



## Community Home Trust's Stewardship Program

### *Contacts, Frequently Asked Questions, Application, and Guidelines*

*Updated November 25, 2013*

### ***Contacts***

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For questions about the Stewardship Program, such as how to apply for funds, your home's stewardship account balance, how fees are collected, or what

systems are covered under the Stewardship Program, please call The Home Trust office at (919) 967-1545.

### ***Frequently Asked Questions***

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#### **What is the Stewardship Program?**

Certain major systems in your home will need replacement over time. Since replacing these items is both expensive and critical to the health of your home, the Home Trust has developed a program to help our homeowners plan and save for major home systems replacements. Certain repairs on these systems are also now covered through the stewardship program. The Stewardship Program consists of stewardship accounts, funded primarily by our homeowners and administered by the Home Trust.

#### **What is a stewardship account? How is the account funded?**

A stewardship account contains money that belongs to your home. While you live in your home, you may apply for money from its stewardship account to pay for replacement or major repair of certain covered systems. You are required to pay a monthly fee into your home's account. The account stays with the home as it is bought and sold, which means there may be money contributed by previous owners in your home's account.

#### **What systems are covered?**

Since every home is different, Home Trust staff can tell you exactly which

systems are covered by your home's stewardship account. As an example, the stewardship account for a typical single-family home might cover the:

- roof
- water heater
- central heating, ventilation, and air-conditioning system
- floor coverings
- exterior paint
- termite treatment (including annual termite warranty inspections)

If you live in a development with a homeowners association (HOA), the HOA may be responsible for maintenance of some of the systems listed above (the roof, exterior paint, and termite treatment, for example). Your home's stewardship account does not cover systems that are your HOA's responsibility. And, since some homes have unique needs or systems, the Home Trust may have decided that additional systems are covered by your home's stewardship account.

#### **When are my home's systems eligible for replacement?**

A system is eligible for replacement only when it has failed. Most non-mechanical systems (e.g. roofs, exterior paint) are also eligible for replacement when



they have reached the end of their expected lives. A system has failed when it does not function as required and cannot reasonably be repaired. The Stewardship Program will not cover replacement of a functional system, regardless of the way it looks, unless the system is non-mechanical and has reached the end of its expected life. Home Trust staff can tell you the life expectancies of your home's systems.

### **How are life expectancies and replacement costs projected?**

The Home Trust uses industry data as well as our experience. We do our best to make accurate projections, but we also have to make compromises in order to keep monthly fees affordable. For example, if we were to decrease our projected life expectancy for flooring from ten years to six years, your monthly fee would increase by about 15%. The assumptions, estimates, and projections that we make about the systems in your home won't be entirely accurate. This means that at any point in time, your home's stewardship account may be overfunded or underfunded. There is no guarantee that there will be enough money in your home's stewardship account to cover all replacements, especially if one of your home's systems fails before the end of its expected life. For these reasons, it is very important that you budget and save money for home repairs.

### **If the Home Trust approves my application to replace one of my home's systems, how much of the cost will be covered by my home's stewardship account?**

With the exception of flooring, your home's stewardship account will cover the full actual cost to replace the system in kind up to the amount of money in the account less \$100.

### **How is the monthly fee determined? Do the fees change?**

The Home Trust sets stewardship fees so that they cover the estimated, inflation-adjusted cost of periodically replacing your home's major systems over the next 30 years. Our cost and life-expectancy estimates are based on systems typically

encountered in homes similar to yours. We do not adjust stewardship fees to match the exact makes, models, or life expectancies of the systems installed in your home. We may adjust stewardship fees once every year to cover increases in material and labor costs. Your fee cannot increase more than 5% from one year to the next.

### **How do I pay the fee?**

When you enrolled in the Stewardship Program (either when you purchased your home, or, if you purchased before the program began, when you opted-in), you completed an 'Automatic Bank Draft Agreement' that allows the Home Trust to withdraw fees directly from your bank account. We make withdrawals on either the first or the fifteenth day of each month. (If the withdrawal falls on a weekend or holiday, it will be made the next business day.) Be sure you have enough money in your account to pay the fees. If we cannot make the withdrawal, we charge you \$20 in addition to any fees your bank may charge. If you close or change your bank account, remember to notify us before the next withdrawal.

Please note: All Home Trust homeowners pay a Use Fee in addition to the Stewardship Fee. Each monthly withdrawal from your bank account includes both fees.

### **How do I know how much money is in my home's stewardship account?**

You may call us to inquire about your home's balance.

### **What kind of repairs are covered under the Stewardship program?**

The Home Trust recognizes that some repairs to major systems of your home can actually extend the lifespan of those items. Therefore, repairs to your HVAC system, roof, and exterior siding are now covered under certain limited conditions. **Other system repairs are not covered at this time.**

A homeowner pays the first \$500.00 of any repair to these systems. If the repair can be covered by Homeowner's Insurance or HOA insurance, then the homeowner must apply for and use those funds as well. Only then can the Stewardship program be accessed to pay any remaining amounts outstanding. The fund cannot be drawn down below \$500.00 to pay for any repair.

The Stewardship Program is not intended to cover the routine maintenance needs of your home, nor is it a home-improvement account. It is simply a way to ensure that some money is available to replace or repair critical systems in your home. **MOST OF THE REPAIRS AND MAINTENANCE REQUIRED FOR YOUR HOME DURING THE TIME YOU LIVE IN IT WILL NOT BE COVERED BY THE STEWARDSHIP PROGRAM.** For example, repairs to plumbing, electrical systems, flooring, interior walls, and appliances ARE NOT COVERED under this program.

You will need to save money to cover all the other repairs, maintenance, and replacements that the Stewardship Program does not cover. Maintaining a home is costly. We recommend that all homeowners save for home maintenance. We can help you to plan and budget – just give us a call. We also offer regular home-maintenance classes to help you care for your home. Completing a class results in a permanent \$5 reduction in your monthly Stewardship fee, as long as you were enrolled in the Stewardship Program after April 1, 2009.

### **What if I want to replace my flooring before its expected life?**

The estimated life of flooring is 10 years. If you want to replace the flooring with like kind flooring you will be reimbursed up to a pre-determined rate per square foot at a prorated basis. For example, if you choose to replace your 4 year old flooring you will receive up to 4/10 of the pre-determined replacement value. If your flooring lasts 12 years instead of 10, you will receive up to 12/10 of the replacement value. Replacement value is calculated using a rate per square foot pre-determined by the Home Trust.

### **What if I want to upgrade my flooring?**

If you decide you want to upgrade your carpet to laminate or hardwood flooring before the 10 year life expectancy, you will be reimbursed up to the pre-determined rate per square foot at the full 10 year value.

### **What if the flooring I picked out, costs more or less than the amount the Stewardship Program will pay for?**

If you choose to replace your flooring and the cost exceeds the allowable reimbursement amount, you are responsible for paying the difference. If you pick out flooring that is cheaper than the maximum reimbursement amount, you will only be reimbursed up to the actual cost of the new flooring.

### **Does it matter what flooring I pick out?**

If you are putting carpet in your home, carpet must meet a minimum 10 year warranty standard. There are no additional requirements however, if the cost exceeds the maximum reimbursement amount, you are responsible for paying the difference.

### **I have hardwood floors in my home. Does the Stewardship program pay to maintain my hardwoods?**

If you have hardwood floors, you can use funds from your Stewardship program to refinish the floor as needed. The amount available is calculated at the same pre-determined rate per square foot as replacement, and is prorated based on the time lapse between each time the flooring is refinished.

### **What if I think I have a good reason to replace a functional system before the end of its expected life?**

The program guidelines are not intended to cover every situation. The Home Trust, at our discretion, may evaluate replacement requests on a case-by-case basis. Keep in mind that the most important factor in our evaluations is the long-term health of your home. If you have further questions, please contact us.

### **Why don't I get the money in my home's stewardship account when I sell my home?**

When you purchased your home, you made an agreement with the Home Trust that guarantees you a return on your investment. This arrangement is quite different from a real estate transaction in the private market. If you were selling a home with a 25-year-old roof on the private market, the buyer would probably ask you to reduce your price, because she knows that she'll have to replace the roof very soon. You end up 'paying' for the roof by giving the buyer a break on the price. However, since you own a Home Trust home, the price you receive when you sell is fixed. It isn't affected by the age of the roof. Your payments into your home's stewardship account are the best way to ensure that you pay for your use of your home's major systems. When you sell, the money in the stewardship account becomes available to the new owner, so she doesn't get stuck paying to replace a used-up system in the house she just bought.

### **OK. Now something's gone wrong with my home, or I've identified a need for replacement. What do I do next?**

Call us. We'll want to know which system you're calling about, how old it is, and what seems to be wrong with it. From there, we can help you start the process of applying for stewardship funds and getting the work done. If the problem is urgent, have it corrected. Don't worry about the stewardship application yet – our priority is to make sure your house is safe and habitable. We'll work with you to ensure you receive any stewardship funding you're entitled to.

If the Home Trust determines that your home's stewardship account will cover all or part of the replacement or repair cost, you may choose to have us select an approved vendor and coordinate the work, or you may elect to use your own vendor, or you may do the work yourself. If you choose to have the Home Trust coordinate the work, you will be asked to review the scope of work and to pay your portion (if any) of the cost before work starts, and to

review the completed work before the Home Trust pays the contractor. If you choose to use an unapproved contractor or to do the work yourself, you will not receive any stewardship money until after the Home Trust approves the completed work and you provide us with documentation (of payment, insurance, etc.) For more information on the criteria we use to evaluate stewardship applications, see the back of the Application for Stewardship Funding.

### **When should I use a Home Trust-approved contractor?**

We strongly urge our homeowners to use Home Trust-approved vendors for all stewardship work (and also non-stewardship maintenance and repairs). Using an approved vendor gives the Home Trust leverage to resolve any problems you may encounter. If you use an unapproved vendor or perform the work yourself and something goes wrong, we won't be able to help. And we won't be able to pay out any stewardship money until the work is done right.



# Application for Stewardship Funding

Property: \_\_\_\_\_

Owner(s): \_\_\_\_\_ Phone: \_\_\_\_\_

System:  Roof  HVAC  Water heater  Exterior paint  Floor coverings  
 Termite treatment  Annual termite inspect.  Other: \_\_\_\_\_

Date existing system installed: \_\_\_\_\_

Reason for replacement (or repair):

I choose to have CHT arrange for an approved contractor to perform the work. By signing below, you agree to allow CHT to employ a contractor; schedule, direct, inspect, and approve the work; and disburse stewardship funds directly to the contractor. You must provide access to your home during all standard working hours. If the full cost of the work is not covered, you agree to pay the difference of \$ \_\_\_\_\_ prior to the start of work.

I choose to employ an unapproved contractor or to do the work myself. You must attach your contractor's proposal or estimate or your own detailed scope of work and material data sheets. By signing below, you agree to the following conditions:

1. You or your contractor must acquire all required permits and close them out promptly when work is complete. The work must meet all applicable codes (including safety requirements).
2. You must allow CHT to review and modify, if necessary, the scope of work, including specifications, inspection requirements, etc., prior to beginning work.
3. You must allow CHT to inspect the work, both while in progress and when it is complete. You must promptly correct any deficiencies CHT identifies. You and your contractor must accommodate in-progress inspections at CHT's convenience.
4. You acknowledge the risk that CHT may, at any time, reject the work and decline to disburse stewardship funds.
5. You agree that you are solely responsible for full payment for all labor and materials. You must provide evidence that you have paid in full for all labor and materials before CHT will release funds.

Owner signature: \_\_\_\_\_ Date: \_\_\_\_\_

Work to be performed by:  Self  Contractor: \_\_\_\_\_

Contractor contact and phone: \_\_\_\_\_

<b>For CHT Use Only</b>	<input type="checkbox"/> Proposal docs	<input type="checkbox"/> Progress inspect	<input type="checkbox"/> Final inspect	<input type="checkbox"/> Receipts
Date app received:	_____			
Processed by:	_____			
<b>Proposal</b>	<input type="checkbox"/> Approved	<input type="checkbox"/> Rejected	Rev'd by, date:	_____
Notes:	_____			
		Funds available, date of proposal review:	\$	_____
		Estimated disbursement, date of proposal review:	\$	_____
<b>Disbursal</b>	<input type="checkbox"/> Approved	<input type="checkbox"/> Denied	Rev'd by, date:	_____
Notes:	_____			
Disburse to:	<input type="checkbox"/> Contractor	<input type="checkbox"/> Owner	<b>Final disbursement:</b>	\$ _____

## ***Guidelines for stewardship account funding***

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### **CHT assesses applications for stewardship funding based on the following criteria:**

1. Stewardship funds can only be used to replace home systems that have failed and cannot reasonably be repaired. Stewardship funds can additionally be used to replace non-mechanical systems that have exceeded their expected lives. Only specific systems in your home are covered by its stewardship account – CHT staff can tell you which ones are covered. The repair or replacement of other systems may be the responsibility of your homeowners' association or may be entirely your responsibility.
2. Stewardship funds cannot be used for items such as routine maintenance or repair, cosmetic changes, home improvement projects, or other similar work.
3. Stewardship funds cannot be used to repair or replace systems which are under warranty. CHT staff can help you with warranty service if necessary.
4. With the exception of flooring, stewardship funds cover in-kind replacements only. Stewardship funds cannot be used for a replacement that CHT determines is inferior to the quality of the existing system when it was new. CHT may determine that a proposed replacement will be inferior solely based on your choice to use an unapproved contractor or to perform the work yourself. At CHT's discretion, stewardship funds may be applied toward a replacement that CHT determines is superior to the quality of the existing system when it was new, but you will be responsible for paying the cost difference between an in-kind replacement and the better-quality replacement.
5. Funds are available for flooring replacement and hardwood repair only at a pre-determined rate per square foot and are prorated based on the actual life of the flooring.
6. CHT may, at its sole discretion, evaluate on a case-by-case basis any stewardship application, especially applications that CHT deems difficult to assess by the above criteria. Nevertheless, in all cases, CHT's decision will be guided by the need to preserve the long-term affordability and health of our property.
7. Repairs for covered systems—HVAC, roof, and exterior siding—are subject to a \$500.00 owner payment, plus the use of insurance proceeds if the repair is covered by owner's insurance or the Homeowners Association insurance. Stewardship funds can then be accessed for any remaining outstanding balance. The fund cannot be drawn down below \$500.00 for any repair.

CHT will only process requests for stewardship funding that include a complete application. CHT may request additional information and documentation before processing your application or disbursing stewardship funds. **CHT evaluates proposed work and processes disbursements as follows:**

1. CHT strongly encourages you to employ CHT-approved contractors for stewardship work. CHT disburses stewardship funds directly to approved contractors. Using an approved contractor limits your out-of-pocket expenses and provides assurance that the work will be prompt and professional.
2. If you employ an unapproved contractor, you still must use a licensed and insured professional. In this case, CHT disburses stewardship funds to you only after (a) the work passes CHT's inspections, (b) you provide all documentation reasonably requested by CHT, and (c) you provide evidence that you have paid the contractor in full.
3. CHT discourages you from performing stewardship work yourself. Since the Stewardship Program is designed to cover full replacement costs, including both material and professional labor, CHT may reject do-it-yourself proposals without further explanation. Do-it-yourself proposals must include, at minimum, a detailed scope of work and data sheets for all materials. CHT approves do-it-yourself proposals only when it is obvious that the work will be professional quality. In this case, CHT disburses stewardship funds to you only after (a) the work passes CHT's inspections, (b) you provide all documentation reasonably requested by CHT, and (c) you provide evidence that you have paid for all materials and labor in full.

**If your stewardship application is approved, CHT will disburse money equal to the lesser of (a) the actual cost of the in-kind replacement or (b) the total value of your home's stewardship account less one hundred dollars (\$100).** CHT cannot disburse more money than is currently in your home's stewardship account. There is no guarantee you will be reimbursed in full or part. **The Stewardship Program is not a home warranty or an insurance product.**

Owner initial: .....