH driver requirements will not be offered



employment.

Potential employees for positions which have physical requirements will be subject to a pre-employment physical examination. Candidates who do not meet these physical requirements will not be offered employment.

Criminal background checks will be conducted on all potential employees prior to employment. Should a prospective employee have a conviction record, or fails to disclose a conviction if/when asked, the Department Director, in consultation with Human Resources and the Finance & Administration Director, will determine whether or not the prospective employee is eligible for hire.

#### **Days and Hours of Work**

The normal workweek is 40 hours, excluding a non-paid lunch. Affiliate office hours and ReStore operating hours shall be determined by the CEO.

#### **Employee Performance Evaluations**

The work of each employee shall be reviewed at least annually by his/her direct supervisor. The Board President will initiate the annual review of the CEO. Copies of the written appraisal are maintained in the employee's personnel file.

Should a staff member disagree with all or part of the appraisal, his/her remarks shall be duly noted and attached to the appraisal. The staff member may elect to present any disagreements up the chain of command through the CEO, Board President and the Executive Committee.

#### **Disciplinary Actions**

LHFH reserves the right to take any disciplinary action deemed appropriate and warranted by the circumstances, including verbal warning, written warning, demotion, suspension or dismissal. If an employee believes a disciplinary action is not justified, the employee is entitled to follow the affiliate grievance procedure.

#### **Termination**

Employment with LHFH is "at will" and LHFH may dismiss any employee, with or without prior notice, for any reason not prohibited by law. Dismissal may or may not be preceded by other disciplinary actions.

#### **COMPENSATION AND BENEFITS**

LHFH shall provide all compensation and benefits required by law as well as those described herein.

#### **Paid Time Off (PTO)**

Employees will be eligible for Paid Time Off (PTO) during their employment with Lexington Habitat for Humanity as follows.



## Eligibility Rates

### Regular Full-time Staff:

Years 1-5 17 days (136 hours)

Years 6-10 22 days (176 hours)

Years 11 + 27 days (216 hours)

### Regular Full-time Management:

Years 1-5 22 days (176 hours)

Years 6-10 27 days (216 hours)

Years 11 + 32 days (256 hours)

### Regular Full-time Executive:

Years 1-5 27 days (216 hours)

Years 6-10 32 days (256 hours)

Years 11 + 37 days (296 hours)

An increase in eligibility rate will be effective beginning the anniversary of the date the employee was hired. Hours spent employed at LHFH full-time, part-time or in an AmeriCorps or VISTA position will count toward an employee's length-of-service if that employee is subsequently re-hired.

There will be no limit on an employee's PTO bank during the calendar year. At the end of the calendar year, a maximum of 320 hours may be carried to the next year. If the employee has more than 320 hours in the bank at the end of the year, the amount exceeding 320 hours will be lost. As leave is taken in the current year, it will reduce the bank.

### Part Time Employees

Beginning with the 6 month anniversary of employment, part-time employees will be eligible for pro-rated PTO hours according to their hours worked. (Hours worked x 0.0654 = PTO eligibility per pay period.)

### PTO Payment upon Separation

Payment will be made for up to 200 hours of any unused PTO at separation.

## Holidays

The following holidays shall be observed and the LHFH offices will be closed. Additional holidays may be designated by the Executive Committee. The ReStore may be open on holidays, as determined by the store management. When a holiday falls on a Saturday or Sunday, the holiday is generally observed on a Friday or Monday, respectively, as determined by management.

New Year's Day  
Martin Luther King Day  
Memorial Day  
Fourth of July  
Labor Day  
Thanksgiving Day





Day After Thanksgiving  
Christmas Eve  
Christmas Day

Full-time employees required to work on a day which is an observed holiday will be granted a floating holiday to be used at a time determined by management.

### **Parental Leave**

Parental leave is defined as the time when an employee is absent from work to care for a child due to, and within the year following, the birth, adoption or appointment of foster care / guardianship of the child. Parental leave is unpaid. Parental leave is available to either parent, so long as the parent is not eligible for FMLA leave. Employees who are eligible for FMLA leave, including those who have already used their entitlement to FMLA leave, are not eligible for "parental leave" as that term is used in this policy.

LHFH may permit an employee to take parental leave for a period of time equal to the amount of PTO that the employee has remaining at the time of the employee's request for parental leave. Parental leave will only be granted after the employee has utilized his or her remaining PTO. The parental leave is not to exceed three weeks, or a total of six weeks when combined with PTO taken by the employee. By way of example, if an employee is eligible for 9 days of PTO at the time of his or her request for parental leave, he or she may be permitted to take up to 9 days of unpaid parental leave after the employee utilizes his or her 9 days of PTO.

### **Bereavement Leave**

LHFH provides paid leave to attend the funeral and attend to other matters related to bereavement according to the following:

- Up to ten days – spouse, child
- Up to five days – parent, sibling, other for whom the employee is directly responsible
- Up to three days – grandparent, grandchild, in-law
- One-half day - other relatives, friends, associates

### **Jury Duty**

Employees are granted time off with pay to serve on a jury panel or as a court witness when subpoenaed. Any pay received from the court service belongs to the employee.

### **Military Reserve Leave**

Employees who serve in the Reserves are eligible for five additional PTO days per calendar year for the purposes of required annual training. These additional PTO days may not be carried over from one year to another if not used and will not be paid out at the time of separation.



For up to five additional days of annual training, such employee will be paid the differential, if any, between the military base pay, special pay and allowances and LHFH gross pay, if the LHFH amount is greater than the military amount

If the employee is ordered to involuntary active duty, the employee/service member will be paid the differential, if any, between the military base pay, special pay and allowances and LHFH gross pay, if the LHFH amount is greater than the military amount. Such differential pay will be paid for up to one calendar year, but will terminate on the date the employee/service member is released from active duty.

The employee must give his/her director notice of the training dates or active duty orders as soon as that information is available. The director will advise the Finance and Administration Director and the CEO. LHFH will advise the employee of documentation required to obtain these benefits. If there are changes to the military base pay rate, special pay or allowances during the period of active duty, the employee must advise LHFH so that the differential pay may be adjusted.

Benefits paid by LHFH, such as health insurance, will be suspended during this active duty period if they are made available by the military service. If the employee wishes to retain such benefits through LHFH, he/she may do so at the then-current rate.

Differential pay will be paid on the normal payroll schedule. PTO will continue to be accrued during the time of military service. The employee will retain job re-instatement rights, as specified in federal law.

#### **Leave Without Pay**

Full-time employees may be granted leave without pay for special circumstances not provided for in the foregoing leave allowances. The President may grant this for the CEO and the CEO may grant for all other staff, in consultation with the immediate supervisor, for periods up to three months.

#### **Inclement Weather**

The CEO decides when the office will be closed due to inclement weather and notifies the department directors.

#### **Insurance**

##### **Worker's Compensation**

LHFH fulfills its legal obligations for injury to employees as provided under the Kentucky Workers' Compensation Act.

##### **Unemployment**

LHFH provides unemployment insurance as prescribed by Kentucky laws.



### **Health and Dental**

LHFH may offer basic employee medical and dental insurance coverage for full-time (or federal full-time equivalent) employees. Coverage will be effective on the first day of employment. Should an employee elect coverage for a spouse and/or children, the additional premium will be paid by the employee through payroll deduction. Coverage will end on the last day of employment. Premium cost sharing and plan details will be determined by management each year at the time of plan renewal.

### **Life and Disability Coverage**

LHFH may provide term life insurance, accidental death and dismemberment and short and long-term disability policies for all regular, full-time employees no later than the first day of the month after 90 days of employment.

### **Retirement Savings – 401(K)**

LHFH will provide a retirement plan for regular employees working more than 1000 hours per year. The Affiliate will contribute an amount equal to five percent of the eligible employee's gross wages beginning the first of the month following twelve months of employment, provided the employee has worked a minimum of 1000 hours in that twelve month period. Additionally, any employee who is scheduled to work more than 1000 hours per year may elect to make salary reduction contributions to the retirement plan beginning the first of the month following twelve months of employment, provided the employee has worked a minimum of 1000 hours in that twelve month period.

### **Optional Benefits**

LHFH may provide the opportunity for employees to purchase additional benefits via payroll deduction.

### **Continuation of Coverage**

LHFH complies with the Consolidated Omnibus Budget Reconciliation Act (COBRA) or KY State Continuation regulations regarding workers and their families who lose their health benefits under certain circumstances.

## INTERNAL OPERATIONS

### Hiring of Subcontractors

Procurement of supplies, materials, and services shall, to the maximum extent practical, promote free and open competition in the solicitation and awarding of all contracts. Awards shall be made to the bidder who is most advantageous to the organization, considering price, quality, and other factors. All staff and Board members involved in the selection of a vendor shall follow the LHFH Conflict of Interest policy.

LHFH will compare prices or solicit bids for all purchases or contracts with an annual value of more than \$3500. Price or rate quotations should be solicited from at least two qualified sources on a regular basis, as determined by management. LHFH will take affirmative steps to solicit bids from small, minority, and women's business firms and/or Section 3 certified businesses and to utilize such businesses when possible and advantageous to the organization.

Procurement through solicitation of a proposal from only one source may be used when one or more of the following circumstances apply:

1. The item/service is only available from a single source;
2. The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
3. After solicitation of a number of sources, competition is determined inadequate;
4. The value of the purchase or a contract for 1 year of services is less than \$3500.

All records pertinent to the selection of a specific supplier or contractor shall be retained for a period of three years. When selection is made on a basis other than lowest cost, the decision criteria shall be documented and retained with other applicable records.

Projects costing over \$150,000 and any projects receiving federal funds may have additional requirements.

All service vendors and sub-contractors of LHFH must present a W-9 form prior to the execution of a contract and/or beginning work, an insurance certificate verifying general liability insurance of at least \$1,000,000, naming LHFH as "Additional Insured", and workers compensation coverage as required by Kentucky law (or a complete Independent Contractor Questionnaire) prior to beginning work and annually upon policy renewal, and, if applicable, proof of current licensure prior to beginning work and annually.

### Retention and Confidentiality of Files

All Affiliate records must be kept so that an accurate, auditable record of all transactions is maintained in accordance with generally accepted accounting principles. No entries may be made to intentionally hide or disguise the true nature of any transaction or to create funds to be used for other purposes.

Information recorded and submitted to other parties – whether inside or outside the Affiliate – must be accurate, timely and complete. Reports cannot be used to mislead those who receive them or to

conceal anything. This accuracy requirement applies to both financial and non-financial records such as workers' compensation claims, safety statistics and other reports. Records must be maintained in accordance with any applicable records management policy and/or records retention schedule.

LHFH keeps essential records which include but are not limited to the following. All records are maintained for a minimum of seven years. As space allows and need dictates, records are retained indefinitely.

- Articles of Incorporation
- By-laws
- Board of Directors and Committee meeting minutes
- Contracts
- Deeds
- Publications
- Correspondence
- Financial Records
- Audits
- ReStore daily reports
- Receipts
- Invoices
- Purchase agreements
- Tax information
- Applicant and partner family files
- Personnel Records

Files containing confidential material, including personnel files, will be accessible only by those with a work related need to know. Essential files are kept in fire-proof storage. Public files are accessible. Electronic files are backed up at least daily to an offsite secure storage facility.

#### **Sexual Offender Registration**

LHFH shall check the Kentucky Sex Offender Registry and National Sex Offender Public Registry for the names of all homebuyer applicant adult household members, employees, Board members and key volunteers as follows:

- Potential employees – prior to offering the position
- Employees – annually
- Board Members, key volunteers – prior to the start of service and annually
- Homebuyer applicants – upon acceptance into the Homebuyer program and prior to home closing

If a person from one of these groups appears on the registry, that person may not be hired/approved or may be dismissed from the position/program. Notification will be in writing.



### Distinctive Signs

All uses of the Lexington Habitat for Humanity and Habitat for Humanity® logos and signs must be in accordance with HFHI policies which can be found on MyHabitat. The use of the term Habitat for Humanity® must include the registration mark as shown.

## **SAFETY**

### **LHFH Management Safety Policy**

The management of this organization is committed to providing employees & volunteers with a safe and healthy workplace. It is the policy of this organization that employees & volunteers report unsafe conditions and do not perform work tasks if the work is considered unsafe. Employees & volunteers must report all accidents, injuries, and unsafe conditions to their supervisors.

Employee's & volunteer's recommendations to improve safety and health conditions will be given thorough consideration by this organization. Management will give true attention to and provide the financial resources for the correction of unsafe conditions. Management will promote and influence safe behavior. This will be accomplished by both positive reinforcement of correct and safe activity, and by disciplinary action for those who willfully or repeatedly work in an unsafe manner.

Management will participate in establishing and maintaining an effective safety program. The program will document detailed procedures about safe construction methods and emergency response. The safety program will be in compliance with the most recent OSHA standards, as well as those safety standards set forth by HFHI. This will include the following:

- Holding all management and supervisory staff accountable for their safety responsibilities in their respective departments, jobs, crews or workplaces;
- Providing safety and health education and training as needed; and
- Reviewing and updating workplace safety policies, practices and performances.

### **Children**

Children under the age of 16 are not allowed on construction and deconstruction sites while work is in progress.

Children ages 16 and 17 may be on work sites when accompanied by an adult who has accepted legal responsibility for the child by signing the waiver, but may not participate in "ultra hazardous" construction activities which include but are not limited to: use of power tools or motor vehicles, demolition, roofing or working from a height of six feet or more or excavation operations. There must be a 1-4 adult-child ratio at the work site. Adults must be persons age 21 or older and do not include LHFH staff.

If there are no other restrictions, such as on-site workers from Dismas Charities, children ages 14 and 15 may work in the ReStore when accompanied by an adult who has accepted legal responsibility for the child by signing the waiver, but may not participate in "ultra hazardous" activities which include but are not limited to: use of power tools or motor vehicles, demolition, roofing or working from a height of six feet or more.

### **Construction and Deconstruction Sites**

Each supervisor at a work site must:

- Conduct on-site safety training for all volunteers each new volunteer work-day.



- Ensure "Injury Action Plan" information is clearly visible and accessible at each work site.
- Monitor the work site's safety status by personally conducting daily safety inspections and initiating needed corrective action.
- Complete an incident report for all accidents and injuries.
- Conduct accident investigations to analyze the causes and formulate recommendations for corrective and preventative action.
- Monitor the safety performance of all subcontractors to ensure compliance with the affiliate's safety standards.

Each volunteer, future homeowner, and non-supervising staff at a build site must:

- Comply with all safety rules and regulation.
- Report all accidents and injuries immediately.
- Obtain the proper tools and personal protective equipment for the job at hand.
- Report all unsafe conditions to the supervisor in charge.
- Know to call 911 in case of emergency.
- Help maintain a safe and clean work area.

Management will annually review and appropriately update staff training requirements and work site safety procedures based on current OSHA guidelines and recommendations from HFHI, our insurance provider, or other qualified work-site safety organizations.

#### **HABITAT FOR HUMANITY INTERNATIONAL RELATIONSHIP**

The LHFH Board of Directors signs a Covenant Agreement with HFHI annually. As part of that Covenant, LHFH agrees to abide by certain policies and procedures as outlined in HFHI Core Documents, Core Tenants, and Vision and Mission Statements. The Affiliate endeavors to do so. Changes to policy resulting from the relationship with HFHI must be approved by the Board of Directors.

LHFH will pay an annual U.S. Stewardship and Organizational Sustainability Initiative (US-SOSI) fee as required by HFHI.





## FINANCIAL POLICIES

### Independent Audit

The Affiliate shall annually contract with an independent Certified Public Accounting (CPA) firm to perform a full audit of the financial records as required by Habitat for Humanity International. The audit will cover the fiscal year July 1 through June 30. The auditors will test accounting mechanisms in accordance with generally accepted accounting standards for non-profit organizations and as contractually required by funding sources. A formal written report of the audit will be presented to Lexington Habitat for Humanity's Board of Directors for final approval.

The CPA firm will produce and file IRS form 990 and any other IRS required forms as necessary. The form 990 will be presented to the Board of Directors for approval after review by the Finance Committee and Treasurer.

## CASH DISBURSEMENT POLICY

### Expenditures and Invoice Authorization

LHFH Finance and Administration staff will ensure that all costs paid are "arm's length" transactions, which do not deviate from established practices of the organization. An arm's length transaction is a transaction between two related or affiliated parties that is conducted as if unrelated, so that there is no question of conflict of interest.

A cost will be considered reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

All expenditures must be documented in writing via invoice from vendor, LHFH credit card itemized receipt and statement, request for reimbursement with receipts, or detailed check-request form. All expenditures must be approved, as evidenced by signature or initials, by a department director or designated employee. Expense reimbursement requests and LHFH credit card charges from department directors must be approved by the CEO. Those from the CEO must be approved by the Board President.

Due to volume and complexity, Lowe's construction invoices will be reviewed and initialed by two members of the Construction staff or one member of the construction staff and a second person from the management team.

The act of approving an invoice authorizes the disbursement of funds from the Affiliate's accounts. The approver will ensure that all conditions and specifications on the contract or order have been satisfactorily fulfilled.

Except for the purchase of lots (in accordance with the budget) and regularly recurring items (such as rent, insurance premiums, loan payments, etc.), all checks greater than \$20,000 must be signed by one of the authorized staff (CEO or Family Services Director) and either the Treasurer or President of the Board of Directors.



## Expenses

Employees shall be reimbursed for legitimate business expenses requested on the EXPENSE REPORT form and supported with appropriate documentation and supervisory approval.

### ***Credit Card***

Use of a LHFH Affiliate credit card is limited to work related expenses. All charges must have an itemized receipt and supervisor approval or the employee will be required to reimburse the affiliate.

### **BANKING**

Initial establishment of a deposit account with a financial institution shall be authorized by the Board of Directors. Additional accounts at the same financial institution may be initiated by the CEO with the Board of Directors and/or other officers to provide any additional authorization as required by the institution.

Board of Directors will authorize the signatories for each deposit account per the requirements of the financial institution. Updates will be provided to the institution when there is a staff or Board officer change.

All physical checks will be pre-numbered.

Payments made via ACH, EFT, or wire transfer will be authorized by an account signatory.

Initial establishment of an online payment account through a vendor's website will be authorized by the CEO or Board President. Payments may be initiated by a designated employee and will be reviewed and acknowledged by an account signatory.

Transfers between affiliate deposit accounts or deposit accounts and lines of credit will be authorized by the CEO or Board President.

Deposit account statements will be opened/downloaded and initially reviewed by an account signatory prior to reconciliation by a designated employee.

All deposit account statements will be reconciled for each month during which there is account activity.

Affiliate shall make reasonable efforts to separate the duties of depositing funds into accounts, issuing payments from accounts, and reconciling account statements, as staff levels allow.

### **INSURANCE**

Reasonable, adequate coverage will be maintained to safeguard the assets of LHFH. Such coverage will include property, general liability, worker's compensation, builders risk, directors and officers, auto, volunteer accident, employee/staff dishonesty as well as other insurance deemed necessary.

Minimum coverage levels as required by HFHI for each policy will be maintained. LHFH may carry higher levels of coverage than those required by HFHI if deemed appropriate.



Property and equipment is individually insured based upon actual or determined value. Additional policies may be purchased as deemed appropriate by CEO and DFA in consultation with a qualified insurance agent.

The Finance and Administration department will maintain insurance files.

#### **INTERNAL REPORTING**

An annual budget will be prepared by the Finance and Administration department from information provided by each department director. The budget will be reviewed by the Finance Committee, Executive Committee and approved by the Board of Directors.

The Board of Directors shall review financial statements at each regularly scheduled Board meeting. The statements will include a Balance Sheet and an Income and Expense statement compared to budget. Significant variances will be explained.

#### **LOANS**

All loans with a re-payment period of more than 1 year and all loans greater than \$100,000 will be approved by the Board of Directors.

The initial establishment of a revolving line of credit will be approved by the Board of Directors. Ongoing use and repayment of such will be directed by the CEO.

#### **LHFH PAT SMITH ENDOWMENT FUND**

The Affiliate maintains an endowment fund governed by an endowment agreement and investment policy approved by the Board of Directors.

The annual distribution from the Fund will be used to support local and international service projects.



## MORTGAGES

Lexington Habitat for Humanity will comply with the Real Estate Settlement Procedures Act (RESPA) and the Truth in Lending Act (TILA) provisions for mortgage origination, as well as all other applicable federal, state, and local laws regarding mortgage origination.

### Qualified Loan Originator

LHFH will have at least one Qualified Loan Originator (QLO) on staff in the Family Services Department. The Human Resources Administrator will apply to the state annually for the Secure and Fair Enforcement of Mortgage Licensing (SAFE) Act exemption which allows loan originators at qualifying non-profits to not be licensed.

According to the Truth in Lending Act (TILA), LHFH's QLO(s) will:

- At hiring and every three years show through the affiliate's criminal background check process that they (1) have not been convicted of or pled guilty or no contest to a felony involving fraud, dishonesty, a breach of trust, or money laundering, and (2) have not been convicted of or pled guilty or no contest to a felony in a domestic or military court in the seven years prior.
- At hiring and every three years have their credit report checked by the Human Resources Administrator to evaluate financial responsibility, character, and general fitness.
- Complete ongoing training on both federal and state laws pertinent to mortgage lending.

### Mortgage Underwriting

All Homebuyers will formally apply for a mortgage loan no more than 90 days prior to loan closing, after appraisal and purchase price are determined. In order for a Homebuyer to proceed with loan closing, all income and debts will be re-verified through third party sources and selection criteria must be met to ensure that the Homebuyer can afford the Habitat mortgage. If a Homebuyer's income and/or creditworthiness have declined below the ability to pay the mortgage and other obligations, an adverse action notice will be provided to the Homebuyer within 30 days of deciding to de-select.

Lexington Habitat will consider the Real Estate Settlement Procedures Act (RESPA) application complete when the affiliate is in possession of the Homebuyer's loan application, third party verified monthly income, property address, appraised value of property, and loan amount.

Within three days of a completed RESPA application and at least seven days prior to closing, a QLO will deliver the Loan Estimate, a Privacy Statement and Notice (in compliance with the Gramm-Leach-Bliley Act (GLBA)), and a formal Intent to Proceed letter to the Homebuyer. Closing should not proceed until the Intent to Proceed letter is signed and returned by the Homebuyer. The Closing Disclosure will be delivered to the Homebuyer at least three days prior to closing.

***Lexington Habitat for Humanity mortgages will be based on the following criteria:***

- The mortgage will be for the full appraised value minus grant-funding sources requiring and providing principal reduction.
- The term of the mortgage will range between 15-30 years.

- Mortgage payments, including principal, taxes and insurance, will be calculated using 16%-25% of the Homebuyer's qualifying gross monthly income. Income expected to continue for three years past closing date will be considered as qualifying income used in the calculation of the mortgage payment. The income of household members who are not applying for the mortgage will not be used in the mortgage payment calculation.
- Total long term debt monthly payments (including LHFH mortgage payment) cannot exceed 43% of qualifying gross monthly income.
- The first note will equal the appraised value minus any grant subsidy, other subsidy, down payment assistance, down payment, or other source of principal reduction.
- A silent, forgivable note will be written, if necessary, to further reduce the first note balance such that repayment will be within the Board-approved mortgage term range with a monthly payment within the Board-approved percentage range of the Homebuyer's qualifying gross monthly income.
- Silent, forgivable notes shall be forgiven at the rate of 10% per year for years six through fifteen (ten years).
- Total encumbrances will not exceed fair market value of the property.

Lexington Habitat for Humanity will transfer title of each completed house to approved Homebuyer upon occupancy, or on a specific time frame as soon as practical thereafter.

If early pay off occurs in association with the sale, transfer of title or refinancing of the first mortgage, the second note, shared appreciation, and any deed restrictions apply as written in the mortgage, unless otherwise negotiated by the CEO.

#### **Mortgage Servicing Policy**

LHFH will comply with all mortgage servicing provisions of Title XIV of the Dodd-Frank Act, including those contained in the Real Estate Settlement Procedures Act (hereinafter "RESPA") and the Truth in Lending Act (hereinafter "TILA"), as well as all other applicable federal, state, and local laws regarding mortgage servicing.

For the efficient collecting and recording of mortgage payments, LHFH may choose to maintain a mortgage servicing agreement with a third party licensed/registered servicer that fully complies with applicable laws, including but not limited to RESPA and TILA. Such agreement will enumerate separation of duties between the third party servicer and LHFH. Mortgage servicer will keep mortgagors' escrow funds in an FDIC insured checking account that is separate from all other funds. Servicer will reconcile each escrow account annually and provide every mortgagor a statement of taxes, insurance, and payments and mortgage balance.



### ***Loan Documentation***

The mortgagor will receive a duplicate of all documents executed at closing. LHFH or its servicer will retain all original, recorded closing documents.

A deed of release will be prepared, signed, and filed once the debt created and secured by the loan has been paid in full. The original, recorded closing documents will be retained by LHFH or its servicer on a permanent basis.

Documentation pertaining to foreclosure and deed-in-lieu of foreclosure will be retained by LHFH.

### ***Delinquency Management***

Payments are due on the first of each month and are considered "delinquent" if not paid on the first day of the month. There is a grace period of 15 days before penalty payments begin to accrue. The payment must be received by the servicer by the 15<sup>th</sup> to avoid penalty payments.

**15 days delinquent:** The third-party servicer will send a delinquency notice stating the 15-day delinquency and the amount of the late charge.

**30 days delinquent:** LHFH will mail a delinquency notice stating the 30-day delinquency and the amount of the late charge. The notice will include instructions to obtain a list of HUD-approved nonprofit homeownership counseling organizations.

**60 days delinquent:** LHFH will mail a letter stating the 60-day delinquency and the timeframe in which the homeowner must resolve the delinquency in order to prevent further adverse action. The notice will include instructions to obtain a list of HUD-approved nonprofit homeownership counseling organizations. Written communication will be mailed via regular US mail and Certified with Return Receipt.

**90 days delinquent:** LHFH will mail a letter stating the 90-day delinquency and the timeframe in which the homeowner must resolve the delinquency in order to prevent further adverse action. The notice will include instructions to obtain a list of HUD-approved nonprofit homeownership counseling organizations. Written communication will be mailed via regular US mail and Certified with Return Receipt.

**Over 90 days delinquent:** Loss mitigation options (foreclosure alternatives) may be considered. Federal law requires that the first notice or filing required to foreclose cannot be made unless the mortgage loan is more than 120 days delinquent.

- Foreclosure proceedings may be suspended when a delinquent mortgagor enters into a loss mitigation agreement approved by the CEO.
- Terms of loss mitigation options and Deed-in-lieu of Foreclosure offers will be set by the CEO.
- The CEO may extend the mortgage period up to 24 months. Any further extension must have the approval of the full Board



LHFH will consult with a local attorney to adequately protect the affiliate's interests and comply with Kentucky foreclosure law when sending delinquency and default notices. LHFH will comply with all federal and local laws concerning communications regarding debt collection practices and communication with borrowers in bankruptcy.

#### ***Successors in Interest***

LHFH will comply with all RESPA and TILA provisions regarding successors in interest and maintain procedures to assist with compliance.

#### ***Third Party Lending***

When a 3<sup>rd</sup> party lender is used to provide financing for the purchase of a Lexington Habitat for Humanity home, the following policies will apply:

- Only fully regulated and licensed financial institutions may be used to provide financing to homebuyers.
- Interest rate will be fixed for the life of the loan.
- Loan will be fully amortizing over the life of the loan (no interest only or balloon payments).
- Loan terms will be between 15-30 years.
- Lender will escrow property tax and homeowner's insurance obligations.
- Mortgage payments, including principal, interest, taxes and insurance, will be calculated using 16% - 25% of homebuyer's qualifying gross monthly income, as defined by LHFH.
- Total long term debt monthly payments (including mortgage payment) cannot exceed 43% of qualifying gross monthly income.
- If the lender's calculation of gross monthly income or debt ratio differs from Lexington Habitat's calculation, the more restrictive (lower payment) calculation will prevail.
- If the loan provided by the 3<sup>rd</sup> party lender plus any down-payment assistance is less than the full appraised value of the home (minus principal reduction due to grant-funding sources if applicable), LHFH will provide a silent, forgivable second mortgage for the balance of the purchase price.



## **RESTORE POLICIES**

The following section is intended to comply with Policy 30 of the U.S. Affiliated Organization Policy Handbook.

### **Governance**

The LHFH board of directors has ultimate accountability and responsibility for all activities of ReStore. Habitat ReStore is a division or branch of the affiliate's operations and may not be set up as a subsidiary or separate corporate entity.

### **Notification and Approval**

Lexington Habitat for Humanity will contact HFHI for appropriate technical assistance if needed and for approval prior to opening additional Habitat ReStore locations.

### **Operations**

Habitat ReStore retail operations will abide by all applicable policies set forth in the U.S. Affiliated Organization Policy Handbook.

### **Sales Policies**

ReStore is open to the public, with operating hours determined by the External Relations Director in consultation with the CEO. ReStore principally sells furniture, appliances, cabinets, building materials, architectural goods and home accessories. Proceeds from ReStore support the affiliate's mission. Negotiating on prices is prohibited. Sales, discounts, and coupons will be used to reduce prices in order to manage inventory levels or achieve sales goals.

ReStore will offer all employees and volunteers a 20% discount off their purchases, provided the item has been available for sale to the general public for at least 12 business-hours. Verification of an item's eligibility for the employee discount will be made by the store manager. This time requirement is intended to prevent "buddy-pricing." Items which are collected for use by other charity partners (such as bicycles collected in partnership with Broke Spoke), may not be given or sold to staff or volunteers. In compliance with HFHI recommendations, board members are not eligible for discounts.

ReStore may offer others discounts and coupons for on-site purchases, special events and other promotions. Purchases made at ReStore may be returned for a full refund within 30 days. To be eligible for a refund, the returned item must be in substantially the same condition as when it was sold, and the customer must present the original receipt. The return will be paid out in the same form as payment was received, except for purchases made by check and large cash refunds, in which case a check for the return amount will be issued by the Department of Finance and Administration within 10 business days. The check refund will be mailed to the customer. Store management may refuse a return if they reasonably suspect abuse or fraud.





Customers making purchases of large items may elect to store their item at ReStore for later pickup. Determination of the time limit and fees for this service will be made by the store director in consultation with the CEO.

The store manager or Manager on Duty may at his or her discretion make rare exceptions to store sales policies (such as to extend the deadline for the return, discount a damaged item, extend a sold item pick-up period, etc.). All such exceptions will be documented and reviewed by the Store Director and records of the exception retained with daily sales receipts.

### **Donations**

Drop-off donations will be accepted at ReStore during all store hours. Donation pickups will be offered at days and times determined by store management. Donation pick-ups will be scheduled promptly and every donor will be offered a Donation Acknowledgement Receipt.

Specific items which may or may not be accepted for donation drop-off or pick-up will be determined by the store director. ReStore will not knowingly accept stolen, hazardous, or unsanitary items and will lawfully and safely dispose of any hazardous material which it may receive.

### **Receiving**

All Items accepted for sales will be screened by store staff and volunteers according to pricing and screening procedures established by the store director. In general, items will be priced between 30%-70% off retail prices.

ReStore may not knowingly sell items which have been recalled by the manufacturer, the Consumer Product Safety Commission or other regulatory agency. Screening procedures will be established by the ReStore Director. In order to comply with the Lead in Water Act, ReStore will not sell kitchen or bath faucets, dishwashers, or other plumbing products intended for use with potable water manufactured prior to 2014 unless those products have been determined to be compliant.

ReStore will comply with all Federal, State, and local regulations regarding the sale of materials containing lead-based paint. Disclosure that items may contain lead-based paint will be conspicuously posted in ReStore. Any item specifically designed for use by children under the age of 12 (e.g. baby cribs, toys), furniture products suspected of having been painted prior to 1974, or other articles intended for consumer use for which there is reasonable suspicion of having been painted with lead-based paint will be tested for the presence of lead-based paints. Except where resale is prohibited by law, items suspected of containing lead-based paint must be clearly labeled as such and appropriate safe-handling procedures utilized in the storage and moving of such items.

ReStore may not undertake appliance repair or other activities which may cause it to assume manufacturer's liability for the sale of donated goods.



### **Facilities and Equipment**

Records of employees with keys to vehicles or buildings as well as alarm codes and the combination to the safe will be kept by the Department of Finance and Administration. Keys and combinations will be changed as needed and after the departure of any key employee.

All roof access at ReStore is limited to authorized individuals only and access will be recorded on the log near the roof hatch. The emergency exit stairs will not be operated except in an emergency.

ReStore facilities including loading docks and the front sidewalk, vehicles and all homeowner or off-site properties are designated workspaces and are to be non-smoking. The ReStore Director shall designate an outside smoking area at ReStore.

### **Vehicles**

ReStore vehicles will be inspected for safety and maintenance needs prior to each shift. Each vehicle will also be professionally serviced and inspected quarterly. No ReStore vehicle may be operated in reverse without a flagger outside of the vehicle. ReStore vehicles may only be operated by specifically trained and authorized individuals. ReStore vehicles may not operate outside Kentucky. ReStore vehicles may not be used for personal errands. Each vehicle must be signed out prior to use.

### **Finances and Cash Handling**

The ReStore's Operating budget will be created by the ReStore Director with input from ReStore staff and approval of the CEO and Finance and Administration Director. ReStore operating budgets will provide adequate funds for the safe and successful operation of the ReStore. Final budget approval will be made by the Board of Directors.

The ReStore will collect sales tax on all taxable purchases except those for which a valid Tax Exemption certificate has been obtained. Additionally, ReStore, in consultation with the Department of Finance and Administration and outside technical experts, shall assure proper data security and PCI compliance for credit card and debit card processing.

ReStore shall maintain individual cash drawers for each cashier as well as a separate cash fund used for making change throughout the course of the day. Each day the cash fund will be counted by a manager and witness at store opening and store closing. Individual cash drawers will be counted by a manager or designee and the assigned cashier at the beginning of each shift and again at the conclusion of the shift. At the conclusion of the cashier's shift the store manager or designee shall prepare the individual cashier's deposit and reconcile this deposit with the Point of Sale System. All deposits and any discrepancies shall be reported and explained as required. All deposits and associated paperwork will be regularly reviewed by the store director or designee in order to ensure compliance with all cash-handling and sales policies and procedures. Deposited funds will be reconciled with the bank by the Finance and Administration Department.



All ReStore funds, including prepared deposits, cashier drawers and the cash fund shall be made immediately available upon request for review by the External Relations Director, CEO, Finance and Administration Director or appointed auditor.

ReStore supplies purchases will be made according to established procedures and at no time will ReStore maintain a petty cash fund. Funds for establishing additional cash drawers may be made available from a deposit or other store funds only with written permission of the Finance and Administration Director.

All items purchased for resale will be inventoried quarterly with reports provided to the Finance and Administration Coordinator. In order to comply with Unrelated Business Income Tax regulations, the total sales from items purchased for resale shall not exceed 14% of ReStore's gross sales.

ReStore will maintain adequate separation of duties and regularly review internal financial controls and loss prevention policies. Detailed policies and procedures for reconciling cash drawers, preparing end-of-day reports and deposits, and other internal controls shall be made by the ReStore Director and reviewed by the Finance and Administration Director and CEO.

#### **Deconstruction and Salvage**

All deconstruction and salvage activities will be supervised by a trained employee. Deconstruction projects in homes built prior to 1978 will be supervised by an employee who has completed EPA Lead Renovation, Repair, and Painting Certification.

All Deconstruction sites will be managed in accordance with the same staff and volunteer site safety rules used by the Construction Department. No Deconstruction activities will commence without a signed agreement from the homeowner and the completion of a Site Safety Plan. Any activities requiring skilled trade for which we are unlicensed will be subbed out to an appropriate contractor.

All demolition, salvage, and deconstruction activities will be performed in compliance with Federal, State, and Local environmental and health/safety rules and regulations, with particular attention given to those related to hazards such as lead-based paint, asbestos, and mold.

#### **Staffing**

ReStore will be staffed at all times by no fewer than three employees or volunteers, and at no time while open to the public may the retail sales floor have fewer than two employees or volunteers. The ReStore will not utilize volunteer labor on donation pick-up trucks.

Emergency contact information for all staff and volunteers will be kept on file at ReStore. The ReStore Director may establish store and site-specific employee and volunteer work apparel and uniform policies or other additional employment policies beyond those otherwise specified in this document.

#### **Safety**



The ReStore Director shall establish safety policies and procedures in accordance with Federal, State, and Local laws. All volunteers and staff will undergo a safety training and orientation prior to beginning work at ReStore.

All chemicals will be properly labeled and stored. Volunteers and staff will be trained on the safe use of any chemical or cleaning supply they are asked to use. The application of Steri-Fab or other upholstery sanitizing sprays will only be conducted by authorized and trained ReStore staff.

ReStore will maintain an appropriate number of fully stocked first-aid kits and fire extinguishers, including one on each vehicle and one for any active Deconstruction site or other off-site activities. An emergency eye-wash station will be kept on site.

Emergency evacuation and shelter in place procedures for ReStore will be established by the ReStore Director and all staff will be regularly trained in emergency procedures. Emergency aisles and exits will be properly marked and kept clear.

In the event of robbery, burglary or shoplifting no attempt will be made to physically engage a fleeing suspect. A suspected shoplifter may be detained by a store manager only if the suspect has been under continual observation since the observed attempted theft and only detained for as long as it takes to contact and wait for the arrival of the police. Suspects may not be verbally abused and no physical force should be used to detain a suspected shoplifter.

The store director will also regularly collect and review post-accident and near-miss reports.



## RESOURCE DEVELOPMENT POLICIES

### Donor Privacy Policy

Lexington Habitat for Humanity is committed to respecting the privacy of our donors. All departments within Lexington Habitat will treat donor information as safely and securely as is reasonably possible. Therefore, anyone who contributes to Lexington Habitat will:

- Be assured the donation will be used for the purposes for which it was given.
- Receive appropriate acknowledgment and recognition unless the donor requests the gift be anonymous.
- Be assured that information about the donation is handled with respect and confidentiality to the extent provided by the law.
- Receive answers to any questions relative to the donation.
- Be assured that Lexington Habitat for Humanity does not sell, lease, rent or share its donor lists.

Employee and volunteer access to donor information is limited and is based solely on job function. Donor information will be viewed only by staff and volunteers who understand the confidential nature of the information.

### Gift Acceptance Policy

#### *Use of Legal Counsel*

Lexington Habitat shall seek the advice of legal counsel in matters relating to acceptance of gifts when deemed appropriate under the sole and absolute discretion of the Board of Directors of Lexington Habitat. Review by counsel is recommended for:

- review of closely held stock transfers that are subject to restrictions or buy-sell agreements
- review of documents naming Lexington Habitat as Trustee
- review of all gifts involving contracts, such as bargain sales or other documents requiring Lexington Habitat to assume an obligation
- review of all transactions with potential conflict of interest that may invoke IRS sanctions

#### *Conflict of Interest*

All prospective donors shall be strongly urged to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences.

#### *Restrictions on Gifts*

Lexington Habitat will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are consistent with Lexington Habitat's stated mission, purposes, and priorities. Lexington Habitat will not accept gifts that are too restrictive in purpose. Decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the CEO subject to review by the Executive Committee and Board of Directors of Lexington Habitat.



### ***Gifts Acceptance Review Process***

The CEO shall report all extraordinary gifts accepted or rejected to the Executive Committee. If a majority of the Executive Committee disagrees with the decision of the CEO regarding the accepted or rejected gift, the issue shall be put to the Board of Directors for a vote.

### ***Types of Gifts***

The following gifts are acceptable unless otherwise determined to be unacceptable in a case by case basis in the sole and absolute discretion of the Board of Directors of Lexington Habitat:

- Cash
- Tangible Personal Property
- Securities
- Real Estate
- Remainder Interests in Property
- Oil, Gas, and Mineral Interests
- Bargain Sales
- Life Insurance
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Retirement Plan Beneficiary Designations
- Bequests
- Life Insurance Beneficiary Designations



## **EMERGENCY RESPONSE PLAN**

### **Introduction**

Lexington Habitat for Humanity, Inc. will establish and maintain an Emergency Response Plan designed to manage the consequences of natural disasters or other emergencies that may place employees, visitors and clients in danger or disrupt the organization's ability to function normally. A current plan (reviewed annually by the CEO and Leadership Team) will be part of the Employee Handbook and will be accessible to all employees, volunteers, and Board members at all times electronically.

### **Leadership and Communication**

Activation of this Emergency Response Plan shall be the responsibility of the CEO in consultation with the Board President, should time for consultation exist. Should the CEO be unable to fulfill these responsibilities (due to personal evacuation or loss of property, etc.) the Board President shall assume leadership. Until such time as the Board President can assume direct responsibility, the Finance and Administration Director will take on that responsibility.

All current insurance policies and valuable papers shall be maintained in the Lexington Habitat for Humanity main office in a fire safe cabinet. Computer and data files are backed-up daily and stored off-site.

### **Aftermath**

The CEO will coordinate post-emergency/disaster plans and policies with the Board President and communicate those plans to all employees through the management team.

### **Emergency Public Communication**

In the event LHFH is directly affected by an emergency or disaster, it is likely that the commercial media will solicit comments or information. Only individuals designated to speak on behalf of LHFH should do so. These individuals, in order, are:

First	CEO
Second	External Relations Director
Third	Board President
Fourth	Board Vice President
Fifth	Board Secretary

### **Lexington Habitat for Humanity Construction Build Site Emergency Action Plan**

#### **SCOPE**

The elements of this "Construction Build Site Emergency Action Plan" apply to all Lexington Habitat for Humanity Construction build sites.

#### **ELEMENTS**

**A. Emergency Evacuation Procedures & Gathering Point**

Prior to any work conducted on the site, the LHFH Project Manager overseeing the day's activities shall orient all volunteers (and staff) on build site safety protocols. These protocols include use of personal protective equipment, proper use of build site equipment, proper handling of materials, reporting an accident or injury, and evacuating the site to a designated gathering point in the cases of fire, severe weather or major injury or accident.

**B. Employee Accountability Procedures After Evacuations**

In the case of a build site emergency that requires an evacuation of the site (fire, severe weather, major accident), once at the designated gathering point the LHFH Project Manager on duty shall call the names on the on-site sign-in sheet to account for the presence and safety of individuals on site.

If the Project Manager is administering first aid, CPR, or contacting emergency services (911), he/she may delegate this responsibility to another LHFH staff member (if present) or volunteer.

**C. Rescue and Medical Duties**

All LHFH Project Managers are regularly trained and certified in CPR and first aid. The Project Manager shall ask at the day's opening orientation for any volunteer who is trained and certified in CPR or first aid to notify the Project Manager at the conclusion of the orientation. These individuals may be called upon by the Project Manager to assist in the administering of CPR or first aid if needed.

In the event that CPR or first aid needs to be administered to an individual on site, the Project Manager shall address the most pressing need and instruct another LHFH staff member (if present) or volunteer to contact emergency services (911) if needed.

**D. Means of Reporting Emergencies**

**a. Instruction on How to Report an Injury or Accident.**

During the opening orientation, volunteers will be instructed on how to report all injuries to the Project Manager on duty. All injuries or accidents should be reported to the Project Manager so that proper incident reports can be collected and submitted.

**b. Contacting Emergency Services.**

In the event of a fire or major injury, the Project Manager shall contact emergency services (911) immediately upon notification or awareness of the event. If the Project Manager is responding to the incident (CPR, first aid, use of fire extinguisher), he/she shall delegate this responsibility to another LHFH staff member (if present) or volunteer.

**c. Internal Reporting.**

Once emergency services have been contacted, and any necessary on-site response has concluded, the Project Manager shall contact the LHFH Construction Director and report the event. The Construction Director will notify the LHRH Chief Executive Officer.



**d. Incident Reports.**

Project Managers shall also complete a detailed incident report to be submitted to the Human Resources Administrator. All incident reports (including minor injuries or accidents) shall be submitted to the Human Resources Administrator by the close of business that day.

**e. External Reporting in Case of Loss of Life, Limb, Eye or Hospitalization.**

If the injury resulted in the loss of life, limb, eye or required the injured party to be hospitalized (other than emergency room services), the Human Resources Administrator should be notified immediately so that proper OSHA and Department of Labor reporting requirements can be met.

**E. Alert System**

In the event of an on-site emergency, those present will be notified verbally to halt working and to evacuate or seek shelter. The Project Manager will provide instructions as volunteers leave the site. The Project Manager may delegate this responsibility to another LHFH staff member (if present) or volunteer while attending to other emergency response needs (such as administering CPR or first aid).

**F. Personnel Assignments for the Emergency Action Plan**

**a. Project Managers**

LHFH Project Managers are responsible for the on-site implementation of this Emergency Action Plan. Project Managers have been trained in CPR, first aid, proper use of fire extinguishers. Additionally, Project Managers are responsible for routinely inspecting and testing safety equipment.

**b. Construction Director**

The LHFH Construction Director is responsible for the overall administration of this Emergency Action Plan and the review of its effectiveness.

**c. Human Resources Administrator**

The LHFH Human Resources Administrator is responsible for ensuring timely and compliant incident reporting, including the analysis of incident reports to identify site safety trends and areas for improvement. Additionally, the Human Resources Administrator is responsible for monitoring staff training requirements.



## **HOMEBUYER SELECTION & SERVICES**

### **FAIR HOUSING AND EQUAL HOUSING OPPORTUNITY POLICY**

Lexington Habitat for Humanity prohibits discrimination because of race, religion, sex, age, ethnic background, color, national or local origin, creed, ancestry, status with regard to public assistance, marital or familial status, disability, military service, sexual orientation or other characteristic protected by law.

LHFH will comply with the Americans with Disability Act (ADA) by creating full access to our facilities and the application process. LHFH will modify Sweat Equity requirements, as needed, for those with a disability. LHFH will design and construct houses utilizing adaptable design features, as needed, to accommodate those with special housing needs.

LHFH will utilize language interpretation services, when requested or determined necessary, to serve those with limited English proficiency.

### **HOMEBUYER SELECTION REQUIREMENTS**

#### **Current Household Status and House Size**

The applicant household must currently be living together as a household at the time of application.

The house will be built based on the household composition and size at Board approval. House size can be decreased if household size decreases after Board approval. At the discretion of Family Services staff and the Construction Director, house size can be increased after Board approval and before building plans commence if the addition to the household is documented, such as documentation of pregnancy from a certified medical professional.

LHFH will build one and two bedroom houses only in unique situations. LHFH will primarily build three and four bedroom floor plans which will provide a bedroom for each couple or person in the household. LHFH may build larger houses for households of more than eight people or with special needs.

#### **National and Local Residency**

Lexington Habitat for Humanity will approve for home ownership only persons who are legal residents of the United States. All adult household members must provide proof of U.S. citizenship or legal residency through birth certificate, passport, resident alien documentation, or other valid proof issued by the U.S. government.

The Homebuyer applicant must have lived continuously in Fayette County for one complete year prior to application or worked continuously in Fayette County for one complete year prior to application.

#### **Verification of Identification and SDN List**



As part of our Anti-Money Laundering policies and procedures, all adult Homebuyer applicants must provide the following verifiable information: Name, address, date of birth (via an unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard), and government-issued identification number. If a Homebuyer applicant refuses to provide the information or appears to have intentionally provided misleading information, we will not proceed with the application and may file a Suspicious Activity Report. Records of identifying information must be retained for at least five (5) years following termination of the customer relationship or dormancy of an account.

LHFH will check to ensure that a Homebuyer applicant does not appear on the United States Department of the Treasury's OFAC Specifically Designated Nationals and Blocked Persons List (the "SDN List") and is not from, or engaging in transactions with people or entities from, countries and regions subject to economic sanctions or embargo that are listed on the OFAC website (see [www.treas.gov/offices/enforcement/ofac/sdn/index.html](http://www.treas.gov/offices/enforcement/ofac/sdn/index.html)).

#### **Sex Offender Status**

All adult household members are checked for listing on the Kentucky Sex Offender Registry (<http://kspsor.state.ky.us/>) and the National Sex Offender Public Registry ([www.nsopr.gov](http://www.nsopr.gov)). If an adult household member listed on the application appears on either registry, the application will be denied.

#### **Ability to Pay a Mortgage**

The Homebuyer applicant must demonstrate an ability to pay a LHFH mortgage.

##### *Income*

The Homebuyer applicant must have a current gross monthly income of at least \$1600. Income sources expected to continue for at least five years from the time of application are counted toward the qualifying monthly income. In the event a Homebuyer applicant has funds, such as from savings or a down payment assistance program, the minimum income limit may be reduced if the funds reduce the mortgage to an amount the Homebuyer applicant can pay.

Homebuyer applicants may qualify if their annual income from current sources is at least \$19,200 for the 12 months prior to application. Homebuyer applicants whose sources of income have changed in the 12 months prior to application must have an annual income of at least \$19,200 for the prior 24 months.

The total Homebuyer household gross annual qualifying and non-qualifying income cannot exceed 60% of the area median income (AMI) for similar sized households in Fayette County as determined by HUD. Total household gross income cannot have exceeded 60% of AMI for the twelve months prior to application. Employment income earned by minor children in the household does not count toward total household income and will not be verified.



All income will be verified through third party sources such as employment verification forms completed by the employer, pay check stubs, benefit award letters, child support orders, child support history of payments, and tax returns.

#### *Debt, Credit, and Bankruptcy*

The sum of the Homebuyer applicant's collection and charge-off debt cannot exceed \$3,000. Any outstanding liens will be treated as collection or charge-off debts. Credit will be checked through a third party credit reporting agency. Liens will be checked at the Fayette County Clerk's Office. The Homebuyer applicant must have a collection and charge-off balance below \$1,500 to begin Homebuyer education classes. All collections and charge-off debt must be settled before house purchase.

Bankruptcy filings must have been discharged at least 24 months prior to the date of application.

The Homebuyer applicant's current long term debt to income ratio must fall at or below 18% of their qualifying gross monthly income. Minimum monthly payments are used to calculate debt ratio. Installment loans with six months or fewer remaining will not be counted toward debt to income ratio.

LHFH will utilize the student loan payment provided on the credit report to calculate debt to income ratio. If the credit report does not accurately reflect the monthly payment, LHFH will use the monthly payment that is on the student loan documentation or statement provided by the applicant. If the applicant is on an income-driven payment plan, the applicant must provide student loan documentation to verify the actual monthly payment. LHFH will then calculate the debt to income ratio with that payment (even a \$0 payment). For deferred loans or loans in forbearance, LHFH will calculate a payment equal to 1% of the outstanding student loan balance or the payment amount(s) listed on the credit report (whichever is less).

LHFH will comply with the Fair Credit Reporting Act (FCRA). The signature block on the Homebuyer application will include an authorization for LHFH and the credit reporting agency to exchange information in order to provide the credit report. If an application is denied based on credit, LHFH will advise the Homebuyer applicant with an adverse action notice and supply the names of the consumer reporting agencies.

#### **Need for Habitat Housing**

The Homebuyer applicant must demonstrate a need for decent, affordable housing.

#### *Assets*

A Homebuyer applicant with household assets exceeding six months of gross monthly income will be denied through the financial screening process, unless they use the excess as a down payment. If a Homebuyer applicant household with more than six months of gross monthly income in assets has collection debt that, if paid, would take the balance of their cash reserves to less than six months of gross monthly income, the application will be reconsidered once collection debt is paid and assets are reevaluated.



Assets include real property (at fair market value (as determined by the PVA) divided by deeded owners), stocks, bonds, certificates of deposit, shares in mutual funds, savings accounts, checking accounts, cash, etc. This excludes personal vehicles, 401K, pension, IRA, and other retirement accounts as restricted by IRS regulations. Assets will be verified through third party sources such as statements and verifications of deposit.

An exception can be made for real property that can be utilized to build a Habitat house if the Homebuyer applicant is determined to be in need of a decent, affordable place to live.

If it is determined an asset cannot be liquidated within 120 days from application completion, the asset will not be considered.

Note: Real property is valued at the fair market value regardless of encumbrances against the property.

#### *Home Visits*

Once a Homebuyer applicant's ability to pay has been verified by the Family Services staff, an applicant household's need for Habitat housing will be determined by a home visit conducted by two members of the Family Selection Committee. The Family Selection Committee will receive annual and as-needed training. Family Selection Committee members will utilize an affiliate-approved Home Visit Report and Housing Needs Assessment Form at each home visit. A second home visit by two additional members of the Family Selection Committee will be conducted if the initial home visit team decides a second team is necessary to verify need for Habitat housing.

Following the Homebuyer applicant's home visit, the home visit team will report on the home visit at the following Family Selection Committee meeting. The Family Selection Committee will deny the application based on lack of need or approve the application to be submitted to the Board of Directors for approval.

#### *Need Indicators*

Indicators that demonstrate a Homebuyer applicant household's need for Habitat housing include: structural problems, unsafe or unhealthy conditions, temporary housing, inadequate conditions for a person living with disabilities, overcrowding, homelessness, history of government-subsidized housing, and cost-burden (currently paying more than 30% of gross monthly income for housing).

#### **Willingness to Partner**

The Homebuyer applicant must demonstrate a willingness to partner with LHFH throughout the application and partnership process.

#### *Sweat Equity*



Homebuyer households with one adult in the household must complete a total of 250 sweat equity hours. 100 of those hours must be construction. Homebuyer households with more than one adult must complete a total of 500 sweat equity hours. 100 of those hours must be construction.

Homebuyer households may recruit friends and family who do not live in the household to contribute up to 20% of the required Sweat Equity hours. Those hours must be performed on the Homebuyer household's build. Sweat Equity hours from recruited friends and family who do not live in the Homebuyer household cannot count toward the required 100 hours of construction.

In accordance with the Americans with Disabilities Act (ADA), Sweat Equity requirements may be modified by management as needed for special circumstances

#### *Homebuyer Education Classes*

All Homebuyers must complete a set curriculum of classes covering topics such as money management, banking, insurance, home safety, and home maintenance. Accommodations will be made, as needed, for those with disabilities or foreign language needs. Three unexcused absences from these classes will result in de-selection from the Homebuyer program.

#### *Pre-payment of Closing Costs*

Each Homebuyer must pay a total of \$1,200 toward future closing costs such as appraisal fee, title search fee, homeowner's insurance premium, credit report fee, and attorney's fees. The pre-payment will be broken into monthly \$60 payments beginning at Homebuyer orientation. Lump sums are not accepted so that the Homebuyer's ability to make a monthly payment to LHFH can be demonstrated. If 20 months do not occur between orientation and mortgage closing, the balance of the \$1,200 will be due at mortgage closing.

Two late payments (payments made after the 15<sup>th</sup> of the month) will result in de-selection from the Homebuyer program.

Payments will be held in escrow by LHFH and will be refunded if the Homebuyer is de-selected from the Homebuyer program or if they decide to withdraw from the program.

#### **BOARD APPROVAL**

Following Family Selection Committee approval, the Family Services Director submits to the Board the Homebuyer applicant recommendation summary. The summary includes information related solely to each Homebuyer applicant's need, ability to pay, and willingness to partner. To ensure anti-discrimination laws are not violated, names of Homebuyer applicants will not be disclosed.

Homebuyer applicants approved by the Board will receive a letter stating they have been selected for partnership, and that a required orientation will be scheduled.

#### **EQUAL CREDIT OPPORTUNITY ACT (ECOA)**



LHFH will comply with the ECOA by providing written notice of action taken within 30 calendar days of application received. A qualified loan originator will respond with Notice of Incompleteness (NOI) or Adverse Action notice indicating reason for denial. The NOI will contain all required information, a reasonable time frame for the information to be received, and a disclosure indicating application will be denied if time frame is not met.

The ECOA application is considered complete when the following has taken place: completed paper application, credit report check, third party verification of all income sources, third party rental verification, third party verification of all assets, home visit, Family Selection Committee vote, and Board vote.

### **HOMEBUYER DESELECTION**

Grounds for de-selecting Board-approved Homebuyers are:

- Provision of false information and demonstrated fraud
  - Demonstration of unwillingness to partner based on failure to complete requirements set forth in the Partnership Agreement signed prior to Homebuyer orientation. Specific grounds for de-selection include:
    - three unexcused absences from Homebuyer education classes
    - two late closing cost pre-payments
- Negative change in financial condition that significantly affects the ability to pay a LHFH mortgage
- Presence on a sex offender registry

If a Homebuyer is de-selected, the affiliate will send the Homebuyer an adverse action notice that includes the reason for de-selection.

### **VOLUNTARY WITHDRAWAL FROM HOMEBUYER PROGRAM**

A Homebuyer applicant or Board-approved Homebuyer may withdraw from the application or Homebuyer program at any time during the process, right up to mortgage closing. Family Services staff will send the Homebuyer applicant or Board-approved Homebuyer an Adverse Action notice confirming withdrawal. Should a Board-approved Homebuyer choose to withdraw, Family Services staff will request a written letter stating the reason for the withdrawal.

### **RE-APPLICATION**

All denied Homebuyer applicants, Board-approved Homebuyers who have voluntarily withdrawn from the Homebuyer program, and Board-approved Homebuyers who have been de-selected from the Homebuyer program may re-apply one year from date of denial, withdrawal, or de-selection.

## LOVE YOUR NEIGHBORHOOD

### OWNER-OCCUPIED REPAIR PROGRAM POLICY

**Clean-Up** – Trash pick-up, curb painting, minor yard work, park and public space improvement

**Home Preservation** – Exterior work that includes painting, patching, minor repair, landscaping, and replacement of exterior building materials for maintaining good or sound condition

**Critical Home Repair** – Extensive interior or exterior work performed to address health and safety issues or code violations. Critical home repair includes such activities as a change to, or repair of, materials or components; a reconfiguration of space; a modification for accessibility; or installation or extension of plumbing, mechanical, or electrical systems on an existing structure. The Critical Home Repair program is intended to assist homeowners with necessary home repairs; however, the program is not intended to assist homeowners with projects that would result in a complete home rehabilitation.

#### Need:

- Must be the primary residence of the applicant
- Applicant must own and have resided in the house for five years prior to application
- Property's current Fair Cash Value as listed on Fayette County Property Valuation Administrator's website must be \$200,000 or less
- All owners must participate in the application process. Income and assets from all owners and adult household members must be disclosed on the application.
- Gross income of adult household members and any owners who do not live in the house must be less than 60% AMI
  - Verification of income through pay checks, tax returns, third party verification of employment, benefit award letters, and other third party verifications as applicable.
- Assets of adult household members and any owners who do not live in the house must total less than \$10,000. These assets include real property (at fair market value divided by deeded owners), stocks, bonds, certificates of deposit, shares in mutual funds, savings accounts, checking accounts, cash, etc. This excludes their principal residence, personal vehicles, 401K, pension, IRA, and other retirement accounts as restricted by IRS regulations.
  - If it is determined an asset cannot be liquidated within 120 days from application completion, the asset will not be considered.
  - Real property is valued at the fair market value regardless of encumbrances against the property.
- Visual assessment by Habitat staff

#### Willingness to Partner:

- 10 hours of Sweat Equity required. Reasonable accommodations will be made for those with limitations in accordance with the Americans with Disabilities Act (ADA).

#### Ability to Pay:



- No minimum income requirement; however, applicants must demonstrate a commitment to a minimum monthly payment of \$20 per month
- No credit or debt to income ratio requirement
- Must be current with existing mortgage or show proof of a payment plan
- Must be current with property taxes
- Must have homeowner's insurance policy in place
- Recapture:
  - Total repayment set at 5% of estimated hard costs
  - If not paying in full at completion, Homeowner to sign a note and monthly payment to be set at up to 5% of gross monthly income
  - At completion of the project, Homeowner will also sign a forgivable note for the remaining 95% of hard costs.
  - A deed restriction will be executed for projects with hard costs exceeding \$5,000.

Critical Home Repair and Home Preservation applicants must be approved by the Board of Directors.

LHFH Critical Home Repair beneficiaries cannot re-apply for additional repair work from LHFH. However, those who take part in Clean-Up or Home Preservation projects can apply to LHFH for additional home repairs.

Exemptions to the above policies can be made in cases of area-wide Neighborhood Preservation projects where the goal is to work with as many homeowners as possible in a targeted area for the purpose of neighborhood revitalization.



## **ANTI-MONEY LAUNDERING POLICY**

Lexington for Humanity ("LHFH") is committed to a comprehensive anti-money laundering ("AML") program. It is the policy of LHFH to comply fully and completely with all applicable governmental requirements that have been designed to prohibit and prevent both actual and potential money laundering, as well as other activities that facilitate money laundering and the funding of terrorists and/or other criminal activity, including mortgage fraud.

Detailed AML procedures and the designation of the LHFH Compliance Officer shall be contained in the Finance & Administration Department Procedures manual.

### ***Designation of Compliance Officer***

As required under the Bank Secrecy Act ("BSA") (1970), the USA PATRIOT Act (2001), and FinCEN's Anti-Money Laundering ("AML") Program and Suspicious Activity Report Filing Requirements for Residential Mortgage Lenders and Originators, LHFH hereby designates an AML Compliance Officer (the "Compliance Officer") for LHFH. The Compliance Officer, or any of his or her authorized designees (hereinafter, a "Designee"), is responsible for ensuring (1) LHFH's ongoing compliance with all state and federal AML laws, including monitoring compliance by the LHFH's employees and designated volunteers with their obligations under LHFH's AML program; (2) that LHFH's AML Program is updated as necessary; and (3) that all non-construction employees and designated volunteers receive training on AML requirements before conducting business on behalf of LHFH and, thereafter, on an ongoing basis as needed.

The Compliance Officer will report directly to the CEO.

### ***Risk Assessment***

LHFH will conduct an AML/BSA/OFAC risk assessment of its business, customers, products, and the geographic location in which it operates, in accordance with a standard risk assessment methodology, at least every 18 months or whenever material changes occur that would materially impact the risk assessment. Any new product or sales activity or new line of business must undergo an AML risk assessment. The results of the risk assessment and any recommendations for control improvements must be provided to senior management for review and approval. Results of the money laundering risk assessment, the methodology, the analysis, and any supporting documentation of each will be maintained for at least three years.

### ***Comparison with Government Provided Lists of Terrorists, Other Criminals and Debarred or Excluded Individuals***

LHFH may receive notice that a federal government agency has issued a list of known or suspected terrorists. Within a reasonable period of time after receipt, we will determine whether a customer appears on any such list of known or suspected terrorists or terrorist organizations issued by any federal government agency and designated as such by U.S. Department of the Treasury. We will follow all federal directives issued in connection with such lists.

We will comply with OFAC rules prohibiting transactions with certain foreign countries or their nationals.

### *Monitoring for Suspicious Activity*

We will monitor a sufficient amount of mortgage loan origination activity to permit identification of suspicious activity. The Compliance Officer or Designee will be responsible for this monitoring, will document when and how it is carried out, and will report suspicious activities to the appropriate authorities. We will create employee guidelines with examples of suspicious money laundering activity and conduct an appropriate investigation before a SAR is filed.

### *Filing a SAR*

LHFH will file SARs (Suspicious Activity Reports) for any activity conducted or attempted through a LHFH location involving (or in the aggregate) \$5,000 or more of funds where we suspect, or have reason to suspect, that

- the transaction involves funds derived from illegal activity or is intended or conducted in order to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade federal law or regulation or to avoid any transaction reporting requirement under federal law or regulation;
- the transaction is designed, whether through structuring or otherwise, to evade the requirements of the BSA regulations;
- the transaction has no apparent business or lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and, after examining the background, possible purpose of the transaction, and other facts, we have found no reasonable explanation for the transaction; or
- the transaction involves the use of LHFH to facilitate criminal activity.

LHFH will report suspicious transactions by completing a SAR, and we will collect and maintain supporting documentation as required by the BSA regulations. We will file a SAR no later than thirty (30) calendar days after the date of the initial detection of the facts that constitute a basis for filing a SAR. If no suspect is identified on the date of initial detection, we may delay filing the SAR for up to an additional thirty (30) calendar days, or a total of sixty (60) days after the date of initial detection of the facts, pending identification of a suspect.

We will retain copies of any SAR filed and any supporting documentation for at least five (5) years from the date of filing. We will identify and maintain supporting documentation and make such information available to FinCEN, any other appropriate law enforcement agencies, or federal or state regulators, upon request.

### *Training Programs*

Under the leadership of the Compliance Officer, we will develop and provide ongoing training of our employees and any volunteers who perform administrative duties. Training will occur on at least an annual basis. New hire non-construction employees/volunteers shall receive AML training within 60 days of commencing employment with LHFH.



### *Independent Audit of AML Program*

Independent testing of our AML program will be performed by an outside, independent, qualified third-party or internally by a qualified member of our staff who is totally independent from LHFH's AML compliance team. If an outside party is chosen, we will conduct the necessary due diligence to select the company that will perform the audit. The independent testing will test compliance with this Policy, the BSA/AML regulations and SAR requirements. Upon completion of the audit, the auditor will issue a report of all findings to the Compliance Officer, and that report will be shared with LHFH's senior management and board of directors. LHFH will address and respond to each of the resulting recommendations.

### *Vendor Management*

At this time, LHFH utilizes outsourcing arrangements relating to, among other things, loan servicing. LHFH will (a) require, by contract, that service providers have policies and procedures designed to detect, prevent, and mitigate the risk of money laundering, terrorist financing or other crimes, such as mortgage fraud; and (b) require, by contract, that service providers review LHFH's AML Policy and Program Procedures and report any Red Flags to the Compliance Officer or Designee.

### *Monitoring Employee Transactions*

Employees' transactions will be subject to the same AML policies and procedures as are applicable to non-employee customers.

**Exhibit C**

**LFUCG - DIVISION OF GRANTS AND SPECIAL PROGRAMS  
FIRST-TIME HOMEBUYERS LOAN APPROVAL  
Part 1 – Homebuyer Eligibility**

Name of Borrower \_\_\_\_\_ SS # \_\_\_\_\_

Name of Co-Borrower \_\_\_\_\_ SS # \_\_\_\_\_

Address of home to be purchased \_\_\_\_\_, Lexington KY 405 \_\_\_\_\_

Subsidized Housing \_\_\_\_\_ Residency \_\_\_\_\_ Comment \_\_\_\_\_

Credit \_\_\_\_\_ Counseling \_\_\_\_\_ Income Verified \_\_\_\_\_ Income: Month \$ \_\_\_\_\_ Year \$ \_\_\_\_\_

Income Calculation \_\_\_\_\_

Family Size \_\_\_\_\_ AMI \_\_\_\_\_ %

Min PITI \_\_\_\_\_ % Min PITI \$ \_\_\_\_\_

HOME Program Requirements: First Time Home Buyer Affidavit \_\_\_\_\_ Terms of Agreement \_\_\_\_\_  
REHAB Disclosure \_\_\_\_\_ Beneficiary Agreement \_\_\_\_\_

\*\*\*\*\*

*The HOME Deferred Loan and/or Repayable Loan application meets all Lexington-Fayette Urban County Government Program Requirements and is approved to proceed with home selection.*

\_\_\_\_\_  
ADMINISTRATIVE SPECIALIST PRINCIPAL

\_\_\_\_\_  
DATE

\_\_\_\_\_  
GRANTS MANAGER

\_\_\_\_\_  
DATE

**LFUCG - DIVISION OF GRANTS AND SPECIAL PROGRAMS**  
**FIRST-TIME HOMEBUYERS LOAN APPROVAL**  
**Part 2 – Loan and Closing**

Name of Borrower \_\_\_\_\_ SS # \_\_\_\_\_

Name of Co-Borrower \_\_\_\_\_ SS # \_\_\_\_\_

Address of home to be purchased \_\_\_\_\_, *Lexington KY 405* \_\_\_\_\_

Prime Lender \_\_\_\_\_ Loan Estimate \_\_\_\_\_ Commitment \_\_\_\_\_ Loan Type \_\_\_\_\_

HOME Program Requirements: URA Waiver (Pre-Contract Agreement) \_\_\_\_\_:

Purchase Price \$ \_\_\_\_\_ Contract to Purchase \_\_\_\_\_ Appraisal \_\_\_\_\_ Amount \$ \_\_\_\_\_

1st Mortgage Amount \$ \_\_\_\_\_ New or Existing Home \_\_\_\_\_ Energy Star? \_\_\_\_\_ 1st PITI \$ \_\_\_\_\_

2nd Mortgage Amount \$ \_\_\_\_\_ 2nd Mortgage term \_\_\_\_\_ Rate: \_\_\_\_\_% Monthly Payment \$ \_\_\_\_\_

Sum of all Mortgages \$ \_\_\_\_\_ Amount exceeds appraised value by \$ \_\_\_\_\_ = \_\_\_\_\_% (Can't exceed 106%)

PITI Between \_\_\_\_\_% & 33% Of Gross Income? \_\_\_\_\_ Amount \$ \_\_\_\_\_ Housing Ratio \_\_\_\_\_%  
(KHC 29% to include third mortgage)

Debt Info \_\_\_\_\_ = \_\_\_\_\_

Long Term Debt 41% or Less of Gross Income? \_\_\_\_\_ Amount \$ \_\_\_\_\_ DTI Ratio \_\_\_\_\_%

\$500 Min. Investment? \_\_\_\_\_ Bank Acct Balance \$ \_\_\_\_\_ Comments: \_\_\_\_\_

Code Inspection Date \_\_\_\_\_ Meets Minimum Code? \_\_\_\_\_ Comments: \_\_\_\_\_

Home Inspection Date \_\_\_\_\_ Borrower Signed? \_\_\_\_\_ Comments: \_\_\_\_\_

Environmental Date \_\_\_\_\_ Title Opinion \_\_\_\_\_ Comments: \_\_\_\_\_

**SUMMARY**

HOME LOAN AMOUNT

\$ \_\_\_\_\_

HOME LOAN MONTHLY PAYMENT AMOUNT

\$ \_\_\_\_\_

COMMENTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Check Needed by:** \_\_\_\_\_ *Contract Closing Date:* \_\_\_\_\_

\*\*\*\*\*

The HOME Deferred Loan and/or Repayable Loan meets all Lexington-Fayette Urban County Government Program Requirements and is approved for closing.

\_\_\_\_\_

ADMINISTRATIVE SPECIALIST PRINCIPAL

\_\_\_\_\_

DATE

\_\_\_\_\_

GRANTS MANAGER

\_\_\_\_\_

DATE

\_\_\_\_\_

GRANTS MANAGER

\_\_\_\_\_

DATE

*IDIS Activity #:* \_\_\_\_\_

*Project/Grant: HOME\_* \_\_\_\_\_

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
DIVISION OF GRANTS AND SPECIAL PROGRAMS  
EQUAL OPPORTUNITY REPORT**

YEAR ENDING: \_\_\_\_\_  
AGENCY REPORTING: \_\_\_\_\_  
CONTACT PERSON & PHONE: \_\_\_\_\_  
DATE REPORTED: \_\_\_\_\_  
PROGRAM NAME: \_\_\_\_\_

**GRANT RECIPIENT AGENCY**

NUMBER OF EMPLOYEES: \_\_\_\_\_

RACE OF EMPLOYEES: (Must select one, cannot use other)

- \_\_\_\_\_ *WHITE*
- \_\_\_\_\_ *BLACK or AFRICAN-AMERICAN*
- \_\_\_\_\_ *ASIAN*
- \_\_\_\_\_ *AMERICAN INDIAN or ALASKAN NATIVE*
- \_\_\_\_\_ *NATIVE HAWAIIAN or OTHER PACIFIC ISLANDER*
- \_\_\_\_\_ *AMERICAN INDIAN or ALASKA NATIVE and WHITE*
- \_\_\_\_\_ *BLACK or AFRICAN-AMERICAN and WHITE*
- \_\_\_\_\_ *ASIAN and WHITE*
- \_\_\_\_\_ *AMERICAN INDIAN or ALASKA NATIVE and BLACK OR AFRICAN AMERICAN*

ETHNIC CATAGORIES: (These should total the same number reported under Race of Employees)

- \_\_\_\_\_ *HISPANIC OR LATINO*
- \_\_\_\_\_ *NOT HISPANIC OR LATINO*

SEX OF EMPLOYEES: \_\_\_\_\_ FEMALE \_\_\_\_\_ MALE

ANY EMPLOYEES WITH A DISABILITY? \_\_\_\_\_ YES OR \_\_\_\_\_ NO  
\_\_\_\_\_ HOW MANY?



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
DIVISION OF GRANTS AND SPECIAL PROGRAMS  
EQUAL OPPORTUNITY REPORT FOR UNSERVED PERSONS**

YEAR ENDING: \_\_\_\_\_  
 AGENCY REPORTING: \_\_\_\_\_  
 CONTACT PERSON & PHONE: \_\_\_\_\_  
 DATE REPORTED: \_\_\_\_\_  
 PROGRAM NAME: \_\_\_\_\_

**NUMBER OF PERSONS THAT APPLIED FOR ASSISTANCE BUT WERE NOT SERVED:** \_\_\_\_\_

RACE OF PERSONS: (Must select one, cannot use other)

- \_\_\_\_\_ *WHITE*
- \_\_\_\_\_ *BLACK or AFRICAN-AMERICAN*
- \_\_\_\_\_ *ASIAN*
- \_\_\_\_\_ *AMERICAN INDIAN or ALASKAN NATIVE*
- \_\_\_\_\_ *NATIVE HAWAIIAN or OTHER PACIFIC ISLANDER*
- \_\_\_\_\_ *AMERICAN INDIAN or ALASKA NATIVE and WHITE*
- \_\_\_\_\_ *BLACK or AFRICAN-AMERICAN and WHITE*
- \_\_\_\_\_ *ASIAN and WHITE*
- \_\_\_\_\_ *AMERICAN INDIAN or ALASKA NATIVE and BLACK OR AFRICAN AMERICAN*

ETHNIC CATAGORIES: (These should total the same number reported under Race of Persons)

- \_\_\_\_\_ *HISPANIC OR LATINO*
- \_\_\_\_\_ *NOT HISPANIC OR LATINO*

**NUMBER OF SINGLE-HEADED HOUSEHOLDS:** \_\_\_\_\_

NUMBER OF ABOVE HOUSEHOLDS THAT HAVE MALE HEAD OF HOUSEHOLD: \_\_\_\_\_

NUMBER OF ABOVE HOUSEHOLDS THAT HAVE FEMALE HEAD OF HOUSEHOLD: \_\_\_\_\_