



**Habitat for Humanity Sunshine Coast**

**Policy Name: Family Selection- Ability to Pay**

**Policy Type: Family**

**Date Board Approved: January 16, 2017**

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**Intent and Rationale**

One of the three main criteria for Habitat for Humanity Sunshine Coast’s (HFHSC) Homeownership Program is that families selected have the ability to pay. To ensure the future success of HFHSC homeowners, an applicant family should have a stable financial history and earn sufficient income to meet the obligations of homeownership plus any other debt obligations.

**Policy**

HFHSC homeowner mortgage payments are calculated annually to be no more than 30% of the family’s gross household income. At the time of application, the following criteria are used to determine if an applicant family has the financial capacity to meet the obligations of homeownership:

    Their minimum gross household income is based on the size of home to be built:

FAMILY SIZE	Sunshine Coast Income (All sources)
• Two Member.....	Combined income up to \$41,000
• Three Member.....	Combined income up to \$48,000
• Four or More.....	Combined income up to \$52,000

Their total debt servicing ratio cannot be in excess of 40% of the gross household income. Total debt servicing ratio (TDS) is calculated as follows:

$$\text{TDS} = \frac{\text{Annual Mortgage Payments} + \text{Property Taxes} + \text{Other Debt Payments}}{\text{Gross Household Income}}$$

**QUALIFYING FAMILY INCOME**

The applicant family must provide evidence of consistent income for not less than two years. At the discretion of HFHSC, additional years of financial information may be required. The below sources of income will be included in the calculation:

- Income as reported on tax returns (line 150) adjusted for EI or WCB benefits (unless the WCB benefits are long term benefits); and
- Any other sources of income not already reported:
  - Pensions;
  - Social Assistance Disability income;

- Spousal Support received;
- Child Support received;
- Canada Child Benefits and other supplements received;
- Investment Income; and
- Any other income sources (e.g. tips, handyman services, home day care).

All income from household members aged 19 and older will be included in the calculation unless, with the exclusion of the applicant(s), the individual is attending school full time up to the age of 24.

#### SELF EMPLOYMENT INCOME

An applicant family submitting income figures from self-employment must include supporting documentation for not less than two years. At the discretion of HFHSC, additional years of financial information may be required. If an applicant family is unable to provide a minimum of two years of self-employment income, the application will be on hold until such time that self-employment income can be determined.

Supporting documentation should include (where applicable) the following:

- Personal income tax return, including all attachments filed, showing Statements of Business Activities for a sole proprietor or a partnership (schedule T2125);
- T2 Corporation Income Tax Returns and Notices of Assessment or reassessment (as applicable);
- Financial Statements for a corporation, sole proprietorship or partnership (as applicable); and
- GST and PST returns (if requested).

HFHSC may adjust the self-employment net income (for the purposes of determining the family's qualifying income for the Homeownership Program) for the following items:

- Non-recurring expenses;
- Non-cash amounts (e.g. depreciation, capital cost allowance);
- Wages, salaries, benefits or other payments to individuals that are not at "arm's length" will be adjusted to amounts that represent the fair value of the work/services provided; and
- Expenses which are determined to have a combination of personal and business expenses (e.g. home office, telephone, etc.).

#### BANKRUPTCY

Applicants who have filed for bankruptcy shall be excluded from the selection process until a discharge of bankruptcy has been received and the applicant has established a subsequent three year history of income and debt stability.

#### CREDIT HISTORY

The applicant family must provide permission to obtain a credit history. The credit history will be used to ensure the completeness of the debt and to assist in the analysis of the family's ability to manage their financial obligations.

#### **Primary Responsibility for Policy Implementation**

Executive Director, Family Selection Committee

