

# Charity Joins Top Home Builders' Ranks: *Habitat for Humanity Keeps Putting Up Houses as Nation's Biggest Companies Cut Back; 'A Lot Less Tied to the Market'*

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EAST PATCHOGUE, N.Y.—A dozen female volunteers gathered recently in this blue-collar Long Island town, enduring the heat to help form the entryway of an 1,100-square foot home for Cheri Sabolenko and her two young children.

The Sabolenko house will soon join more than 5,000 other homes expected to be built, repaired and rehabilitated in the U.S. this year by a well-known addition to the upper echelon of America's largest home builders: the nonprofit group Habitat for Humanity International.

As the housing and financial crisis struck several years ago, the large publicly traded builders, including D.R. Horton Inc. and KB Home, pulled back. But Habitat kept building.

"We're a lot less tied to the market as a whole," said Mark Andrews, Habitat's senior director for U.S. operations. "We've been able to keep chugging along at a pretty solid pace."

As a result, Habitat, a Christian group founded 34 years ago in Americus, Ga., around a philosophy of constructing and rehabilitating homes for low-income families, was recently ranked as one of the nation's top 10 builders for the first time in a closely watched industry list compiled by Builder Magazine.



Habitat, meanwhile, is giving more attention to acquiring and rehabilitating vacant, foreclosed homes and making them available for sale.



*Dawn Wotapka/The Wall Street Journal  
Habitat for Humanity volunteers help build the home of Cheri Sabolenko in East Patchogue, N.Y., in May.*

Habitat was ranked eighth, based on the number of homes sold and closed, placing it above Ryland Group Inc. and behind Hovnanian Enterprises Inc. Habitat's closings, which include new homes and rehabs, were down 3% to 5,294 in 2009. Ryland's tumbled 30%, while Hovnanian's sank 50%.

Of course, this year's top 10 appearance could be a one-time event. The nation's public home builders, itching for recovery, have been ramping up construction.

In June, Wells Fargo announced an \$8 million contribution to Habitat, which said the funds will help its neighborhood rehabilitation program. Last year, Habitat completed 710 rehabs, a count that should increase this year, while its new-build count could fall by about 8%, the group estimates. Habitat's ability to out-build some of the nation's largest corporations partly reflects the insatiable demand for affordable housing in a nation where more than a quarter of the population can't afford a median-priced home in their area.

And Habitat has some advantages by being a nonprofit. It receives donated building products and relies heavily on volunteers for construction. It can have just one paid staffer on a build site.

"Habitat works because they have a very clear mission with a niche in the market," said Ghebre Selassie Mehreteab, an affordable housing adviser near Philadelphia. Plus "the volunteers are not only given tasks, but they are seeing the tangible results of their work. That's very hard to beat."

The recession has hurt Habitat's finances. The group laid off 8% of its corporate staff last year, and its cash donations declined 9% from a year earlier to \$171.8 million.

**Gimme Shelter**  
 Habitat for Humanity has become one of the most productive U.S. homebuilders by keeping its pace during the housing market collapse.

Builder	Total closings	2009 revenue (in billions)
1. D.R. Horton	18,164	\$3.87
2. Pulte Homes	15,013	4.08
3. Lennar	11,478	3.12
4. NVR	9,042	2.76
5. KB Home	8,488	1.83
6. Centex*	6,900	n/a
7. Hovnanian Enterprises	5,659	1.71
<b>8. Habitat for Humanity</b>	<b>5,294</b>	<b>1.40</b>
9. The Ryland Group	5,129	1.28
10. Beazer Homes USA	4,411	1.01

\* Pulte acquired Centex in 2009  
 Source: Builder Magazine

And Habitat faces some of the same challenges as for-profit companies. Some of the 226 homes it built in New Orleans after Hurricane Katrina in 2005 might contain drywall imported from China. The problematic drywall emits a foul odor, corrodes wiring and causes appliances to fail. The only solution is to remove the drywall, an expensive procedure.

Habitat's New Orleans chapter promised to "resolve this issue as quickly as possible."

Meanwhile, late payments and foreclosures are a threat for Habitat homes, although the problems aren't nearly as severe as they are nationwide.

That is partly because the terms of Habitat loans are so attractive; homeowners receive mortgages with 0% interest rates on homes that are sold at cost. Habitat keeps most of the mortgages it originates, so when trouble strikes, homeowners know where to turn. Habitat says its foreclosure rate is less than 2%.

Taking back a home is "always our last solution," said Mary Kay O'Rourke, president of Habitat's operation in Jacksonville, Fla., which goes by the name HabiJax. The group tries solutions ranging from suspending payments for the unemployed to tapping local-agency funds to make owners current. Of the 1,500 loans HabiJax holds, 10 are in the foreclosure pipeline.

If all goes as planned, Ms. Sabolenko will move into her new three-bedroom, \$85,000 home on a shaded corner lot by October. The home will have one bathroom and a dishwasher.

Ms. Sabolenko is typical of Habitat homeowners. She is a divorced mother working two jobs. She has a stable income but earns less than the area's median income and doesn't have enough money for a down payment. She and her children live with her mother. Ms. Sabolenko is putting in hundreds of hours of "sweat equity" the group requires, working on Habitat projects.

"I want to show my children that hard work and seeking to better your life can bring positive results," she said in a note left for volunteers at her construction site. "I want to cry for joy and happiness."