

Beyond Blocks and Bricks

Number Eighteen

Ronald J. Hunsicker

Professional Engineer

Masonry Investigations

P. O. Box 6615

Wyomissing, PA 19610-6615

484-332-1164

rjhpe@ptd.net

Habitat for Humanity Now 6th Largest Homebuilder in U.S.

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By Christopher Quinn, The Atlanta Journal-Constitution

One Atlanta homebuilder is thriving in the toughest home construction market today's builders have ever seen.

Habitat for Humanity International is now the nation's 6th largest homebuilder, according to Builder magazine, as its sales of homes in the United States grew from 4,993 in 2005 to 6,032 in 2010, a 17 percent increase. Compare that to Atlanta's Beazer Homes, which built about one-quarter of the homes in 2010 that it did five years ago. Beazer closed on 18,401 homes nationwide in 2005 and 4,233 homes last year, according to Builder magazine.

Such slowdowns by for-profit builders and the nonprofit Habitat's growth vaulted the agency to its new position.

"We celebrate the fact that we continue to grow, and we commiserate with the difficulties the whole sector has had," said Jonathan Reckford, Habitat's CEO. Habitat is not unmarked by the foundering economy. It laid off 10 percent of its staff two years ago. Contributions peaked in 2005 at \$334 million, dropped to \$230 million in 2008 before bouncing back to \$261 million in 2009, according to tax forms the organization must file. Nationally, demand for help has increased as donations wavered.

"It is a tougher environment," Reckford said.

At the Atlanta Habitat for Humanity affiliate -- each affiliate is like a franchise, running its own operations, raising money and support and building houses with help from the mother organization -- phone calls from people looking for help have gone in the opposite direction of the national trend. Calls have slowed from about 3,000 a year to

about 2,000, said Larrie Del Martin, the president of Atlanta Habitat. She thinks it is because people who have traditionally qualified for Habitat's help have lost jobs.

Employment is a requirement to buy a Habitat house. "Many of our clients are in the service industry," from restaurant workers to hotel maids, Martin said. And that industry has been hard hit by the economic slowdown. It is a slice of working America with little chance to buy a house otherwise. The average Habitat family in metro Atlanta may have four members and an income of \$40,000 a year, Martin said.

To qualify to buy a house, a client must earn between 30 and 60 percent of the median local income, Reckford said. "They target people at much lower income levels, who typically would not qualify if they were to walk into a bank and say they wanted to get a loan," said David Ellis, executive vice president of the Greater Atlanta Home Builders Association said.

The nonprofit also has a different and intensive process that potential buyers have to go through, including a series of classes on home maintenance and finance that buyers using for-profit builders do not have to take, Ellis said. Habitat buyers also have to put in 250 hours of "sweat equity" into building theirs or others' homes or working for the organization. "It is much more of a ministry setting as opposed to more conventional builders who have a business model," Ellis said.

That is not to say Habitat isn't run professionally with high goals. Habitat's requirements lead to a mortgage default rate that banks would kill for, Martin said. The Atlanta Habitat default rate for the metro area is 2.7 percent. The average default rate for all Habitat affiliates is 2 percent. In Georgia, 11.5 percent of homes are in default, according to the Mortgage Bankers Association.

Trista Howard of Newnan (Georgia) is about to celebrate her first anniversary in the Newnan-Coweta Habitat for Humanity house she and her son moved into last October. Howard said the classes she attended prepared her well for the move from renting, where one can call a maintenance worker when something goes wrong, to ownership, where she is responsible for everything from finding an electrician or repairman to saving money to pay for unexpected problems.

The classes and sweat equity were easy to her because they represented something so special, she said. "I am living the American dream, what everyone wants," Howard said. "To me none of it was hard, other than me getting tired because I worked five days a week and weekends I went to my house to work on my days off," Howard said.

Martin said one benefit the bad economy has given her affiliate is that more dilapidated houses are being donated. Habitat typically clears the lot to build a new house, and the sewer and water lines are already in, which also saves the cost of a tap fee, she said. Another unintended consequence of the recession is that people who have been laid off show up to build houses for others. They want to get out of their houses, do something for others and something constructive, Martin said.

Howard said she knows the feeling. "I still volunteer from time to time. I feel like I can't just walk away from Habitat. People helped me out, so I need to continue helping other people," she said.