



U.S. Affiliated Organization Covenant

Adoption date: October 2007

Revision date: April 2013

Covenant Between Habitat for Humanity International and U.S. Affiliated Organization,

Staunton-Augusta-Waynesboro Habitat for Humanity Partner ID 1458-7066 State of Virginia

Preface

Habitat for Humanity International and Habitat for Humanity U.S. affiliated organizations work to create decent, affordable housing in partnership with those in need and to make shelter a matter of conscience with people everywhere. This Covenant outlines the relationship between Habitat for Humanity International and its affiliated organizations in the United States.

Mission Vision

A world where everyone has a decent place to live.

Mission Statement

Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope.

Mission Principles

- (1) **Demonstrate the love of Jesus Christ.** We undertake our work to demonstrate the love and teachings of Jesus, acting in all ways in accord with the belief that God's love and grace abound for all, and that we must be "hands and feet" of that love and grace in our world. We believe that, through faith, the minuscule can be multiplied to accomplish the magnificent, and that, in faith, respectful relationships can grow among all people.
- (2) **Focus on shelter.** We have chosen, as our means of manifesting God's love, to create opportunities for all people to live in decent, durable shelter. We put faith into action by helping to build, renovate or preserve homes, and by partnering with others to accelerate and broaden access to affordable housing as a foundation for breaking the cycle of poverty.
- (3) **Advocate for affordable housing.** In response to the prophet Micah's call to do justice, to love mercy and to walk humbly with God, we promote decent, affordable housing for all, and we support the global community's commitment to housing as a basic human right. We will advocate for just and fair housing policy to eliminate the constraints that contribute to poverty housing. And, in all of our work, we will seek to put shelter on hearts and minds in such powerful ways that poverty housing becomes socially, politically and religiously unacceptable.
- (4) **Promote dignity and hope.** We believe that no one lives in dignity until everyone can live in dignity. We believe that every person has something to contribute and something to gain from creating communities in which all people have decent, affordable places to live. We believe that dignity and hope are best achieved through equitable, accountable partnerships.

(5) **Support sustainable and transformational development.** We view our work as successful when it transforms lives and promotes positive and lasting social, economic and spiritual change within a community; when it is based on mutual trust and fully shared accomplishment; and when it demonstrates responsible stewardship of all resources entrusted to us.

In addition, in recognition of and commitment to the global nature of the Habitat for Humanity mission, each U.S. affiliate is expected to contribute (tithe) at least 10 percent of its undesignated cash contributions to Habitat for Humanity's international work.

Agreement to covenant

In recognition of the Mission Principles stated in this Covenant, Habitat for Humanity International and the affiliated organization Staunton-Augusta-Waynesboro Habitat for Humanity covenant as follows.

Habitat for Humanity International covenants:

- To support the work of Habitat for Humanity affiliated organizations through program development, communication, learning opportunities, advocacy, and protecting and promoting the good name of Habitat for Humanity;
- To coordinate global fund-raising efforts;
- To create a global movement around the need for decent and affordable housing;
- To administer tithe funds contributed by affiliates in support of the efforts of Habitat for Humanity national organizations and affiliates.

The affiliated organization Staunton-Augusta-Waynesboro Habitat for Humanity covenants:

- To support the work of Habitat for Humanity affiliated organizations through program development, communication, learning opportunities, advocacy, and protecting and promoting the good name of Habitat for Humanity;
- To comply with the minimum operational standards contained in an annual certification process;
- To conduct its operations within its defined service area;
- To tithe for Habitat for Humanity's housing work outside the United States;
- To reject any support that is conditioned on deviating from the Mission Principles outlined earlier or other approved policies and practices;
- To conduct its operations in a manner that protects and promotes the good name of Habitat for Humanity and contributes to the growth of the Habitat for Humanity movement and is in the best interests of other affiliates and of Habitat for Humanity International including, but not limited to, actions that are specified in this covenant and in Habitat for Humanity policies.

This Covenant is valid upon approval by the affiliate board of directors and a designated representative of Habitat for Humanity International.

Habitat for Humanity International:

By: _____ Date _____
(name, title)

Staunton-Augusta-Waynesboro Habitat for Humanity

ORIGINAL

By: Jennie Hill Date 9/24/19
Jennie Hill, Board Chair

I certify that the Covenant between Habitat for Humanity International and Staunton-Augusta-Waynesboro Habitat for Humanity.

was approved by the board of directors at a meeting held on 09/21/2019. Pat Katz
Pat Katz, Secretary

Members of the board of directors:

| | |
|----------------------------|-------|
| <u>Charles E Frankford</u> | _____ |
| <u>[Signature]</u> | _____ |
| <u>[Signature]</u> | _____ |
| <u>Renee E. Hottelless</u> | _____ |
| <u>[Signature]</u> | _____ |
| <u>Pamela Patrick</u> | _____ |
| _____ | _____ |
| _____ | _____ |

HFHI/SAW HFH POLICY ALLIGNMENT 10.17.2019

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HFHI POLICY 1 Advocacy: No Established Policy

HFHI POLICY 2 Board of Directors Governance: BYLAWS

HFHI POLICY 3 Collaborative Development: No Established Policy

HFHI POLICY 4 Communication and Technology: EMPLOYEE MANUAL

HFHI POLICY 5 Comprehensive Financial

FISCAL SAFEGUARDS POLICY

Approved October 2019

Purpose

It shall be the policy of Staunton-Augusta-Waynesboro Habitat for Humanity to follow Generally Accepted Accounting Principles (GAAP) for all financial dealings. The affiliate's accounting policies shall be in accordance with HFHI's AOM: Financial Policies and Procedures.

Board Member Responsibilities

1. Board members shall keep themselves well informed of the affiliate's finances. While identified staff members may be responsible for specific tasks, board members are responsible for the overall affiliate financial responsibility, transparency and sustainability.
2. The board of directors shall approve a detailed annual budget, using a fiscal year of July 1st through June 30th. Budget reports should be accessible, updated and reviewed on a regular and consistent basis (e.g. during a monthly board meeting).
3. Budget revisions should be made if major changes of income or expenditure occur during the year that would significantly alter the annual plan. The board of directors shall approve any revision(s) to the budget, with the revision(s) being approved and noted promptly in the board meeting minutes.
4. The board of directors should receive and review monthly financial statements comparing income (revenue/assets) and expenses (liabilities/expenditures). Any reports with significant monthly variances should be identified and explained to board of directors. Financial statements should include:
 - a) Affiliate budget report: A budget provides a forecast of revenues and expenses of how an organization might perform financially if certain strategies, events and plans are carried out. Board should review budget to actual quarterly and obtain explanations of material variances.
 - b) Balance sheet statements: A balance sheet or statement of financial position is a summary of the financial balances of an organization. Assets, liabilities and equity are listed as of a specific date. A balance sheet is often described as a "snapshot and single point of time of an organizations financial condition".
 - c) Income statements: Also referred to as a profit and loss statement (P&L), revenue statement, statement of financial performance, or earnings statement. An organization's

financial statement indicates how the revenue is transformed into the net income also known as Net Profit or the "bottom line".

- d) Cash flow statements: A cash flow statement will show how changes in income and balance sheet accounts are affecting cash and cash equivalent accounts.
 - e) Escrow Analysis statements: A report completed annually totaling all expenses from and contributions to the Affiliate's escrow account. Also included is a projection of the following year's monthly payment amount required to reconcile any excess or deficiency in the account. (Note: This should be completed in addition to the individual escrow balance reconciliations for each homeowner, which must be completed annually in compliance with applicable laws.)
5. A board-approved independent auditor shall perform an annual audit of financial records.
 6. All bank accounts and authorized signers for these accounts will be authorized by the affiliate board of directors, and approvals will be noted in the board meeting minutes. The authorized signers should include at least two individuals (e.g. the current board President and Executive Director), including at least one board member. Any changes in signers (including officer, employee or signature changes) be made promptly to ensure account security as well as continuity within the affiliate's daily functions.
 7. A board-approved policy and procedure should be in place to ensure that loan funds are properly recorded and repaid when due. Authorization, recording and collection functions should be clearly segregated. Handling of affiliate debt should always remain a focus of board members as well as prompt repayment and debt elimination when possible.
 8. A documented, board-approved homeowner delinquency follow-up policy and procedure shall be established and enforced. As part of the delinquency monitoring, the board will receive at least quarterly reports which show the delinquency categories (by aging) and arrearage amounts (by percentage and by dollar value).
 9. The board shall secure insurance to adequately protect the affiliate from losses, including those due to theft or dishonesty by staff or board members.
 10. The board will ensure the affiliate has implemented processes to prevent and detect theft of all Habitat assets (e.g. cash, construction materials, or ReStore inventory). Where theft is suspected, the board shall ensure it is promptly investigated and appropriate corrective actions are taken (e.g. contract termination, prosecution, insurance claims, etc.). As necessary, the board will consult with appropriate external parties (e.g. HFHI, legal counsel, or third-party investigators) to obtain support during the investigation process.
 11. In addition to this policy, the board will ensure that the affiliate has adopted and implemented appropriate complementary policies to promote financial safeguarding (e.g. Conflict of Interest, Whistleblower, Record Retention, Procurement, and/ or a Segregation of Duties policies).
 12. Commitment and Payment Authority

The board will periodically review and approve the following financial commitment and payment limits (e.g. ability to select vendors, sign large contracts, etc.) granted to board members and employees in order to protect the assets of the organization:

Commitment Authority

- a) Purchase orders or contracts for amounts up to \$15,000 require the written approval of the Executive Director. This commitment authorization limits is based on the total contract period and scope of work (e.g. total project cost by that vendor).
- b) Purchase orders or contracts above \$15,000 require the approval of the Board of Directors.
- c) A copy of all executed purchase orders or contracts should be kept on file at the affiliate administrative office.

Payment Authority

- a) The Executive Director is the primary check signer.
- b) For all checks and payments over \$2,500, two authorized affiliate account signers (dual signatures) will be required to sign. Dual signatures help enforce affiliate financial security as well as transparency of accounts.
- c) Payments will never be split to avoid check signing requirements.

Cash Handling and Management

13. Cash Receipts and Deposits

- a) All checks received shall be restrictively endorsed with a deposit stamp indicating "For deposit only to SAW Habitat for Humanity, Acct# XXXXXX" immediately upon receipt.
- b) Homeowner payments should be encouraged to be received by bank transfer or, if necessary, by check or money order only. No cash payments will be accepted.
- c) Cash and checks should typically be deposited into a financial institution account on a daily basis and never more than 5 business days after receipt.
- d) Copies of all checks received should be attached to the respective deposit ticket and filed with the respective bank statement.
- e) The total amount of all cash and checks received shall be compared and documented by two people (the preparer and an observer, aka dual control) before being deposited. Dual control should be enforced in all financial matters within affiliate.

14. Payments

- a) All unused checks shall be kept in a secure, locked location with only limited access to those checks. Checks shall be pre-numbered and accounted for each month.
- b) Affiliate will never issue blank checks or checks made payable to "Cash". Instead checks will be issued only to appropriate individuals or entities. Signatories must never sign checks to themselves or without the amount and payee filled in.

- c) Affiliate will keep receipts and supporting documents related to all disbursements, credit card expenses and electronic fund transfers (“EFTs”) and will never rely solely on bank or credit card statements for record keeping. Each month, all disbursements will be reviewed against supporting documents to ensure that the disbursements were legitimate business expenses and the amounts authorized and approved are what was released.
- d) If a corporate credit card is utilized, the user will sign a custodian agreement confirming that the card will only be used for legitimate business expenses (as defined in the organization’s personnel manual or business expense policy). Credit card receipts must be retained and submitted to an independent person to perform a review and reconciliation of the monthly statements prior to payment by affiliate. Debit cards linked to affiliate accounts are high-risk and should be discouraged.
- e) The use of a petty cash fund is discouraged. If a petty cash fund is absolutely necessary, procedures should be in place to ensure it is adequately safeguarded by a designated custodian and cash is disbursed only for proper purposes. Transactions must be supported by receipts and properly tracked and recorded.
- f) Prompt bank and credit card statement reconciliation will occur each month—usually within five business days of receipt of the bank statement. The person who prepares the reconciliations should not be a bank signatory, involved in the receipts and disbursements function or be the person receiving the physical bank and credit card statements. The reconciliation will be promptly reviewed and signed by a supervisor (e.g. the Treasurer) and any reconciling items should be tracked until resolution.
- g) For cash that is not likely to be needed for periods longer than six months, consider alternatives such as certificates of deposit or a money market account to generate short-term income.

15. Staff Payments

- a) An experienced, independent payroll service company should handle payroll and withholding tax payments. If that is not economically feasible, a user-friendly, commercially available accounting software program with payroll capabilities (when implemented with appropriate segregation of duties between the individuals issuing payments and receiving payroll) is an acceptable alternative.
- b) Staff and board member expense reimbursement requests require supporting documentation. Review and approval of requests should be completed by the staff’s supervisor (for employees) or two independent board members (for board members and the Executive Director). Only qualified expenses (as defined in the organization’s personnel manual or business expense policy) with receipts will be reimbursed.

16. Purchasing

- a) The affiliate’s simplified purchasing threshold is \$fill in amount here (e.g. \$1,000). For purchases over this amount, the organization will obtain at least three documented bids or proposals for the goods or services to be procured.

- b) When selecting a preferred vendor or for purchases over \$fill in amount here (e.g. \$10,000), the invitation for bids will be publicly advertised and solicitation for goods and services will include a clear description of the good or service being procured (including, size, technical requirements, etc.), requirements for the bids submitted, and requirements for how bids are to be submitted. The analysis of bids should be performed by more than one staff member and should be documented. The final selection and rationale for selection should be documented and maintained with the quotations received.
- c) Where a list of preferred vendors used for regularly purchased materials, goods and services is maintained, competitive re-bidding should be periodically performed and the list should be reviewed and approved annually by the Executive Director.
- d) No vendor should be paid unless the necessary licenses and insurance have been confirmed and the vendor is properly set up in the financial system.
- e) Approval for delivered materials and/ or services is required before invoice payment. The delivery note, invoice and contract or order should be reviewed and matched prior to the payment of the invoice (i.e. a three-way match). Evidence of this match should be stored with the payment supporting documentation.

17. Fixed Assets

- a) The board, as part of the affiliate budget, should approve fixed asset purchases prior to the actual purchase. Fixed assets are defined as items with a value over \$500 that last more than a year and are used in the regular course of business. Assets should be procured following the purchasing policy.
- b) The organization will use straight-line depreciation to capitalize all assets which are used in the regular course of business, have a useful life of over one year and are above the fixed asset threshold.
- c) Assets should be recorded to the fixed asset register, which should include description, location, identification number, date of acquisition, cost of item and any warranty information.
- d) A physical inventory of fixed assets will occur at least once every two years.
- e) If an asset is being sold, at least three quotes should be obtained to ensure the best selling price is identified. When the fixed asset is retired or disposed of, the appropriate assets and accumulated depreciation accounts and asset accountability records shall be adjusted, and any profit or loss reflected.

18. Other General Accounting Items

- a) User-friendly, commercially available accounting software should always be utilized. Updates to software should be completed on regular basis to be sure up to date accounting procedures are being followed.

- b) Original mortgage documents must be kept in a secure, fireproof location, such as a bank safe deposit box or fireproof vault. All legal papers, including but not limited to, all documents related to the homeowner's application and mortgage used in determining the homeowner's needs, ability to repay and willingness to partner, must be stored in a central, secure location accessible only to appropriate Habitat for Humanity representatives.
- c) Copies of all donation checks should be provided to specified individuals for acknowledgment (i.e. Thank-You notes) and donor database management.
- d) Grants, gifts and bequests should be properly recorded and monitored and should be in compliance with the stated terms. Pledges should be promptly recorded and collection promptly initiated.
- e) Gifts of securities should be sold immediately upon receipt, unless restricted by the donor.
- f) A board-approved policy to value in-kind materials and services for revenue and expense recording purposes should be in place and implemented.
- g) The construction manager/chair and finance manager/chair should approve detailed budgets for each construction project. Variance reports should be produced and analyzed monthly.
- h) Inventory items should be promptly recorded in inventory records; quantity records of more important items should be accurately maintained.
- i) Someone other than the inventory custodian will take a physical inventory at least annually.

INVESTMENT POLICY

Adopted on August 1, 2011

Updated on July 7, 2018

Purpose

The purpose of the following is to establish the investment objectives, policies, guidelines, and eligible securities relating to any monies owned or directly controlled by the organization.

Objective:

The primary objective of the investment policy shall be to obtain the most reasonable rate of return possible on non-restricted and restricted investments while maintaining as high a degree of safety of principal as can be obtained.

Fund Types: SAW Habitat for Humanity receives funds that are either for annual operations, the Capital Campaign or the Endowment or designated use defined by the donor.

Operating Funds.

Operating funds are those short term funds that are needed to maintain normal operations for the near term (current to 12 months out) and the established annual reserve funds (currently set at \$120,000).

Capital Campaign Funds.

Capital Campaign funds are those funds that have been specifically donated for major projects that have a longer than one-year time line for collection of monies necessary to bring them to fruition. These funds are more likely to have donor restrictions placed on the vehicle used for investment purposes than operating funds.

Endowment Funds.

Endowment funds are those funds that are gifted to SAW with the primary restriction being that only the earnings from the endowment can be used and that the principal is to never be used. These funds may also more likely to have donor restrictions placed on the vehicle used for investment purposes than operating funds.

Polices and Guidelines of Investments by fund type: The following policies shall apply to the investments made by fund type.

Operating Funds and non-restricted Capital Campaign and Endowment funds:

Liquidity – The investment portfolio shall be managed at all times with sufficient liquidity to meet all daily and seasonal needs as well as special projects and other operational requirements either known or can be reasonably anticipated.

Return on Investments – The investment portfolio shall be managed with the objective of obtaining no worse than a market rate of return over the course of budgetary and economic cycles, taking in to account the constraints contained herein and the cash flow patterns of SAW Habitat for Humanity.

Restricted capital campaign funds and endowment funds. The primary policy and guideline for investment of restricted funds is to insure that all aspects of the donor's direction as to investments are being specifically followed. Donor's will be informed of the fact that SAW can- not guarantee the protection of principal nor rate of return that can be expected for their investment decisions.

Allowable Investments: The following investments are approved for use by SAW Habitat for Humanity in the investment of operating funds and non-restricted and restricted capital campaign and endowment funds:

Operating Funds and non-restricted Capital Campaign and Endowment Funds:

U.S. Treasury Bills, Notes Bonds and other direct obligations of the United States Government.

Certificates of Deposit (CD)s purchased from banks insured by the FDIC at the discretion of Executive Committee and Executive Director. A CD's maturity can be for more than one year if it contains a one-time no penalty withdrawal of funds.

Money Market Deposit Account that are insured by the FDIC with a with a withdrawal period of less than one year.

Other investments types as authorized by the Board of Directors.

Restricted Capital Campaign and Endowment Funds

Investments specifically required in accordance with the terms of a trust. *

Investments specifically designated by the donor if the donation is acceptable by SAW Habitat for Humanity. *

*Investments that meet restrictions of a donor will include a waiver releasing SAW Habitat for Humanity from the responsibility of guaranteeing the security of principal or any expected return.

ANTI MONEY LAUNDERING POLICY

Adopted Annually (February 27, 2018)

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- II. Money Laundering, Terrorist Financing and Mortgage Fraud
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 - B. Terrorist Financing
 - C. Mortgage Fraud
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 - A. Designation of Compliance Officer
 - B. Compliance Officer Duties and Responsibilities
- IV. Risk Assessment
- V. Checking Office of Foreign Assets Control (“OFAC”) Lists
- VI. Customer Identification and Verification
 - A. Required Customer Information – Minimum ID Requirements
 - B. Customers Who Refuse to Provide Information
 - C. Verification of Information
 - D. Lack of Verification
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 - B. SAR Confidentiality
 - C. Maintaining SARs
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- IX. Training Programs
- X. Independent Audit of AML Program
- XI. Vendor Management
- XII. Monitoring Employee Transactions
- XIII. Additional Areas of Risk
- XIV. Board Approval

GLOSSARY

| | |
|--------|--|
| AML | Anti-Money Laundering |
| BSA | Bank Secrecy Act |
| FinCEN | Financial Crimes Enforcement Network (U.S. Treasury Dept.) |
| OFAC | Office of Foreign Assets Control (U.S. Treasury Dept.) |
| RMLO | Residential Mortgage Lenders and Originators |
| SAR | Suspicious Activity Report |
| SDN | Specifically Designated Nationals and Blocked Persons List |

Introduction

Staunton-Augusta-Waynesboro Habitat for Humanity (“Habitat”) is committed to a comprehensive anti-money laundering (“AML”) program. It is the policy of Habitat 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.

Habitat intends that these AML Policy and Program Procedures (“the Policy”) will be reviewed at least annually and updated from time to time as necessary to keep up with changes in applicable law and changes in Habitat’s operations. The Policy is intended to be supplemented by training of all Habitat’s non-construction employees and any volunteers who perform administrative duties (“designated volunteers”). The Policy is solely for the use of, and is binding upon, Habitat’s employees and designated volunteers. Willful or grossly negligent failure of an employee or designated volunteer to follow this AML Policy and Program Procedures Policy and such additional procedures as shall be issued to implement this Policy may be grounds for discipline, up to and including termination, and may in certain circumstances expose the employee or designated volunteer to criminal prosecution, fine, and/or imprisonment.

Money Laundering

Money Laundering, Terrorist Financing and Mortgage Fraud

“Money laundering” is generally defined as engaging in acts designed to conceal or disguise the nature, control, or true origin of criminally derived proceeds so that those proceeds appear to have been derived from legitimate activities or origins or otherwise constitute legitimate assets. Generally, money laundering occurs in three stages:

Stage 1 - Placement: Cash generated from criminal activities is “placed” in the financial system or the retail economy, often by converting the cash into monetary instruments, such as money orders or securities or investing it in real estate, commodities, or high-end consumer products (e.g., automobiles, boats, jewelry). Illegally obtained money is most vulnerable during the “placement” stage, because, over the years, regulators and law enforcement authorities have imposed a variety of reporting requirements and have required financial institutions, including residential mortgage lenders and originators (“RMLOs”), to train their employees to look for suspicious transactions.

To disguise the placement of unlawful funds, money launderers will often use a technique called “Structuring.” Structuring involves the breaking up of a transaction that would normally have to be recorded or reported into smaller transactions at dollar amounts below the recording/reporting thresholds.

Stage 2 - Layering: Funds are transferred or moved into other financial institutions to further separate the money from its criminal origin.

Stage 3 - Integration: Funds are reintroduced into the financial system and then integrated into the economy by purchasing legitimate assets or funding legitimate businesses or other criminal activities.

Terrorist Financing

Unlike money laundering, terrorist financing is typically motivated by ideological, rather than profit-seeking concerns, and often may not involve the proceeds of criminal conduct. Money laundering is frequently an important component of terrorist financing, and the methods used are often similar or identical to those used by money launderers. Large sums are not necessarily involved, and the original funds may well be legitimate rather than illegally obtained. The goal of terrorist financing is to establish flexible and mobile sources of funding for the purchase of products and services that will be used to further or commit terrorist acts.

Mortgage Fraud

Mortgage fraud is a crime in which the intent is to materially misrepresent or omit information on a mortgage loan application to obtain a loan or to obtain a larger loan, or a loan on different terms, than would have been obtained had the lender or borrower known the truth. Lenders or borrowers involved in mortgage fraud engage in conduct including the following: providing false financial information in the mortgage loan application, providing false information regarding occupancy, using nominees for the purchase of the property, falsifying documents (such as tax returns and verifications of income or deposits) and failing to disclose material information.

Government officials are increasingly focusing on mortgage fraud, and concerns regarding mortgage fraud contributed to the expansion of AML program requirements to RMLOs such as Habitat. The detection and prevention of mortgage fraud are important goals of Habitat's AML program.

AML Compliance Officer Designation and Duties 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, Habitat hereby designates an AML Compliance Officer (the "Compliance Officer") for Habitat. The Compliance Officer, or any of his or her authorized designees (hereinafter, a "Designee"), is responsible for ensuring (1) Habitat's ongoing compliance with all state and federal AML laws, including monitoring compliance by the Habitat's employees and designated volunteers with their obligations under Habitat's AML program; (2) that Habitat'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 Habitat and, thereafter, on an ongoing basis as needed.

The Compliance Officer will report directly to Jennie Hill, Board Chair

Staunton-Augusta-Waynesboro Habitat for Humanity PO Box 3188, Staunton, VA 24402-3188

DESIGNATION OF AML COMPLIANCE OFFICER

Compliance Officer: Lance Barton, Executive Director

Approved by Resolution of the Board of Directors on February 27, 2018

SIGNATURE ON FILE

Jennie Hill, Board Chair

Compliance Officer Duties and Responsibilities

The duties and responsibilities of the Compliance Officer include, but are not limited to, the following:

Maintain a thorough knowledge of all state and federal statutes pertaining to anti-money laundering with respect to Habitat's operations, including OFAC requirements and detecting and addressing Red Flags and SAR requirements.

Supervise the development and periodic updating of policies and procedures related to compliance with all applicable federal and state statutes regarding anti-money laundering and related requirements.

Supervise the execution of an AML/BSA/OFAC risk assessment within a regular 18-month cycle and more frequently if circumstances dictate.

Schedule and coordinate annual employee training seminars regarding anti-money laundering and related requirements.

Supervise the development of training procedures to ensure compliance with the applicable state and federal statutes regarding anti-money laundering and related requirements.

Supervise the proper completion, timely submission, and complete and accurate recordkeeping with respect to government filings pertaining to anti-money laundering and related requirements, including but not limited to Suspicious Activity Reports (“SARs”), which are filed with FinCEN.

Serve as liaison with law enforcement and regulatory agencies regarding matters of compliance/examinations/reports pertaining to anti-money laundering and related requirements.

Supervise the monitoring of statutory examinations conducted by any government agency pertaining to anti- money laundering and related requirements.

Supervise the maintenance of a record related to any documents requested by law enforcement and/or regulatory agencies pursuant to subpoena, summons, or other administrative or court documents pertaining to anti-money laundering or related requirements.

Cooperate with periodic Independent Audits of the AML program (see Section X below).

Risk Assessment

The development and implementation of an effective AML Program must be based on a risk assessment. For this reason, Habitat is required to 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. The Compliance Officer must determine the AML vulnerabilities of Habitat’s products/services, the AML risks associated with the geographies in which it operates, and the AML risks of the customers with whom it deals. The Compliance Officer must also assess the effectiveness of Habitat’s controls to manage and mitigate the AML risks. The selection of risk categories and the weights given to risk categories in a money laundering risk assessment vary depending on the circumstances.

In order to provide a framework for identifying AML risks, the Compliance Officer shall conduct a money laundering risk assessment by first determining inherent money laundering risk, then reviewing mitigating controls, and in consideration of the inherent risk and mitigating controls, determine the overall residual money laundering risk. 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.

Habitat’s money laundering risk assessments must be updated on a regular basis, generally at least every 18 months. Habitat’s AML/BSA/OFAC risk assessment must also be updated whenever material changes occur to products, services, customers or geographies that would materially impact the risk assessment. Any new product or sales activity or new line of business must undergo an AML risk assessment as described in this Section.

Checking Office of Foreign Assets Control (“OFAC”) Lists

Habitat must comply with Office of Foreign Assets Control (“OFAC”) regulations, which prohibit transactions involving certain individuals, entities, or countries that are subject to sanctions or other special concerns. In connection with mortgage loan origination and lending activity (including but not limited to: accepting mortgage loan applications, processing mortgage loan applications and closing

mortgage loans), we will routinely check to ensure that a customer 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). We will regularly check the list and subscribe to receive updates when they occur. We may, if deemed necessary by the Compliance Officer and concurred in by the Board, access these lists through various software programs to ensure speed and accuracy. If there is no potential match with the OFAC lists, the transaction may proceed. If, however, our checking indicates a potential match, we will perform additional due diligence to ascertain whether the match is actual or a false positive vis-à-vis the name on the OFAC lists.

In the event that we determine a customer, or someone for whom the customer is transacting, is on the SDN List, or is from or engaging in transactions with a person or entity located in an embargoed or sanctioned country, we will reject the transaction or block the customer's assets, as appropriate under OFAC regulations, and file a blocked assets or rejected transaction form with OFAC. We may also call the OFAC Hotline: 1-800-540- 6322.

As part of Habitat's SAR filing process (which is described in Section VIII.A. below), any blocking reports sent to OFAC will be reviewed to determine whether anything contained therein constitutes suspicious activity. Not all transactions, accounts, or customers identified in a blocking report constitute suspicious activities that require the filing of a SAR.

Customer Identification and Verification

Habitat will collect certain minimum customer identification information from each mortgage loan applicant and compare customer identification information with government-provided lists of suspected terrorists as mentioned above in Section V.

Required Customer Information – Minimum ID Requirements

Prior to engaging in any activity which potentially may involve money laundering, Habitat will collect the following information for all customers:

Name, Address (residential or business street address for an individual; for armed services personnel, an Army Post Office ("APO") or Fleet Post Office ("FPO") number). If necessary, address will be confirmed by a current utility bill mailed to the customer at the address in question. Date of Birth (verifiable via an unexpired government-issued identification evidencing nationality or residence and bearing a photograph or similar safeguard, such as a government-issued passport or driver's license) Government-issued identification number, which will be a Social Security number or other taxpayer identification number (for U.S. persons) or one or more of the following: passport number and country of issuance, alien identification card number or number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard (for non-U.S. persons). All such documents must be unexpired. We will refuse any transaction in the event that a customer has applied for, but has not received a taxpayer identification number and cannot prove his/her identity to our satisfaction.

Customers Who Refuse to Provide Information

If any customers have questions regarding the necessity of providing identification, we will inform them it is required by federal regulations. If, however, a potential or existing customer refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, we will not complete the transaction with the customer, and if, after consultation with the Compliance Officer or Designee, it is determined to be required, Habitat will file a SAR.

Verification of Information

To the extent reasonable and practicable, at the time a customer relationship is established, Habitat will ensure, based on our assessment of the AML-related risks posed by the customer's location, nationality, and overall profile, that we have sufficient information to form a reasonable belief that we know the true identity of our customers. In verifying customer identity, we will analyze any logical inconsistencies in the information we obtain such as through documentary evidence.

The customer's identity will be verified using the information set forth in Section VI.A. above. We are not required to take steps to determine whether any document that the customer has provided to us for identity verification has been validly issued, and we may rely on a government-issued identification as verification of a customer's identity. However, if we detect that the document evidences some form of fraud or other irregularities, we will consider that factor in determining whether we can form a reasonable belief that we know the customer's true identity.

If a customer's identity cannot successfully be validated based on the information in Habitat's possession, Habitat may, in its sole discretion, contact the customer and request that the customer provide via facsimile

- (i) a true and correct copy of the customer's unexpired, government-issued identification card with photograph, and
- (ii) a copy of any current utility bill where the name and mailing address on the bill match the information provided by the customer.

If we find information that indicates possible suspicious activity such as money laundering, terrorist financing activity, or other criminal activity, including mortgage fraud, we will, after consultation with the Compliance Officer or Designee, file a SAR, if that is deemed necessary or appropriate by the Compliance Officer or Designee.

Lack of Verification

When we cannot form a reasonable belief that we know the true identity of a customer with respect to transactions requiring customer identification, we will do the following: (i) not perform the transaction; and (ii) if deemed necessary or appropriate by the Compliance Officer or Designee, file a SAR.

Recordkeeping

We will document our verification, including all identifying information provided by a customer, the methods used and results of verification, and the resolution of any discrepancy in the identifying information. We will maintain records confidentially containing a description of any document that we relied on to verify a customer's identity, noting the type of document, any identification number contained in the document, the place of issuance, the date of issuance, if any, and expiration date. These records must be retained for at least five (5) years following termination of the customer relationship or dormancy of an account. All such records may be retained in electronic form.

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

Habitat 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 continue to comply with OFAC rules prohibiting transactions with certain foreign countries or their nationals as mentioned in Section V.

Monitoring for Suspicious Activity

We will monitor a sufficient amount of mortgage loan origination activity to permit identification of suspicious activity, such as the “red flags” identified in Section VII. A. below. 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.

A. Detecting Red Flags

Red Flags can arise at any time, including during the application process and throughout the customer relationship. An individual red flag can be business- or industry-specific or can apply more broadly to all businesses and industries in which our customers are active. Various governmental and quasi-governmental web sites, both domestic and international, contain lists of red flags. Examples include the OECD’s Financial Action Task Force, www.fatf-gafi.org, and the Federal Financial Institutions Examination Council, www.ffiec.gov/bsa.

Red Flags that signal possible money laundering include, but are not limited to:

The customer exhibits unusual concern about Habitat's compliance with government reporting requirements and Habitat's AML policies (particularly concerning his or her identity or type of business), or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspicious identification or documents.

A fraud or activity alert is included with a consumer report obtained with respect to the consumer.

A consumer reporting agency provides a notice of credit freeze in response to a request for a credit report. A consumer reporting agency provides a notice of address discrepancy.

The customer wishes to engage in a transaction that appears to lack sense.

The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.

Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.

The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.

The customer exhibits a lack of concern regarding transaction costs. The customer has difficulty describing the nature of his or her business. The customer asks for exemptions from Habitat's AML policies.

The customer requests that a transaction be processed to avoid Habitat’s normal documentation requirements.

Habitat’s unique mortgage products and practices greatly reduce the likelihood of mortgage fraud occurring.

Red Flags that signal possible mortgage fraud in the broader mortgage industry include, but are not limited to:

The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate reasons, to provide information or is otherwise evasive regarding that person or entity.

Title to the subject property is held by virtue of an unrecorded deed. A loan on the proposed security property was recently paid off.

The proposed sale is occurring within a year of obtaining title.

The real estate sales contract provides for a large seller allowance which may signal that the allowance is a method for the seller to funnel down payment funds to the buyer.

The brokers or other agents are receiving excessive commissions. The sales price of the property exceeds fair market value.

A party requests that the loan be used to pay debts not secured by the property or required by the lender to be paid off.

The file contains more than one contract with significant differences in price.

The buyer's check indicates another to be the provider of funds and no gift letter is presented.

Grand Jury Subpoenas

We understand that the receipt of a grand jury subpoena concerning a customer does not in itself require that we file a SAR. When we receive a grand jury subpoena, we will conduct a risk assessment of the customer subject to the subpoena, as well as review the customer's file and activity. If we uncover suspicious activity during our risk assessment and review, we will elevate that customer's risk assessment and file a SAR in accordance with the SAR filing requirements. We understand that none of our officers, employees, volunteers or agents may directly or indirectly disclose to the person who is the subject of the subpoena its existence, its contents or the information we used to respond to it. To maintain the confidentiality of any grand jury subpoena we receive, we will process and maintain the subpoena by retaining such communications in secure locations. If we file a SAR after receiving a grand jury subpoena, the SAR will not contain any reference to the receipt or existence of the subpoena. The SAR will only contain detailed information about the facts and circumstances of the detected suspicious activity.

Responding to Red Flags and Suspicious Activity

When an employee or volunteer of Habitat detects any red flag, he or she will immediately contact the Compliance Officer or Designee to see whether further investigation should be undertaken. Any such investigation would take place only under the direction of the Compliance Officer or Designee and might include gathering additional information internally or from third-party sources, including the applicant. Ultimately, information obtained in such an investigation may lead to the Compliance Officer contacting the government or authorizing the filing of a SAR (see Section VIII, below). SAR logs will be maintained by the Compliance Officer or Designee and will be used to track the auditing of accounts that may be subject to SAR filing. All accounts subject to SAR filing will be documented and will include information

such as SAR date, reported dollar amounts, FinCEN submission date, and tracking number used in the SAR Log.

Suspicious Transactions and BSA Reporting Filing a SAR

Habitat will file SARs for any activity conducted or attempted through a Habitat 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 Habitat to facilitate criminal activity.

Habitat 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.

SAR Confidentiality

Habitat will maintain as strictly confidential any SAR and its supporting documentation. We will NOT notify any person involved in the transaction that the transaction has been reported, except as permitted by the BSA regulations. In general, disclosure of the fact that a SAR filing is contemplated or has been made is a violation of federal law. Any Habitat employee or volunteer who is subpoenaed or required to disclose a SAR or the information contained in the SAR will report the existence of that subpoena or requirement immediately to the Compliance Officer and prior to disclosure of the SAR or the information contained in the SAR. Except where disclosure is requested by FinCEN or other appropriate law enforcement or regulatory authority, as determined by the Compliance Officer, Habitat and the employee will decline to produce the SAR or to provide any information that would disclose that a SAR was prepared or filed.

Maintaining SARs

Every SAR and copies of any supporting documentation will be maintained separately from all other books and records of HABITAT in order to avoid inadvertent disclosure of SAR filings. Every SAR and copies of any supporting documentation will be kept in a secure location. As noted above, the Compliance Officer or Designee will handle all subpoenas or other requests for SAR information. The Compliance Officer or Designee will be responsible to ensure that AML records are maintained properly and that any SARs are filed as required.

Records Required

Habitat will create and maintain SARs and relevant documentation on customer identity and verification as part of Habitat's overall AML compliance program. We will also maintain required records related to customers listed on the OFAC list. We will maintain all BSA-related records and their documentation for at least five (5) years.

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. The training offered will include, at a minimum, the following:

How to identify "red flags" and signs of money laundering; What to do after the risk is identified;
The employee's role in Habitat's compliance efforts;

1. Habitat's record retention policy related to AML compliance; and
2. Disciplinary consequences (including civil and criminal penalties) for non-compliance with the BSA.
3. The training program offered will include maintenance of records to indicate which persons received training, the dates of training, and the subject matter of the training.
4. Training may also include educational pamphlets, videos, intranet systems, in-person training, and explanatory memos, as necessary to effectuate full compliance with AML laws and regulations and

Habitat policy.

New hire non-construction employees/volunteers shall receive AML training within NO LATER THAN 2 MONTHS AFTER START DATE of commencing employment with Habitat. Periodically, we will review our operations to see if certain employees or volunteers require specialized additional training. For example, we may offer additional or refresher training to employees returning from leaves of absence (including family medical, maternity, and military) as needed upon their return to work. Our written procedures will be updated to reflect any such changes.

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 Habitat'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 and will include a review of:

How suspicious activity is monitored and identified;

Whether all identified suspicious activity was reviewed and appropriately handled; and Whether suspicious activity was properly reported.

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 Habitat's senior management and board of directors. Habitat will address and respond to each of the resulting recommendations.

Vendor Management

At this time, Habitat utilizes outsourcing arrangements relating to, among other things, [OFAC, CIP, employment and occupancy screening and additional services as necessary, including loan servicing]. Habitat understands it cannot contract out its regulatory responsibilities and therefore remains responsible for the anti-money laundering systems and controls in relation to the activities outsourced.

In all instances of outsourcing, Habitat bears the ultimate responsibility for the duties undertaken in its name. Therefore, Habitat will take the following steps to ensure the service provider performs its activities in accordance with reasonable policies and procedures designed to detect, prevent, and mitigate the risk of money laundering, terrorist financing or other crimes, such as mortgage fraud: (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 Habitat's AML Policy and Program Procedures and report any Red Flags to the Compliance Officer or Designee.

Monitoring Employee Transactions

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

Additional Areas of Risk

Habitat will periodically review all areas of its business to identify potential money laundering risks, terrorist activity or terrorism financing risks, and risks of other criminal activity, including mortgage fraud, that may not be covered in the program described above and will continually work to improve its AML compliance program. Board Approval

By signing below, each board member approves this AML program as reasonably designed to achieve and monitor Habitat's ongoing compliance with the requirements of the Bank Secrecy Act, the USA PATRIOT Act, and FinCEN's Anti-Money Laundering Program and Suspicious Activity Report Filing Requirements for Residential Mortgage Lenders and Originators and the implementing regulations under it.

FACT ACT IDENTITY THEFT RED FLAG RULES POLICY DRAFT 9.5.19

Adopted on April 6, 2008

Purpose:

To implement a program that formulates guidelines to maintain measures to prevent identity theft in accordance with the Federal Trade Commission (FTC) and Fair and Accurate Credit Transactions Act (FACTA): and using these guidelines that are appropriate to provide a policy and procedures that meet the requirement of the final rules.

Definitions:

Identity Theft: A fraud that is committed or attempted using a person's identifying information without authority.

Covered Accounts: Accounts that are used primarily for personal, family, household or business purposes that involve or are designed to permit multiple payments or transactions. Any account where there is a reasonably foreseeable risk to members or the safety and soundness of Staunton-Augusta-Waynesboro (SAW) Habitat for Humanity. Covered Accounts include, but are not limited to, mortgage loans.

Responsibility:

The SAW Habitat for Humanity Board of Directors will approve the written program and approve any material changes: The SAW Habitat for Humanity Executive Director, a senior management employee, will oversee the development, implementation and administration, ensuring that staff is trained and oversee service provider arrangements.

Administration methods for the program will include:

1. Training staff members on specific responsibility for the program.
2. Prepare and deliver to the board of directors an annual report regarding compliance with the Red Flag rules. (This report should address matters related to the program and issues, such as the effectiveness of the policies and procedures that address the risk of identity theft in connection with the opening of covered accounts or existing covered accounts, service provider arrangements, significant incidents of identity theft and management's response to these incidents, and recommendations for material changes to the program.)
3. Providing guidance for the board of directors to approve material changes to the program.

Requirements:

If service providers are used in connection with covered accounts, SAW Habitat for Humanity will ensure that the activities of service providers are conducted pursuant to reasonable policies and procedures that comply with the rules.

SAW Habitat for Humanity will implement procedures to:

1. Identify relevant red flags for covered accounts
2. Detect red flags

3. Respond appropriately to red flags to prevent and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts.
4. Ensure policy and procedures are updated periodically to reflect changes in risks to members and SAW Habitat for Humanity.

SAW Habitat for Humanity will identify relevant red flags and conduct a risk assessment that includes – financial, operations, compliance, reputation, and litigation; and determine whether it offers or maintains covered accounts taking into consideration:

1. Types of covered accounts offered or maintained
2. Methods provided to open accounts
3. Methods provided to access accounts
4. Previous experiences with identity theft
5. Methods used to reflect changes in identity theft

SAW Habitat for Humanity will address the detection of red flags: (1) by obtaining identifying information about and verifying the identity of the partner family members, (2) monitoring monthly mortgage payments, and (3) verifying the validity of change of address requests.

Possible sources used for detecting red flags include:

1. Alerts, notifications or other warnings received from consumer reporting agencies or service providers, such as fraud detection services
2. Presentation of suspicious or altered documents
3. Presentation of suspicious, inconsistent or altered personal identifying information such as a suspicious address change
4. Attempts to access an account by unauthorized users
5. Unusual use of or other suspicious activity related to a covered account
6. Notice from members, victims of identity theft, law enforcement authorities or other persons regarding possible identity theft in connection with covered accounts

Response Program: SAW Habitat for Humanity will provide appropriate responses for preventing and mitigating identity theft. These responses will consider factors that may heighten the risk such as a data security breach; notification that a partner family member has provided account information claiming to represent SAW Habitat for Humanity; has provided information on a fraudulent website. These responses may include:

1. Monitoring a covered account for evidence of identity theft
2. Contacting the partner family
3. Changing any passwords, security codes, or other security device that permit access to a covered account
4. Reopening a covered account with a new account number
5. Not opening a new covered account
6. Closing an existing covered account
7. Not attempting to collect on a covered account or not selling a covered account to a debt collector
8. Notifying law enforcement
9. Determining that no response is warranted under the particular circumstances

Updates: The policy and procedures will be updated periodically to reflect and respond to:

1. Experiences with identity theft

2. Changes in methods of identity theft
3. Changes in methods to detect, prevent, and mitigate identity theft
4. Changes in the business arrangements of SAW Habitat for Humanity including mergers, acquisitions, alliances, joint ventures, and service provider arrangements

HFHI POLICY 6 Conflict of Interest

CONFLICT OF INTEREST POLICY

Adopted Annually (February 27, 2018)

Purpose

The purpose of this conflict of interest policy is to protect SAW Habitat's interests when it is contemplating entering a transaction or arrangement that might benefit the private interests of an officer, staff member or director of SAW Habitat, or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace, any applicable federal and state laws governing conflicts of interest applicable to nonprofit and charitable organizations.

Definitions

1. Interested person -- Any director, officer, staff member, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial interest -- A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - A. An ownership or investment interest in any entity with which SAW Habitat has a transaction or arrangement,
 - B. A compensation arrangement with SAW Habitat or with any entity or individual with which SAW Habitat has a transaction or arrangement, or,
 - C. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which SAW Habitat is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the Executive Committee or Board of Directors decides that a conflict of interest exists, in accordance with this policy.

- D. Independent Director -- A director shall be considered "independent" for the purposes of this policy if he or she is "independent" as defined in the instructions for the IRS 990 form or, until such definition is available, the director --
 1. is not, and has not been for a period of at least three years, an employee of SAW Habitat or any entity in which SAW Habitat has a financial interest;
 2. does not directly or indirectly have a significant business relationship with SAW Habitat, which might affect independence in decision-making;

3. is not employed as an executive of another organization where any of SAW Habitat's executive officers or employees serve on that organization's compensation committee; and Procedures
4. does not have an immediate family member who is an executive officer or employee of SAW Habitat or who holds a position that has a significant financial relationship with SAW Habitat.

Procedures

- A. Duty to Disclose -- In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Board of Directors or Executive Committee.
- B. Recusal of Self – Any employee or director may recuse himself or herself at any time from involvement in any decision or discussion in which the employee or director believes he or she has or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.
- C. Determining Whether a Conflict of Interest Exists -- After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board of Directors or Executive Committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or Executive Committee members shall decide if a conflict of interest exists.

Procedures for Addressing the Conflict of Interest

- A. An interested person may make a presentation at the Board or Executive Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- B. The Chairperson of the Board of Directors or Executive Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- C. After exercising due diligence, the Board or Executive Committee shall determine whether SAW Habitat can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- D. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or Executive Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in SAW Habitat's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

Violations of the Conflicts of Interest Policy

- A. If the Board or Executive Committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- B. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board or Executive Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Records of Proceedings

The minutes of the Board and all committees with board delegated powers shall contain:

- A. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or Executive Committee's decision as to whether a conflict of interest in fact existed.
- B. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Compensation

- A. A voting member of the Board who receives compensation, directly or indirectly, from SAW Habitat for services is precluded from voting on matters pertaining to that member's compensation.
- B. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from MNA for services is precluded from voting on matters pertaining to that member's compensation.
- C. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from SAW Habitat, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Annual Statements

1. Each director, principal officer and member of a committee with Board delegated powers shall annually sign a statement which affirms such person:
 - A. Has received a copy of the conflict of interest policy,
 - B. Has read and understands the policy,
 - C. Has agreed to comply with the policy, and

D. Understands SAW Habitat is charitable and in order to maintain its federal exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

2. Each voting member of the Board shall annually sign a statement which declares whether such person is an independent director.

3. If at any time during the year, the information in the annual statement changes materially, the director shall disclose such changes and revise the annual disclosure form.

4. The Executive Committee shall regularly and consistently monitor and enforce compliance with this policy by reviewing annual statements and taking such other actions as are necessary for effective oversight.

Periodic Reviews

To ensure SAW Habitat operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- A. Whether compensation arrangements and benefits are reasonable, based on competent survey information (if reasonably available), and the result of arm's length bargaining.
- B. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to SAW Habitat's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement or impermissible private benefit or in an excess benefit transaction.

Conflict of Interest Policy Signature Form (Signed Annually, February 27, 2018)

As a member of the Board of Directors for Staunton-Augusta-Waynesboro Habitat for Humanity, Inc. I acknowledge the following:

- I have received a copy of the conflict of interest policy,
- I have read and understand the policy,
- I agree to comply with the policy,
- I understand SAW Habitat is charitable and in order to maintain its federal exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

All Signatures on File

Board Member Signature

Date

HFHI POLICY 7 Construction Standards

SAW HFH MANAGEMENT SAFETY POLICY

Adopted February 2019

This policy statement expresses this affiliates commitment to and involvement in providing our employees & volunteers a safe and healthy workplace. This workplace safety and health program will be incorporated as the standard of practice for this organization. Compliance with these safe practices and those of any regulatory agency will be required of all employees & volunteers as a condition of continued employment and or ability to maintain a positive volunteer status.

The Management of this organization is committed to providing employees & volunteers with a safe and healthful 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 Manager/ Leader.

Employees & volunteer's recommendations to improve safety and health conditions will be given thorough consideration by this company. 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.

Disciplinary action will take the form of:

Verbal and or Written warning or,
Written warning and removal from worksite or,
Termination of employment or volunteer status.

Management reserves the right to terminate the employment of any employee at any time for violation of company policies or remove a volunteer from worksite.

Management will participate in establishing and maintaining an effective safety program. 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, training and equipment as needed; and
Reviewing and updating workplace safety policies, practices and performances.



Signature of Executive Director

10/15/2019

Date

INSERT SIGNATURE PAGE

BASEMENT/STORAGE SHED POLICY

Adopted February 27, 2018

This policy was updated to include 2 separate policies. There were no changes to the wording of either policy when it was adopted in February of 2018.

The Construction Committee recommends a full or partial basement be included with houses that meet the following criteria:

1. The building lot slope or setting requires a very high crawl space so that with minimum extra excavation and laying of additional block, a full or partial basement could be built.
2. The Project Manager and Construction Supervisor both agree the lot meets the conditions of paragraph 1 before a basement would be built.
3. The prospective homeowner agrees that a storage building would not be included if a full or partial basement is built.
4. The prospective homeowner agrees that the extra cost would be added to the home mortgage.

All existing homes that do not have a walk-in crawl space shall be provided with an 8' x 8' storage shed at the owner's discretion and the cost will be added to their monthly mortgage. All subsequent construction where a walk-in crawl space does not exist, will include an 8' x 8' storage shed as part of the home package.

NOTE: A partial basement would have a gravel base, 4" of concrete, an outside entrance door and appropriate windows. A full basement will also include steps from the living area, and space for the washer/dryer, water heater and furnace.

See Also: Employee Manual

HFHI POLICY 8 Donor Intent

GIFT ACCEPTANCE POLICY AND GUIDELINES

Updated October 2019

Purpose of Policies and Guidelines

The Board of Directors of SAW Habitat and its staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and missions of SAW Habitat. It is the purpose of these policies and guidelines to govern the acceptance of gifts by SAW Habitat and to provide guidance to prospective donors and their advisors when making gifts to SAW Habitat. The provisions of these policies shall apply to all gifts received by SAW Habitat for any of its programs or services.

Use of Legal Counsel

SAW Habitat shall seek the advice of legal counsel in matters relating to acceptance of gifts where appropriate. Review by counsel is recommended for:

- A. review of closely held stock transfers that are subject to restrictions or buy-sell agreements
- B. review of documents naming SAW Habitat as Trustee
- C. review of all gifts involving contracts, such as bargain sales or other documents requiring SAW Habitat to assume an obligation
- D. review of all transactions with potential conflict of interest that may invoke IRS sanctions
- E. and such other instances in which use of counsel is deemed appropriate by the Gift Acceptance Committee.

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. SAW Habitat will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving, shown as an appendix to this document.

Restrictions on Gifts

SAW Habitat will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. SAW Habitat will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter (or trust document if SAW Habitat is established under trust), gifts that are too difficult to administer, or gifts that are for purposes outside the mission of SAW Habitat. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Gift Acceptance Committee of SAW Habitat.

Types of Gifts

The following gifts are acceptable: 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, and Life Insurance Beneficiary Designations

The following criteria govern the acceptance of each gift form: Cash is acceptable in any form. Checks shall be made payable to SAW Habitat and shall be delivered to the Development Director or Executive Director.

Tangible Personal Property

Gifts of tangible personal property shall be examined in light of the following criteria:

1. Does the property fulfill the mission of SAW Habitat?
2. Is the property marketable?
3. Are there any undue restrictions on the use, display, or sale of the property?
4. Are there any carrying costs for the property?

Securities: SAW Habitat can accept both publicly traded securities and closely held securities.

Publicly Traded Securities

Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the Investment Committee. In some cases, marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Gift Acceptance Committee of SAW Habitat.

Closely Held Securities:

Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in LLP' and LLCs or other ownership forms, can be accepted subject to the approval of the Gift Acceptance Committee of SAW Habitat. However, gifts must be reviewed prior to acceptance to determine that:

1. there are no restrictions on the security that would prevent SAW Habitat from ultimately converting those assets to cash,
2. the security is marketable, and
3. the security will not generate any undesirable tax consequences for SAW Habitat.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the Gift Acceptance Committee of SAW Habitat and legal counsel where necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

Real Estate

Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, SAW Habitat shall require an initial environmental review of the property to insure that the property is not contaminated with environmental damage.

Environmental inspection forms are attached as an appendix to this document. In the event that the initial inspection reveals a potential problem, SAW Habitat shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

Where appropriate, a title binder shall be obtained by SAW Habitat prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by the SAW Habitat Board of Directors.

Criteria for acceptance of the property shall include:

1. Is the property useful for the purposes of SAW Habitat?
2. Is the property marketable?
3. Are there any restrictions, reservations, easements, or other limitations associated with the property?
4. Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
5. Does the environmental audit reflect that the property is not damaged?

Remainder Interests in Property

SAW Habitat will accept a remainder interest in a personal residence, farm, or vacation subject to the provisions of paragraph 4 above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. At the death of the donor, SAW Habitat may use the property or reduce it to cash. Where SAW Habitat receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

Oil, Gas, and Mineral Interests

SAW Habitat may accept oil and gas property interests, where appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the Gift Acceptance Committee, and if necessary, by SAW Habitat's legal counsel. Criteria for acceptance of the property shall include:

1. Gifts of surface rights should have a value of \$20,000 or greater.
2. Gifts of oil, gas and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
3. The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate

If the interest is a working interest the organization should determine the impact on SAW Habitat so that it may develop a plan to minimize that impact if accepted.

The property should undergo an environmental review to ensure that SAW Habitat has no current or potential exposure to environmental liability.

Bargain Sales

SAW Habitat will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of SAW Habitat. All bargain sales must be reviewed and recommended by the Gift Acceptance Committee and approved by the Board of Directors. Factors used in determining the appropriateness of the transaction include:

1. SAW Habitat must obtain an independent appraisal substantiating the value of the property.
2. If SAW Habitat assumes debt with the property, the debt ratio must be less than 50% of the appraised market value
3. SAW Habitat must determine that it will use the property, or that there is a market for sale of the property allowing sale within 12 months of receipt
4. SAW Habitat must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

Life Insurance

SAW Habitat must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, SAW Habitat will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, SAW Habitat may:

1. continue to pay the premiums,
2. convert the policy to paid up insurance, or
3. surrender the policy for its current cash value.

Charitable Gift Annuities

SAW Habitat may offer charitable gift annuities. The minimum gift for funding shall be \$5,000. SAW Habitat may make exceptions to this minimum. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity.

Annuity payments may be made on a quarterly, semi-annual, or annual schedule. SAW Habitat may approve exceptions to this payment schedule.

SAW Habitat will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. SAW Habitat may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a 5-

year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and SAW Habitat approves the arrangement.

Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to SAW Habitat's general endowment funds, or to such specific fund as designated by the donor.

Charitable Remainder Trusts

SAW Habitat may accept designation as remainder beneficiary of a charitable remainder trust with the approval of the Gift Acceptance Committee. SAW Habitat will not accept appointment as Trustee of a charitable remainder trust.

Charitable Lead Trusts

SAW Habitat may accept a designation as income beneficiary of a charitable lead trust. The Board of SAW Habitat will not accept an appointment as Trustee of a charitable lead trust.

Retirement Plan Beneficiary Designations

Donors and supporters of SAW Habitat shall be encouraged to name SAW Habitat as beneficiary of their retirement plans. Such designations shall not be recorded as gifts to SAW Habitat until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

Bequests

Donors and supporters of SAW Habitat shall be encouraged to make bequests to SAW Habitat under their wills and trusts. Such bequests shall not be recorded as gifts to SAW Habitat until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

Life Insurance Beneficiary Designations

Donors and supporters of SAW Habitat shall be encouraged to name SAW Habitat as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to SAW Habitat until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

Miscellaneous Provisions

- A. Securing appraisals and legal fees for gifts to SAW Habitat: It shall be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to SAW Habitat.
- B. Valuation of gifts for development purposes: SAW Habitat shall record a gift received by SAW Habitat at its valuation for gift purposes on the date of gift.
- C. Responsibility for IRS Filings upon sale of gift items: The Gift Acceptance Committee of SAW Habitat is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by SAW Habitat where the charitable deduction value of the item

was \$5,000 or greater. The Charity must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with Filing Instructions is attached as an appendix to these policies.

- D. Acknowledgement of all gifts made to SAW Habitat and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of SAW Habitat. IRS Publication 561 Determining the Value of Donated Property and IRS Publication 526 Charitable Contributions are to these policies as an Appendix.

Changes to Policies

These policies and guidelines have been reviewed and accepted by the SAW Habitat Board of Directors. The Board of Directors of SAW Habitat for Humanity must approve any changes to or deviations from these policies.

HFHI POLICY 9 Financial Reporting to HFHI: In Compliance/No Established Policy
HFHI POLICY 10 Funding Sources: GIFT ACCEPTANCE POLICY AND GUIDELINES
HFHI POLICY 11 Homeowner Partner Selection

HOMEOWNER PARTNER SELECTION

Adopted on February 27, 2018

1.0 Purpose

The purpose of this policy is to define this affiliate's homeowner partner selection criterion to ensure compliance with all applicable U.S. federal housing laws.

2.1 Policy

All affiliates are required to comply with the Fair Housing Act and all Fair Housing Laws, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Privacy Act and the Americans with Disabilities Act and any applicable local laws. To this end, this affiliate uses the following criteria, measurement tools, and procedures for homeowner partner selection:

Need

Affiliates are empowered to define the specifics of "need" within their own communities. Our affiliate considers the standard HFHI definitions of inadequate housing, including:

1. Structural or home system problems (leaking structure, faulty or inadequate electrical, heating, or plumbing system);
2. Lack of functioning entrance and exit points — back and front doors;
3. Unsuitable living conditions (unsafe or unsanitary neighborhood, unhealthy conditions, including, but not limited to, mold or pest infestation);
4. Little or no insulation or broken or missing windows;
5. Inadequate conditions for a person living with disabilities;
6. Overcrowding and homelessness; and
7. Cost-burden, including those in government-subsidized housing (e.g., housing authority or Section 8 housing, or housing vouchers).

Our affiliate defines and measures need using a metric that considers all the factors outlined above. Need is measured on a scale of 1 to 15 (with 15 being maximum or immediate need). This assessment is accomplished during the home visit with the Director of Family Partnerships and one other Family Partnership Committee member (or staff member, when this is not possible).

Those conducting home visits will validate the current living conditions and the need for adequate housing, providing a written report to the committee for use in recommendation.

While homeowner partner selection is not limited to first-time homeowners, they will not have owned their own home in the past 36 months.

Additionally, partners should not reasonably qualify for other/conventional mortgage financing.

Ability to Pay

This affiliate makes all reasonable efforts to serve families whose incomes do not exceed 60 percent of the area median income (AMI), as defined by the U.S. Department of Housing and Urban Development (HUD), but will accept applicants making up to 80 percent of AMI.

We perform appropriate due diligence in determining the applicant's ability to pay and creditworthiness through income verification, credit reporting, and assessment of all other household debt; projected utility costs; and other costs directly associated with the ownership of their home. The Director of Family Partnerships will always be a qualified Loan Originator and responsible for conducting these initial financial assessments.

Providing there are no obvious disqualifiers, they will forward the application to the Family Partnership Committee for review and recommendation.

Willingness to Partner

This affiliate requires 200 hours of sweat equity per household adult, including 100 hours in construction. Appropriate and necessary accommodations are made for partners with physical limitations in accordance with the Americans with Disabilities Act (ADA).

These hours are ideally all completed before the homeowner closes on and moves into the home. If Habitat needs dictate, the Executive Director is authorized to amend the Homeowner Partnership Agreement to move up to 50 hours of sweat equity to post purchase, if Homeowner agrees. If Homeowner does not agree to terms, all hours must be completed prior to closing, as stated in standard Agreement.

Other examples of objective criteria used to measure willingness to partner include attending a program orientation (either group or one-on-one), completion and return of application by agreed-upon deadlines, acceptance of down payment and closing costs (according to affiliate requirements), and completion of required educational classes and workshops.

This affiliate will also allow accepted applicants to decline a particular housing opportunity twice before they are dismissed from the program on the grounds of "failure to partner".

Service Area

This affiliate's policy is to only accept applications from applicants who either live or work within our service area – defined as Staunton or Waynesboro city limits or within the boundaries of Augusta County – for at least six months.

Criminal Background Checks

Criminal background checks will be conducted by the Director of Family Partnerships or the Executive Director, using a database service designated by the Executive Director. Information discovered will be used in decisions affecting partnering and hiring of homeowners, volunteers, and employees.

If an applicant is discovered to have a criminal history, the Director of Family Partnerships will utilize a "points system" to assess the risk level. This risk-assessment tool (Attachment A) will be used as a tool for discussion and possible further individualized inquiry into the details of the conviction. This will not be the deciding factor, in and of itself. This will ensure the offense(s) relate(s) to the position and that any denial for employment, homeownership or engagement with the affiliate is based on the affiliate's business necessity and is not a prohibited blanket denial of all applicants having a criminal history or on the sex offender registry.

Should an applicant be denied partnership, the individual will be notified in writing by the Director of Family Partnerships within 30 days of the decision.

Residency

HFHI allows affiliates to determine their own immigration status policies, using their own best judgment about how immigration status affects ability to pay, and taking into account the dynamics of their local situation. The available policy spectrum ranges from making no inquiry into immigration status to requiring proof of permanent residency ("green card" or citizenship). Affiliates should not distinguish between citizens and non-citizen permanent residents, however, because the difference between those two classes will not affect an applicant's ability to live or earn an income in the United States. The policy this affiliate uses is: **Any Legal Status**

This policy requires a current legal residency whereby the applicant has the right to live and be employed in the U.S. Such status demonstrates there is no immediate threat the applicant would be deported. This policy authorizes and directs the Family Partnerships Director to require some evidence that the legal residency is likely to continue for a period of time which will justify the extension of credit for the sale of the house (typically projected to last for at least three years). Applicants with permanent residency or citizenship will of course qualify in this respect. Temporary residents may also qualify if the affiliate determines that the current status will last at least five years or that the applicant is in the process of applying for further status and has a likelihood of being granted such status.

Deselection

Affiliates may deselect partners only in the following cases: demonstrated fraud on the application, failure to complete requirements set forth in the letter of acceptance, negative change in financial condition that would significantly impact the ability to pay, or presence on a sex offender database.

Rationale

Historically, some affiliates have experienced tension between being "a Christian ministry" and the provisions of federal law regarding discrimination in housing and lending and in lending decisions. The resolution of the U.S. Affiliate Committee (the predecessor to the U.S. Council) acknowledges the applicability of the federal laws and the need for a consistent definition of the basic homeowner selection criteria.

The Habitat for Humanity family selection process is a unique and defining characteristic of the ministry. As such, basic foundational guidance is essential to each affiliate so that it may support the Habitat ministry, comply with the laws, and consistently and uniformly conduct family selection. Therefore, the Homeowner Partner Selection policy is established to provide that guidance.

HFHI POLICY 12 Liability Waiver Usage: In Compliance/No Established Policy

HFHI POLICY 13 Logo Adoption: In Compliance/No Established Policy

HFHI POLICY 14 Affiliate Restructuring: No Established Policy

HFHI POLICY 15 Minimum Production Standards: In Compliance/No Established Policy

HFHI POLICY 16 Employment and Volunteer Practices

CRIMINAL BACKGROUND CHECK POLICY

Adopted on February 27, 2018

Purpose:

As a ministry, Staunton-Augusta-Waynesboro (SAW) Habitat for Humanity values the safety of children, employees, volunteers and the families served. Therefore, prudent measures to protect our human and material resources are warranted.

Policy:

SAW Habitat for Humanity requires that criminal background checks be conducted for all potential partner families, board members, employees and key volunteers (Key volunteer generally refers to any individual who works eight (8) or more hours each month and/or has contact with vulnerable populations such as children, the elderly or persons with disabilities), and in particular, those who may have unsupervised contact with a child, the elderly or persons with disabilities. SAW Habitat for Humanity reserves the right to recheck criminal backgrounds at any time during the homebuilding process, course of employment and/or service.

Disqualification Criteria

A previous conviction may disqualify an applicant from homeownership, employment, or board members and volunteers from service with SAW Habitat for Humanity. In determining eligibility, SAW Habitat for Humanity, in its sole discretion, may consider several factors, including without limitation, one or more of the following:

1. nature, duties and responsibilities of the position;
2. nature of the conviction and whether children were involved;
3. time elapsed since the offense;
4. extent to which the offense may affect the person's fitness or ability to perform the duties or responsibilities of the position;
5. age of the candidate when the illegal activity occurred;
6. number of convictions;
7. any information produced by the person, or produced on the person's behalf demonstrating rehabilitation and good conduct. [Arizona, California, Illinois, Nevada, New Jersey and New York issue certificates of rehabilitation for former convicts;]
8. whether hiring, transferring, promoting or partnering with the applicant and/or candidate would pose risk to the organization;

9. whether the state's public policy encourages employment of persons who have been convicted of crimes;
10. the nature of the build, i.e., proximity of houses, mixed use communities, etc.; and/or
11. any person who does not consent to a criminal background check;
12. any other factor that the affiliate deems relevant to the decision.

Examples of Disqualification Warranted

If a person withholds information or falsifies information pertaining to a criminal offense, the person may be disqualified from further consideration.

The following list provides some examples in which SAW Habitat for Humanity may, within its sole discretion, determine an individual to be ineligible for homeownership, employment and/or service:

1. embezzlement or fraud conviction of a Fundraising Director volunteer or applicant;
2. stalking conviction against a supervisory candidate or candidate with access to personal information such as an Executive Director or Human Resources personnel;
3. murder and/or assault conviction against a candidate with access to dangerous instruments, i.e., Construction Manager; and/or
4. burglary conviction of a partner family member in a condominium or apartment style community.

This list is not exhaustive and is for illustrative purposes only. SAW Habitat for Humanity reserves the right to weigh disqualification criteria on a case-by-case basis and to make selection decisions in its sole discretion.

Disqualification may extend to any incoming partner family member and to any position with SAW Habitat for Humanity and associated entities, including, but not limited to Habitat for Humanity International, Inc., Area Offices, Branches, National Organizations, Affiliates, Disaster Response Centers, Regional Support Centers and State Support Centers.

Employment Offer Contingent on Criminal Background Check

In the employment context, SAW Habitat for Humanity may extend an offer of employment to an applicant that is contingent on the completion of the criminal background check. However, the applicant may not start work before the criminal background check has been completed and the final employment and/or service eligibility decision has been made by SAW Habitat for Humanity personnel and/or Board of Directors.

Procedure

SAW Habitat for Humanity will make good faith efforts to comply with the following procedures when conducting criminal background checks:

1. check all states in which the person has resided for the last ten (10) years;
2. ensure all recruitment information, applications, announcements, and descriptions state the position or partner family relationship requires a criminal background check;
3. seek prior written approval in accordance with applicable laws, and in particular, where third party vendors are retained to conduct criminal background checks;
4. initiate criminal background checks prior to hire, transfer, promotion, or reassignment of individuals, including reclassification;
5. notify the individual under consideration that an offer for any personnel action (employment, transfer, promotion, reclassification, or change in duties) or homeowner status is conditioned

on successful completion of the criminal background check, and that falsification of information submitted may be cause for corrective action, up to and including dismissal and/or elimination from the homeownership program; and/or

6. review criminal background checks that reveal convictions and determine within a reasonable time whether such convictions disqualify individuals from positions and/or family partnership.

Denial of Application, Termination or Reassignment

Based on any or all of the criteria outlined in this policy, SAW Habitat for Humanity may, in its sole discretion, decide that any incoming partner family will be denied homeownership, an employee will be terminated, a volunteer will be dismissed or an applicant will not be hired. In the employment or volunteer context, SAW Habitat for Humanity may, in its sole discretion, also choose to reassign a former convict to a job involving less exposure to risk. In doing so, SAW Habitat for Humanity may, in its sole discretion, consider:

1. the type and location of the job – whether it would give the offender access to potential victims;
2. the types of co-workers and subordinates in the workplace;
3. whether the job would involve travel;
4. work hours;
5. degree of supervision; and/or
6. amount of access to technology, i.e., the Internet.

Practical Tips

1. In the employment context, the Equal Employment Opportunity Commission and the majority of states prohibit and/or restrict discriminating against an individual based on arrest and/or criminal conviction history due to the potential disparate impact on minorities. Thus, avoid blanket policies that bar individuals with arrest records or former convictions from the workplace and consult with local counsel on any state or local laws that might apply to the policy.
2. Comply with the Federal Fair Credit Reporting Act (“FCRA”) requirements if a third party vendor is used to conduct the background checks, i.e., LEXIS. See HFHI Legal Department Memo dated April 8, 2008.
3. Limit the people who view the criminal background check results to a “need –to-know” basis.
4. Provide an opportunity for the applicant to supply information that refutes the charge, i.e., disposition from the court.
5. Limit the number of business days in which an individual may provide evidence of the inaccuracy of a criminal background check.
6. Criminal background checks are only one part of the partner family and/or on-boarding process. Affiliates may also perform reference checks, verify prior employment, verify parole restrictions, obtain copies of licenses or certificate required for the specific position, and conduct credit checks when appropriate.

HFHI POLICY 17 Records Retention

RECORD RETENTION AND DESTRUCTION POLICY

Adopted on September 12, 2016

Purpose

The Sarbanes-Oxley Act addresses the destruction of business records and documents and turns intentional record destruction into a process that must be carefully monitored. Habitat for Humanity of Staunton-Augusta-Waynesboro recognizes the importance of eliminating accidental, innocent or intentional destruction of vital records and for administrative personnel to know the length of time records should be retained to be in compliance with the Sarbanes-Oxley Act, IRS requirements, and the highest standards of accounting and business practices.

Policy

It shall be the policy of Habitat for Humanity of Staunton-Augusta-Waynesboro to comply with the following mandatory minimum record retention requirements. Further, it shall be allowed that these requirements automatically increase if they are found to be in compliance with any applicable standards. The executive director shall have responsibility for training and designating specific individuals to carry out this policy. Records will be reviewed annually, on a calendar year basis and all records to be destroyed will be shredded.

| Type of Record | Minimum Requirement |
|---|--------------------------------|
| Accounts payable ledgers and schedules | 7 years |
| Annual reports (more than one copy) | permanently |
| Audit reports | permanently |
| Bank reconciliations | 4 years |
| Bank statements, cancelled checks, check registers | 7 years |
| Checks (for homeowner escrow, land, critical matters) | permanently |
| Claims (after settlement) | 7 years |
| Conflict of interest disclosure forms | 4 years |
| Contracts, mortgages, notes and leases (expired) | 4 years after obligations end |
| Contracts still in effect, including family selection | permanently |
| Correspondence (general) | 2 years |
| Correspondence (and calendar) of CEO | 7 years |
| Correspondence on legal matters | permanently |
| Correspondence with vendors | 2 years |
| Deeds, bills of sale | permanently |
| Delinquency letters to homeowners | permanently part of their file |
| Deposit slips | 2 years |
| Employment applications, including volunteers | 3 years |
| Employee expense forms and expense distribution schedules | 7 years |
| Family selection applications (not chosen) | 25 months past decision |
| Family selection applications (in program) | permanently |
| General ledgers and journals | 7 years |

| | |
|--|-------------------------------|
| Grant records | 7 years after the grant ends |
| Incorporation documents | permanently |
| Insurance policies (expired) | 3 years after expiration |
| Insurance claims, current policies | permanently |
| Insurance policies for homeowners | permanently |
| Invoices | 7 years |
| IRS Form 990s (current must be available at all times) | 7 years |
| IRS I-9 forms on employees | 3 years after employment ends |
| Minutes books of board meetings, bylaws | permanently |
| Payroll records and summaries | 7 years |
| Personnel files (terminated employees and volunteers) | 7 years |
| Personnel files (current employees and volunteers) | 7 years after separation |
| Retirement and pension records | permanently |
| Safety reports (OSHA and others) | 7 years |
| Sweat equity logs | 25 months after house closing |
| Tax exemption information | permanently |
| Timesheets | 7 years |
| Treasurer's reports (periodic) | 3 years |
| Volunteer liability waiver forms | 120 days beyond statute |
| Withholding tax statements | 7 years |
| Workman's compensation claims | 7 years after settlement |
| Year-end financial statements | permanently |

Sarbanes-Oxley reinforces the reality that electronic data management should garner top-priority for corporate leadership, corporate counsel, and accounting/auditing professionals. The following ten best practices should be considered when developing and maintaining rules for electronic record retention:

1. Make electronic data management a business initiative, supported by corporate leadership.
 2. Keep electronic records of all types of hardware/software in use and the locations of all electronic data.
 3. Create a record review, retention, and destruction policy, which include consideration of: backup and archival procedures, any online storage repositories, record custodians, and destroyed records "log book."
 4. Create an employee technology use program, including procedures for: written communication protocols, data security, employee electronic data storage, and employee termination/transfer.
 5. Clearly document all company data retention policies.
 6. Document all ways in which data can be transferred to/from the company.
 7. Regularly train employees on your data retention policies.
 8. Implement a litigation response team, comprised of outside counsel, corporate counsel, human resources department, business line managers, and IT staff, that can quickly alter any document destruction policy.
 9. Be aware of electronic "footprints" – delete does not always mean delete, and metadata is a fertile source of information and evidence.
 10. Cease record destruction policies at first notice of suit or reasonable anticipation of suit.
- On a final note, make a practice of conducting routine audits of policies and enforcing violations.

HFHI POLICY 18 Safety

Reference: SAW HFH MANAGEMENT SAFETY POLICY, Employee Manual and SAW Safety Plan

HFHI POLICY 19 Sexual Offender Registration Check

SEXUAL OFFENDER REGISTRATION CHECK

Adopted on February 27, 2018

Purpose

The purpose of this policy is to describe and detail how this affiliate uses the sex offender database for the hiring and selection of employees and board members, staff, key volunteers and potential homeowners.

Policy

This policy addresses:

1. How we conduct sex offender registry checks;
2. How we use the information discovered in homeowner selection, volunteer partnership, and employment decisions; and,
3. How we communicate denial to potential homeowners.

Sex Offender Registry Checks

HFHI requires all affiliates to check the names of potential homeowners, board members, staff members and key volunteers in the sexual offender databases. It is this affiliate's policy to utilize the National Sex Offender Public Website (<https://www.nsopw.gov/>) for all registry checks.

Use of Discovered Information

If an applicant's name is discovered in the registry, further investigation will be accomplished to eliminate or minimize the potential for identity confusion and erroneous disqualification. Once the identify is verified, this affiliate's policy is to utilize a "points system" to assess the risk level for a position or duty before conducting an individualized inquiry or making a disqualification decision. While HFHI has determined affiliates may de-select an applicant or homeowner or they may remove board members, staff members and key volunteers, based upon sexual offender database registration, they recommend affiliates adopt one of two methods to ensure the affiliate's policy does not have a discriminatory impact on the applicants under Title VII3 (employment), Equal Credit Opportunity Act (lending), or Fair Housing Act (housing).

This affiliate uses a risk-assessment tool known as the Sex Offender Evaluation Sheet (Attachment B) This will be used as a tool for discussion and possible further individualized inquiry into the details of the conviction. This will not be the deciding factor, in and of itself. This will ensure the offense(s) relate(s) to the position and that any denial for employment, homeownership or engagement with the affiliate is based on the affiliate's business necessity and is not a prohibited blanket denial of all applicants on the sex offender registry.

Communicating Denial

Should an applicant be denied a position based upon a risk assessment () score above XX, the individual will be notified in writing by the associated department head within 30 days of the decision. For

example, an applicant for a ReStore position would be notified by the affiliate ReStore Manager; a Homeowner Program applicant would be notified by the affiliate Director of Family Partnerships; and potential Board or Committee members would be notified by the affiliate's Executive Director.

Rationale

Registered sex offenders can pose a unique threat to other homeowners, their children and volunteers. Affiliates must place great emphasis and importance on the safety of neighboring homeowners and their children. In addition, laws in most jurisdictions place limits on how close a registered sex offender can live to an area frequented by children. These laws can affect where an affiliate can build. However, not every person who finds themselves on the sex offender registry poses a threat to children or others in the community. Therefore, in an effort to exercise and exemplify grace and mercy, we will allow second chances, review each situation on a case by case basis, and partner or work with these individuals, where appropriate.

HFHI POLICY 20 Speculative House Sales: No Established Policy

HFHI POLICY 21 Youth Involvement on Affiliate Work Sites: No Establish Policy

HFHI POLICY 22 Sale of Housing Unit: No Establish Policy

HFHI POLICY 24 Mortgage Loan Servicing

MORTGAGE SERVICING POLICY

Adopted December 15, 2018

Guiding Principles:

1. Develop effective and sustainable lines of communication between SAW HFH and homeowners so homeowners are informed and empowered regarding their mortgages and homes.
2. Abide by all applicable laws, rules, and regulations regarding mortgage handling and servicing.

Policy Statement:

Habitat for Humanity International (HFHI) requires that all affiliates have a written mortgage delinquency policy. Mortgage lending laws state that foreclosure proceedings cannot start on any loan until the loan is 120 days or more past due.

Virginia Housing Development Authority (VHDA) services SAW HFH's loans. As such, these mortgage policies are informed by VHDA policies and are executed in cooperation between SAW HFH and VHDA.

Due Dates and Associated Activities:

Payments are due on the first day of the month. A payment is not considered late if it has been received by the 15th day of the month. A payment is late if it is postmarked 16 days or later after the due date when the payment is received via US mail, or if it is presented in person at the SAW HFH office on a day that would not allow it to arrive at the servicer's offices until 15 or more days later than the due date. Habitat does not send checks to VHDA for families; families are expected to send checks directly to VHDA.

Terms and Definitions:

1. Right of First Refusal: If the homeowner wishes to sell, transfer, or otherwise convey the property and has received a bona fide offer which the owner is willing to accept, the homeowner shall first offer the property to SAW HFH in writing. The notice must contain the name and address of the person desiring to purchase the property, the proposed sales price and the terms of the proposed sale. SAW HFH has 30 days to purchase the property in accordance with the terms of the bona fide offer. If the offer is not accepted, the homeowner has the right to then sell or convey the property in accordance with the bona fide offer which was presented to SAW HFH. This same policy applies to a third party loan servicer who has entered foreclosure proceedings on the homeowner for delinquency in making regular payments.
2. Recapture: At the time of closing, the completed home is appraised by an independent appraiser. The Recapture is the difference between what SAWHFH has determined to be the affordability of the home based on the individual's income and the appraised value. If or when a SAW HFH-built home is sold (see above), SAW HFH is entitled to the amount of the recapture

remaining due at that time. So long as the homeowner remains in the home and maintains ownership responsibilities, this amount is not collected unless the house is sold, re-financed, or until the first mortgage is satisfied in full. This satisfaction of the first mortgage is defined in the deed of trust. In some cases, the structure of the Recapture diminishes over time if the mortgage is considered current. In this case, when an account is not current the Recapture will pause until the account becomes current. This can result in a balance due on the Recapture even when the first mortgage has been paid in full.

3. **Shared Appreciation:** Shared appreciation incorporates the concept of shared growth in the value of a home. It is based upon the number of years during which the homeowner has made regular and on-time payments on his/her mortgage loan. If the homeowner decides to sell the home and SAW HFH declines to re-purchase the home, both parties share in any additional appreciation/value of the home at the time of the sale after all costs have been covered, including the recapture amount.

Mortgage Program

Types of Mortgage Loans and Servicing:

SAW HFH can use one of three mortgages in order to finance the loan and/or to keep homeowners in their homes:

1. **In-House Mortgages:** These are zero-percent (0%) interest mortgages serviced directly by SAW HFH. All payments are to be sent to the SAW HFH offices, and the affiliate handles the escrow of these accounts. These loans are offered when it is felt that bringing the mortgage in-house will preserve the homeowner's home and, at the same time, establish a repayment schedule which the homeowner is able to manage and is motivated to do so. Although some In-House Mortgages are best served internally, the intent is that it be a temporary arrangement until the servicing of the mortgages can be transferred to a third party (VHDA).
2. **Third party service loans:** These are Habitat-financed loans currently serviced through VHDA in agreement with SAW HFH. (VHDA is not required to be the servicing provider, and other financial institutions may be added as service providers.) VHDA receives mortgage payments from the homeowners, retains the escrow monies, and forwards principal payments to SAW HFH each month. SAW HFH holds the mortgage and has first right of refusal in the event the house is sold. A recapture, silent second or third mortgages also come due if the house is sold. Should these mortgages become delinquent and all efforts to resolve non-payment are non-fruitful, the SAW Board of Directors has the responsibility of decision regarding foreclosure proceedings or other options. For specific procedures or processes related to handing off mortgages to third party servicer(s), reference the VHDA (or other applicable third-party) Servicing Agreement. A mortgage servicing file must be maintained for each homeowner's loan account for one year after the mortgage has been paid in full or servicing of the loan is transferred to a successor servicer. The file must include all records that document actions taken with the loan and must be adequately protected to prevent intentional or unintentional misuse of homeowners' information.
3. **Third party loan:** These are loans obtained through USDA or other financial institutions and are wholly owned by the provider of the loan. Third party loans are financed at an interest rate, but SAW HFH makes efforts to ensure the mortgage payment terms (periodic payment amount and

number of payments due) fall into the family's affordability as determined by SAW HFH. At the time of closing the loan, SAW HFH is paid for the full amount of the first mortgage. The recapture amount or silent second lien remains in effect. The third party loan provider is responsible for all servicing, mitigation, and foreclosure. They retain the mortgage principal to meet the loan obligations. SAW HFH does retain right of first refusal and will receive the amount of the recapture if/when the house is being sold.

In-House Service Loans:

When it is determined that foreclosure is the only option for the service provider (VHDA), and an In-House Mortgage Modification is a reasonable expectation, Habitat families may be offered this as an option in order to protect their equity in the home and to allow them to continue to make monthly payments to SAW HFH on a modified basis.

Once buyback from the third party service provider (payment of any outstanding escrow balances) and an in-house mortgage modification is initiated, SAW HFH must work out a payment arrangement with the defaulting homeowner. The agreement establishing this payment arrangement will include:

1. A definite time frame within which the homeowner must pay off the loan.
2. A statement that, in the event of default under the new plan, SAW HFH is required to resume foreclosure procedures (as allowed by applicable law).
3. A statement requiring the homeowner to make tax and insurance payments into an escrow account so that the liability for these payments does not fall to SAW HFH.
4. A statement that the underlying note and mortgage will remain in full force and effect, and that the agreement does not constitute a waiver of any future defaults. This preserves SAW HFH's rights in the event of future defaults after the homeowner has completed the payment arrangement requirements.

Prohibited Activities and Policy Exceptions:

In no case shall SAW HFH make an addition to the mortgage loan, no matter how short the term is expected to be, to a Habitat homeowner beyond the original mortgage loan.

SAW HFH uses only material/equipment which meets or exceeds state code. However, in a situation where it becomes clear that defective material or equipment was used in the construction of the home, a critical home repair loan may be approved.

Any exceptions to the due dates and activities described in this policy must be approved by the Executive Committee or the Board of Directors of SAW HFH.

VHDA Servicing Policies with Regard to Delinquency Issues:

Based on mortgage lending laws and regulations, there is a system of communication with homeowners regarding mortgage handling beginning on the 16th day of delinquency. When a homeowner becomes delinquent by 90 days or more, the SAW HFH Board President will bring the matter before the SAW HFH Board of Directors to consider either foreclosure or a return of the mortgage to Habitat's control (In-House Mortgage).

SAW HFH may have conversations with homeowners during this time to consider the following payment options on a case-by-case basis. A payment plan for a delinquent homeowner may be initiated by either SAW HFH or the servicer, but is agreed-upon by both. Once the payment plan is in place, the

homeowner is considered to be “in good standing.” The homeowner is no longer considered delinquent, so long as they keep to this agreed-upon payment plan:

1. SAW HFH may modify the note and mortgage by lowering the monthly principal payment to accommodate the homeowner’s lower income. This would extend the maturity date of the loan.
2. SAW HFH may enter into an agreement reducing or deferring principal payments for a set number of months, and then have the homeowner make slightly higher payments over the next few months in order to catch up with the original payment schedule.
3. The homeowner may be allowed forbearance to pay only enough per month to cover taxes and insurance on the property into an escrow account. The principal amounts that go unpaid would
4. be either deferred to the end of the loan (extending the maturity date), or made up in successive months.

If a homeowner does not keep to an agreed-upon payment plan, they are again considered to be delinquent. In these cases, SAW HFH will work very closely with the servicer and the homeowner. If 90 days pass without the homeowner making a payment, the matter will be presented to the Executive Committee for discussion and resolution.

In all cases, SAW HFH should ensure that the taxes, insurance, and/or the homeowner’s association fees (HOA) on the house are paid and maintained. It is important to both SAW HFH and the homeowner to keep escrow current on the house so that no tax liens attach to the house, which could result in the loss of the house.

Likewise, the hazard insurance must be maintained on the house so that both SAW HFH and the homeowner can still recover under the policy if the house is damaged or destroyed.

Third Party Lender Policy with Regard to Delinquent Issues:

In cases where the homeowner has qualified for a third party loan, the lender “owns” the mortgage and will make final decisions regarding foreclosure. In cases where the SAW HFH Board of Directors, upon recommendation from the Executive Committee, votes to return the mortgage to Habitat’s control, this will require a buy-out of the mortgage from the third party lender.

Applying Payments

When SAW HFH receives mortgage payments, they are applied in the following order:

1. To the homeowner’s escrow account, to prevent liens against the property and threat of foreclosure for failure to pay taxes;
2. To the homeowner’s principle due; and, lastly,
3. To satisfy all late fees the homeowner currently owes.

When SAW HFH receives a partial payment, the amount will not be applied to the homeowner’s mortgage account (escrow nor principle). The funds will instead be held in a suspense account until sufficient funds are received to cover principal and escrow. SAW HFH will then allocate accordingly, applying the funds to the oldest outstanding periodic payment due on the mortgage loan.

If a late fee is due but the amount received is just enough to cover principal and escrow, then the payment is considered complete (i.e., a periodic payment) and SAW HFH will allocate the payment. The

outstanding late fee will not be considered to make the periodic payment short, however, the late fee will remain outstanding until it is collected.

When SAW HFH receives mortgage payments greater than the amount due (resulting in a payment overage), without an explanation or expressed intent, funds in excess of the amount due will be held in suspense. At such time the suspense amount is equal to a full payment AND the homeowner's mortgage account is current, the homeowner will be contacted within 30 days via mail and asked how they wish the payment to be applied. They may choose to:

1. have it applied to the mortgage principle;
2. placed in the escrow account; or,
3. returned to them in the form of a check.

Biennial Mortgage Communication

During the months of January and July, SAW HFH will send statements to those homeowners with in-house serviced mortgages. These statements will advise them of their current mortgage status and financial position in the home, and will include at a minimum:

1. Total amount normally due each month
2. The amount of any late payment fees, as defined in their mortgage contract, and the date on which that fee will be imposed if payment has not been received.
3. An explanation of their monthly amount due, to include principal, interest, and escrow.
4. A breakdown of all transaction activity since the last statement. This includes payments as well as activity that caused a credit or debit to the amount currently due. Each transaction will include:
 - a) the transaction date;
 - b) a brief transaction description; and,
 - c) the transaction amount.
 - d) The total sum of any fees or charges imposed since the last statement; and
 - e) Any payment amount past due.
5. The total of all payments received since the beginning of the current calendar year. Payment activity will reflect the amounts, if any, that were applied to:
 - a) Principal
 - b) Interest
 - c) Escrow
 - d) fees and charges
 - e) any amount sent to any suspense or unapplied funds account
6. If a statement reflects a partial payment, an explanation of what must be done for the funds to be applied. The information must be on the front page of the statement or, alternatively, may be included on a separate page enclosed with the periodic statement or in a separate letter.
 - a) Contact information (including telephone number, an electronic mailing address, and a USPS mailing address) the consumer can to obtain information about their account, located on the front page of the statement.
 - b) Account information. The following information:
 - c) The amount of the outstanding principal balance;
 - d) The current interest rate in effect for the mortgage loan;
 - e) The date after which the interest rate may next change;

- f) The existence of any prepayment penalty, as defined in §1026.32(b)(6)(i), that may be charged;
- g) The Web site to access either the Bureau list or the HUD list of homeownership counselors and counseling organizations and the HUD toll-free telephone number to access contact information for homeownership counselors or counseling organizations.

Delinquency Communication

All mortgage payments are due on the first of each month, with a grace period of 15 days. A payment is considered “delinquent” if not paid on the first day of the month, making the first day of delinquency the 2nd day of the month. Penalty payments or late fees will not begin to accrue until the 16th day of the month (or as applicable at the end of the grace period). Once penalty payments begin to accrue, however, the borrower would already be considered 15-days delinquent.

1. 15-days delinquent: A SAW HfH representative will send a delinquency notice through the mail informing the homeowner that they are 15 days’ delinquent and will include a late charge of
2. \$15.00, or as stipulated in their deed. The late fees paid will not reduce the balance of the loan. (See Appendix for letter template.)
3. 30-days delinquent: A SAW HfH representative will send the homeowner a 30-day Delinquency Notice indicating that SAW HfH has not received the scheduled payment. (See Appendix for letter template.) If any loss mitigation options are available, they should be included in the letter. Failure to comply with this requirement may provide the homeowner with a defense to foreclosure. SAW HfH will also follow up with a phone call. All 30-day delinquencies will be reported to the Board of Directors through the Executive Committee or a designated Board representative.
4. 60-days delinquent: SAW HfH will attempt to contact the homeowner by certified letter informing the homeowner that he/she is 60 days (or more) delinquent, and that the next step will be turning the file over to an attorney to exercise state law remedies, including foreclosure. This letter will suggest a meeting date at SAW HfH office to discuss the homeowner’s payment problems. The homeowner will be given a specified period of time to respond to the letter after which the Habitat staff will recommend foreclosure to the board. (See Appendix for letter template.) SAW HfH will also attempt to contact the homeowner by telephone. All 60-day delinquencies will be reported to the Board of Directors through the Executive Committee or a designated Board representative.

Upon receiving the 60-day Delinquency Report, the Executive Committee shall meet to consider the steps to be taken:

1. Review loan history and actions which have been taken previously.
2. Attempt to establish a face-to-face meeting with homeowner involving at least 1 member of the Executive Committee or board of Directors, and 1 staff member.
3. During/after the face-to-face meeting, complete a meeting contact report for the Executive Committee file. A copy of the contact report shall also be filed with the SAW HFH bookkeeper.
4. During the face-to-face meeting, a Plan of Action will be developed with the family partner. The plan shall address, but not be limited to;
 - a) Reason for the delinquency
 - b) Amount of arrearage in both principal and escrow accounts
 - c) Payment plan
 - d) Assignment of all payments to the escrow account until sufficient monies are in the escrow account to cover the cost of the next tax and insurance payments, plus a 10% cushion.

5. Failure to establish face-to-face contact or to develop an acceptable plan of action will result in the homeowner's case being referred to the Board of Directors with a recommendation from the Executive Committee for action. Recommendations may include:
 - a) Foreclosure
 - b) Cash for keys
 - c) Other appropriate options, as determined by the Executive Committee

6. 90-days delinquent: If a payment is 90 days or more delinquent, Habitat will turn the file over to its attorney. The attorney will then be responsible for sending a notice as required by local law (e.g., certified mail) giving the official notice of default, that the homeowner has 30 days to cure the default, plus late fees, default interest, and attorneys' fees. If the homeowner does not cure the default, Habitat's attorney will then initiate foreclosure proceedings in a manner consistent with applicable law. In no event will the attorney initiate foreclosure proceedings prior to 120 days of delinquency. Foreclosure will result in the forced sale of the house to satisfy the homeowner's debt to Habitat.

Once foreclosure or buy back is initiated, the homeowner has a certain amount of time, set by statute, to stop the foreclosure by becoming current or, in some jurisdictions, by paying off the full balance of the loan. SAW HFH has the option of stopping the foreclosure by bringing the mortgage in-house under the following conditions:

1. There appears to be a legitimate reason for the failure to make regular mortgage payments.
2. The homeowner(s) genuinely seek assistance in re-structuring the loan in order to keep their home.
3. Payment of the re-structured mortgage is a reasonable expectation, given the homeowner(s) income and debt load consideration.
4. The homeowner(s) present a sincere desire to work with SAW HFH to successfully complete a re-structured loan in order to continue home ownership.

The agreement establishing this payment arrangement will include:

1. a definite time frame within which the homeowner must become current;
2. that in the event of default under the new plan, SAW HfH is able to resume foreclosure immediately (as allowed by applicable law). Depending upon the respective state law, SAW HfH may be able to pick up the foreclosure proceedings at the point SAW HfH stopped them and decided to work with the homeowner. Otherwise, SAW HfH may have to start the process all over again (including calculating the 120-day delinquency before foreclosure initiation), thus taking extra time and costing more money. and
3. that the underlying note and mortgage will remain in full force and effect, and that the agreement does not constitute a waiver of any future defaults. This preserves SAW HfH rights in the event of future defaults after the homeowner has completed the payment arrangement requirements.

In certain circumstances (e.g. a borrower has previously made consistent on-time payments and has fallen one or two months behind due to circumstances beyond their control), the Executive Committee may recommend to the Board of Directors actions that will make the borrower current and not continue to incur additional late fees each month (e.g. "forgive" one periodic payment or to extend the original loan by the same number of months).

"Rolling Delinquencies"

Whenever periodic payments are made, SAW HfH will apply them to the oldest outstanding periodic payment due on the mortgage loan. This could result in a homeowner having a “rolling delinquency”, whereby they are perpetually 30, 60, or 90 days’ delinquent. In these circumstances, each periodic payment advances the borrower’s delinquency date.

Policy Review Cycle:

This policy shall be reviewed annually by the Executive Committee or Board of Directors of SAW HFH for potential updates.

HFHI POLICY 25 Family Support

SAWHFH FAMILY SUPPORT

Adopted on February 27, 2018

Purpose

To ensure that systems and policies are in place at each affiliate to effectively support, guide and encourage each homeowner to a successful home buying and owning experience.

Policy

This affiliate's family support program is designed and administered to provide homeowners with the skills and support necessary for buying a Habitat for Humanity home and becoming successful long-term homeowners.

This program includes sweat equity, pre- and post-purchase education, mentorship and advocacy, basic home construction and repair skills training, and more.

This work is facilitated by a family support committee. An affiliate's family support program should be designed within the established parameters as set forth in the Affiliate Operations Manual: Homeowner Support.

The minimum program features should include:

1. Homeownership process that is organized, easily understood and communicated to everyone in the affiliate, including approved applicants. When appropriate, pertinent information and resources should be available in alternative languages. The process should be monitored with a tracking system and tool to help homebuyers, family support staff and affiliate leadership follow each family's progress through the entire homeownership program.
2. Letter of acceptance that is used to provide all approved applicants an orientation to expectations and next steps. The document must be signed by each homebuyer and the affiliate. The letter will include a basic house description, which outlines in writing the features that will be included in the home to be built or renovated,
3. Broad-based homeowner education program, delivered either by the affiliate or by a community- based strategic ally, that would include pre- and post-purchase counseling.
4. Sweat-equity program with clearly defined requirements and a system to track and report hours completed (see AOM: Homeowner Support).
5. Grievance procedure to resolve conflicts must be in place and communicated to all. The affiliate should have clear channels of communication and decision-making processes to effectively and confidentially address issues as they arise.

3.0 Rationale

Family support is critical to the success of the Habitat homeownership model. Therefore, when first affiliated, each U.S. Habitat for Humanity affiliate is required to have in place a family support program. It is the cornerstone of an effective long-term homeownership program. In addition, expanding research in the homeownership industry points to the need for pre- and post-purchase counseling to assist low- and very low-income buyers to achieve success.

HFHI POLICY 26 Equal Treatment

UNLAWFUL DISCRIMINATION AND HARASSMENT

Adopted on 05.22.18, Updated 7.24.18 PURPOSE

Purpose

This policy outlines the affiliate's position on aspects of prohibited discrimination directed at employees, volunteers, current partner families or potential partner families and reporting procedures for such complaint.

Policy

Habitat expects all staff, board and volunteers to behave in a way that reinforces the mission and founding principles of the organization. SAW Habitat, therefore, prohibits any actions or conduct which may discriminate against or harass other employees, harass any partner family or applicant for a Habitat home. Habitat does not tolerate any actions, words, jokes, or comments based on an individual's sex, sexual orientation, race, ethnic background, age, religion, physical condition, or other legally protected characteristic. Any comments or actions, therefore, which demean or are hurtful to people of a certain sex, sexual orientation, race, ethnic background, age, religion or certain physical condition are prohibited. Any such conduct may result in disciplinary action, up to and including immediate discharge for employees. Volunteers exhibiting this behavior may be asked to end their volunteer relationship with the organization.

Examples of unacceptable behavior includes, but is not limited to:

1. Verbal harassment or abuse with sexual, racial, religious, age-related, ethnic or similar overtones.
2. Subtle pressure or unwelcome touching of an individual (e.g. patting, pinching, hugging, repeated brushing against another staff member's body).
3. Requesting or demanding sexual favors accompanied by implied (by conduct or words) or overt threats concerning an individual's employment status or promises of preferential treatment.
4. Conduct which has the purpose or effect of creating an intimidating, hostile or offensive working environment.

Procedure

If an individual believes he/she is being harassed or discriminated against, he/she should immediately report the perceived harassment to his/her supervisor (for employees), the executive director or the president of the board (for volunteers/families).

This procedure does not require reports to be made to your supervisor or to anyone who you believe is participating in the conduct. Instead, you may choose from the above-listed individuals the person with whom you would be most comfortable speaking.

SAW Habitat will investigate all reports of alleged harassment in a confidential manner in order to protect the privacy of the person making the complaint as well as that of the accused.

In most instances the investigation and evaluation of the complaint will be done through the existing chain of command. If the complaint involves an individual's supervisor or that supervisor's superior, or if the individual does not have a supervisor, the investigation and evaluation will be done by the: Executive Committee or Ad Hoc HR Committee comprised of individuals not involved with the complaint.

In the event of split of opinion on the committee, the Director may be given a vote unless the complaint involves the Director. Complaints about the Director may be investigated by the Executive Committee but must be voted on by the Board.

If SAW Habitat determines that the complaint is valid, it will discipline the person who engaged in harassment in accordance with its normal disciplinary procedures. Under no condition will the investigation be conducted by or under the direction of the person reported to have engaged in the alleged harassment or retaliation.

While the investigation is going on, and following the investigation, SAW Habitat will take appropriate steps to ensure that the employee making the complaint is provided with a work environment free of harassment.

Because a hostile-free work environment is so important, SAW Habitat may take disciplinary action against a staff member who exhibits poor judgment or engages in inappropriate behavior, including sexually inappropriate conduct, even if it is welcome or falls short of being severe or pervasive. This may include assigning the employee to a comparable work assignment on a temporary or permanent basis.

All parties will be advised of the results of the investigation. SAW Habitat will not retaliate against you for filing a complaint in good faith or participating in any investigation in good faith, and will not tolerate or permit retaliation by management, employees, or co-workers. If you believe that you have been retaliated against, you should immediately report any incidents of harassment so that it can be investigated and, if appropriate, the conduct stopped.

Retaliation against employees who report perceived unlawful harassment, or who participate in investigations as witnesses or in other capacities, also violates the law and this policy. Such retaliation is prohibited and will not be tolerated.

Supervisors and managers who become aware of perceived harassment or retaliation must immediately report such matters to the executive director or the board president. Disciplinary action up to and including termination of employment may result against supervisors and managers who fail to respond immediately and appropriately to the allegations

WHISTLEBLOWER POLICY

Adopted on 05.22.18

Staunton-Augusta-Waynesboro Habitat for Humanity (“Habitat”) is committed to high standards of ethical, moral, and legal business conduct. HABITAT is further dedicated to acting in good faith with those employees who raise concerns regarding incorrect financial reporting, unlawful activity, or otherwise improper conduct.

This Whistleblower Policy aims to provide employees with an avenue for raising such concerns, and to reassure such employees that they will be protected from reprisal or victimization as a consequence of reporting the alleged wrongdoing of any officer, director, employee, or agent of HABITAT.

Statement of Policy

No officer, director, employee, or agent of HABITAT shall take any harmful action with the intent to retaliate against any person, including interference with employment or livelihood, for providing to a law enforcement officer any truthful information relating to the commission or possible commission of any offense. Nor will any officer, director, employee, or agent of HABITAT take any harmful action with intent to retaliate against any person for reporting to an appropriate senior management or elected official of HABITAT the suspected misuse, misallocation, or theft of any Organization resources.

Safeguards

Harassment or Victimization – HABITAT will not tolerate the harassment or victimization of any employee who raises concerns under this policy.

Confidentiality – HABITAT will make every effort to treat a complainant’s identity with an appropriate regard for confidentiality, with the understanding that the details of complaints may need to be shared with others in order to investigate such complaints properly.

Anonymous Allegations – Because a thorough investigation often depends on an ability to gather additional information, HABITAT encourages complainants to put their names to allegations of wrongdoing. HABITAT will explore anonymous allegations to the extent possible, but will weigh the prudence of continuing such investigations against the likelihood of confirming the alleged facts or circumstances from attributable sources.

Bad Faith Allegations – Allegations made in bad faith may result in disciplinary action.

Procedure

Process for Raising a Concern:

Reporting – HABITAT intends this policy to be used for serious and sensitive issues. Such concerns, including those relating to financial reporting or unethical or illegal conduct, may be reported directly to: Lance Barton, Executive Director. In the event that an individual’s concern rises to the level that he/she reasonably believes that notice to the Executive Director will be disregarded or otherwise not fairly considered, the individual may then report violations or suspected violations to the Chairman of the Board. Employment-related concerns should continue to be reported through supervisors and the Human Resources department.

Timing – The earlier a concern is expressed, the easier it is to take action.

Evidence – Although a complainant is not expected to prove the truth of an allegation, he or she should be able to demonstrate that he or she has made a report in good faith.

How the Report of Concern Will Be Handled:

Initial Inquiries – The Executive Director will make initial inquiries in consultation with legal counsel, if necessary, to determine whether or not further investigation is necessary or appropriate.

Further Information – The Executive Director may seek further information from any officer, director, employee, or agent of HABITAT, and shall take all reasonable precautions to protect the identity of the complainant to the extent possible while doing so.

Reporting – The Board of Directors and the Audit and Finance Committee shall receive information on each complaint. In consultation with the Executive Director and, if necessary, legal counsel, the Board of Directors will determine an appropriate response to a report of concern. Officers, directors, employees, and agents of HABITAT who may be implicated in such reports shall not participate in any deliberation of the Board of Directors related to the complaint, except to present information directly to the Board on his or her own behalf.

For additional information, please contact Lance Barton, Executive Director. HABITAT reserves the right to modify or amend this policy at any time.

HFHI POLICY 27 Organizational Compliance: In Compliance/No Established Policy

HFHI POLICY 28 Subsidy and Sustainability: No Established Policy

HFHI POLICY 29 Authorized Financing Options: In Compliance/No Established Policy

HFHI POLICY 30 HFH ReStore Retail Operations: No Established Policy

HFHI POLICY 31 Non-Proselytizing: In Compliance/No Established Policy

HFHI POLICY 31 US-SOSI: In Compliance/No Established Policy

OTHER SAW HFH POLICIES

ENVIRONMENTAL POLICY

Adopted on July 7, 2008

The Staunton-Augusta-Waynesboro Habitat for Humanity (SAWHFH) is committed to implementing and continuously improving building environmental practices to become a model of environmental performance. SAWHFH empowers each contractor and volunteer to fulfill our environmental responsibilities and continually improve our environmental performance by:

1. Actively exploring, creating, implementing and communicating new ways to prevent pollution and conserve natural resources.
2. To build partnerships, inside and outside of SAWHFH in conjunction with all contractors and volunteers working on behalf of SAWHFH, whose goals are to sustain and enhance the environment.
3. By complying with relevant federal, state and local laws, SAWHFH will limit potential environmental challenges while monitoring and exceeding legal requirements.
4. To create and achieve environmental objectives and targets by developing performance evaluation procedures.
5. To reduce waste and the consumption of resources by developing and using recovery practices and recycling as opposed to disposal where feasible.
6. To teach such practices throughout the organization to partners and volunteers.

Staunton-Augusta-Waynesboro Habitat for Humanity will work towards sustainable development while meeting the needs of the present without compromising the needs of future generations. This commitment to protect the environment is required of all SAWHFH employees at all levels. This will be accomplished through training with an emphasis on continual improvement.

AWARDS FOR VOLUNTEERS

Adopted on March 27, 2018

10/2/2000 Awards for Volunteers: The Executive Committee Recommends the following: MILLARD FULLER AWARD (not to be presented annually, but to the truly distinguished individuals that have given exceptional and long term service to SAW-HFH, JOHN A. ZINN AWARD (presented annually to the SAW-

HFH volunteer of the year), DISTINGUISHED SERVICE AWARD (Special recognition for special and unusual level of work done in behalf of SAW-HFH), DIRECTORS AWARD (recognition of the job accomplished by project managers in overseeing the construction of SAW-HFH houses).

DEED RESTRICTIONS

Adopted on January 9, 2006/Under Review for June 2018

1/9/2006 Deed Restrictions - Equity sharing - For the first 5 years Habitat would receive 100% of the appreciation and after 5 years the appreciation would be prorated until the end of the mortgage. Habitat would retain the Right of First Refusal on the home and the principal payments only would go back to the homeowner plus recapture.

RESOLUTIONS

ReStore Statement of Purpose

Adopted on 05.22.18

The ReStore was established in 2008 and is primarily a retail store with a number of constituent categories including: donors, volunteers, staff & customers. We will treat each category fairly and with respect. The ReStore exists to serve the following purposes or goals:

- 1) Fund affordable housing in the service area of our affiliate
 - a) establish annual profit percentage goals with three year projections:
 - I. 12% for FY19
 - II. 20% for FY20
 - III. 25% for FY21
 - b) seek a mixture of volunteers, community service workers and paid staff to maximize service and profitability
 - c) The ReStore serves a funding, recycling and promotional role for the affiliate and will work to help customers understand how the money they are spending in the ReStore is supporting affordable housing in the area
 - d) make items available in the ReStore to be used by the affiliate for new construction, rehab or CHR projects

- 2) Provide an affordable source of used and new building materials, furniture, appliances and other donated or purchased items to the general public.
 - a) We must operate a retail store in line with customers' expectations for service, quality and value.
 - b) Our pricing must reflect what our customers are willing to pay
 - c) We will strive to provide predictable, consistent and a high level of customer service.
 - d) In order to achieve profitability, we will consider the intrinsic value of the item, the local market for it and the time and space it will take to sell the item.
 - e) SAW ReStore follows the policy recommended by the HFHI ReStore Manual (Chapter 3: Finance and Administration, Inventory and Reporting) which is to not perform a perpetual inventory. Instead records will be maintained on merchandise turn-over by departments.

- 3) Prevent the disposal of useful items that would otherwise be disposed of in a landfill.
 - a) Recycle any materials that we can't sell
 - b) Reduce the impact of non-recyclable materials by harvesting parts that can be reused

- 4) Provide volunteer opportunities for our community by engaging them in our mission of affordable housing for families and individuals.

UPDATED POLICIES

CLOSE OFFICE ON MONDAY

Removed on February 27, 2018

4/8/2002 Close the office one day a week (Monday), for purpose of getting paperwork, accounting, grant writing, etc. completed without the interruption of constant traffic.

INCREASE PAYMENT AMOUNTS TO INSURE 20 YEAR CAP ON MORTGAGES:

Removed on February 27, 2018

3/5/2001 Increase monthly mortgage payments to an amount which would insure that the mortgage was for no more than 20 years. If we run into an exceptional situation, there could be an appeal through the nurturer to the Executive committee change made.

HOME CLEANLINESS

Removed on February 27, 2018

8/2/1999 Home Cleanliness - Board advised that HFHI guidelines emphasize appropriate property care to maintain property values as part of the partnership agreement signed between the affiliate and the prospective homeowner, but cleanliness of the home/property is not a disqualification.

RESTORE OVERVIEW POLICY

Adopted on April 5, 2010/Updated as a Resolution on 05.22.18

HFH SAFETY PLAN

Adopted on February 27, 2018 and incorporated into new policy: SAFETY AND HEALTH SAFETY POLICY/PLAN Staunton-Augusta-Waynesboro Habitat for Humanity: Adopted May 22, 2018

HFH MANAGEMENT SAFETY POLICY

Adopted on 02.27.18/Updated on 05.22.18 and incorporated into new policy: SAFETY AND HEALTH SAFETY POLICY/PLAN Staunton-Augusta-Waynesboro Habitat for Humanity: Adopted May 22, 2018

LOAN DELINQUENCY AND FORECLOSURE POLICY

Adopted on February 18, 2017, this has been incorporated into the MORTGAGE SERVICING POLICY