



# Housing Choice Voucher Homeownership Program

# Voucher Homeownership Program

- Basic concept -- Instead of using voucher subsidy to help family with rent, homeownership option allows first-time homeowner to use voucher subsidy to meet monthly homeownership expenses

# PHA Option

- PHA option -- PHA has choice to offer or not offer homeownership option as part of their voucher program
- No separate or additional funding available from HUD
- PHA implements by revising PHA Annual Plan and administrative plan

# Homeownership Voucher Option

- Family is responsible for finding eligible unit to purchase instead of rent
- PHA will make monthly homeownership assistance payment on behalf of the new homeowner
- PHA may make payment to lender or directly to family

# Background

- Homeownership Voucher Program authorized by Section 8(y) of the U.S. Housing Act of 1937, as amended by Quality Housing and Work Responsibility Act of 1998
- HUD approved 15 PHAs to operate pilot programs under the proposed rule
- Final Rule published September 12, 2000, became effective October 12, 2000

# Subsequent Rules

- Final Rule published October 18, 2002
  - Downpayment grant option
    - Not operational, implementation delayed until HUD publishes subsequent notice in Federal Register
  - Streamlining Amendments to current homeownership voucher option
    - Effective November 18, 2002
- Sale of PHA-owned units interim rule
  - Published October 28, 2002
  - Effective November 27, 2002

# Homeownership Voucher Subsidy

- Payment standard determines maximum subsidy in voucher program
- PHA uses same payment standard for both renters and homeowners
- Homeownership family: payment standard will never be less than payment standard at time homeownership assistance commences for the home

# Housing Assistance Payment

- Family must pay at least total tenant payment (TTP), may pay more
- Monthly homeownership assistance payment is calculated as the lesser of:
  - Payment standard minus TTP
  - Monthly homeownership expenses minus TTP



# Homeownership Expenses

- Principal and interest on mortgage debt
- Mortgage insurance
- Real estate taxes
- Home insurance
- PHA allowance for utilities

# Homeownership Expenses

- Homeownership expenses (cont)
  - PHA allowance for routine maintenance
  - PHA allowance for major repairs
  - Principal and interest on mortgage debt for major repairs
  - If home is a coop or condo, may include coop or condo operating charges or maintenance fees
  - Land lease payments (in certain cases)

# Family Share

- Family is responsible for all homeownership expenses not covered by the HAP payment
- If homeownership expenses exceed the payment standard, family pays the difference out-of-pocket in addition to TTP

# Family Share

- 40% of adjusted monthly income limitation does not apply to homeownership families (law limits amount family may pay for rent)

# Family Eligibility For Homeownership Option

- Current voucher program participant or eligible for admission to the housing choice voucher program
  - PHA may not set aside program funding for special housing types or require applicant to use voucher for particular housing type
  - May not maintain separate admissions waiting list or provide selection preference for voucher applicants who agree to use voucher for homeownership

# Family Eligibility

- In general, no family member has a present ownership interest in a residence at commencement of homeownership assistance (current homeowners are not eligible for the program)
- Statute provides exception for cooperative members who have acquired cooperative membership shares prior to commencement of homeownership assistance

# First-time Homeowner

- **No family member owned any present ownership interest in a residence of any family member during last 3 years (except for single parent or displaced homemaker who, while married, owned a home with spouse or resided in home owned by spouse)**
- **Cooperative member**
- **Family includes person with disability, PHA determines use of homeownership option necessary as reasonable accommodation**

# HUD Minimum Income Requirements

- Non-disabled families
  - Federal minimum wage multiplied by 2000 hours (\$10,300)
- Disabled families
  - Monthly Federal Supplemental Security Income (SSI) benefit for individual living alone multiplied by 12 ( $\$552 \times 12 = \$6624$ )
- Except for elderly and disabled families, welfare assistance may not be considered in determining if family meets requirement



# Minimum Income Requirements

- PHA may establish minimum income standard that is higher than HUD limits for either or both types of families
  - However, if family meets applicable HUD limit and:
    - Demonstrates it has been pre-qualified or pre-approved for financing that meets PHA requirements
    - Financing amount sufficient to purchase home that meets HQS in the PHA jurisdiction
  - Family is determined to meet income eligibility requirements for the homeownership option

# Family Eligibility

- Full Time Employment (not applicable for elderly and disabled families)
  - currently employed full-time (not less than an average of 30 hours a week)
  - has been continuously so employed for at least one year
    - PHA may determine to what extent interruptions are considered break in continuity

# Family Eligibility

- Mortgage Defaults
  - Family is not eligible if any family member *who was an adult family member at time of default* has previously received homeownership assistance and defaulted on mortgage
- PHA may also establish additional requirements for family eligibility

# Pre-Assistance

## Homeownership Counseling

- Eligible family must attend and satisfactorily complete homeownership counseling program required by PHA
- PHA staff and/or other entity may conduct

# Pre-Assistance Counseling

- Topics include:
  - Home maintenance
  - Budgeting and money management
  - Credit counseling and credit repair
  - Financing Aspects
    - obtaining financing and loan preapprovals
    - types of financing, pros and cons of different approaches, how to avoid loans with oppressive terms and conditions

# Finding a Home

- PHA may establish time limits for a family to locate a home to purchase and to close on a home
- Tenant-based assistance - PHA may not steer or restrict family to certain sellers or neighborhoods
- Portability – applies if receiving PHA is administering homeownership option and accepting new families

# Eligible Units

- Unit under construction or already existing at time the family enters the contract of sale
- Purchase of home where family does not own fee title to real property (land)
  - Home must be located on a permanent foundation
  - Family has right to occupy home site for at least 40 years

# Eligible Units

- PHA disapproval of owner
  - PHA may not approve unit if PHA has been informed (by HUD or otherwise) seller is debarred, suspended, or subject to limited denial of participation under 24 CFR Part 24
  - PHA may deny approval of seller for any reason provided under 982.306(c)



# Sale of PHA-owned Units

- Sale of units owned or substantially controlled by PHA permitted, provided:
  - Written assurance family understands they are freely selecting without pressure or steering
  - Independent Agency approved by HUD must perform certain PHA administrative functions
    - Conduct HQS inspection and review of independent inspection report
    - Review of contract of sale
    - Review of sales price and any PHA provided financing

# Two Home Inspections

- Housing Quality Standards Inspection and Independent Professional Home Inspection
- PHA conducts housing quality standard inspection under voucher program
  - determines current condition is decent, safe, and sanitary
  - no annual HQS inspection requirement

# Independent Professional Inspection

- Unit must also be inspected by independent professional selected and hired by family
  - Assess adequacy and life-span of major systems, appliances, and other structural components

# Independent Professional Inspection

- Requirement for inspection arranged by buyer and satisfactory to buyer is typical contingency clause in contracts of sale, consistent with real estate practice
- PHA may disapprove unit on basis of report

# Contract of Sale

- Family must provide copy of contract of sale to PHA
  - Contract of sale must:
    - **provide for pre-purchase inspection**
      - buyer satisfaction, buyer not obligated to pay for repairs
    - **seller certification that seller not debarred, suspended, or subject to limited denial of participation**

# Financing

- PHA may not require use of specific lender but may establish:
  - requirements concerning qualifications of potential lenders
  - prohibitions on certain forms of financing
  - requirements concerning terms of financing
  - requirements or restrictions on other debt secured by home

# Financing

- **Affordability of Purchase**
  - PHA may disapprove proposed financing, refinancing, or financing for improvements or repairs if PHA determines debt is unaffordable or lender or loan terms do not meet PHA requirements
  - All PHA financing or affordability requirements must be described in PHA administrative plan

# PHA Capacity

- Concerns about lending abuses
- PHA demonstrates capacity through one of three options
  - Option 1: Establishes minimum downpayment requirement
    - 3 percent of sale price
    - Family contribution towards downpayment: at least 1 percent of sale price comes from family's personal resources



# PHA Capacity

- Option 2: PHA requires the financing for purchase of a home meets one of the following:
  - provided, insured, or guaranteed by state or Federal government
  - complies with secondary mortgage market underwriting requirements
  - complies with generally accepted private sector underwriting standards

# PHA Capacity

- Option 3:
  - PHA demonstrates in its Annual Plan that it has capacity, or will acquire capacity, to successfully operate a homeownership program

# Continued Assistance

- Family obligations include:
  - comply with the terms of mortgage
  - family's only residence/no other ownership interest in residential property
  - report changes in composition/income
  - no subletting or leasing
  - other family obligations under voucher program

# Continued Assistance

- Comply with any additional PHA requirements for continuation of homeownership assistance
  - post-purchase counseling
- **Statement of Homeowner Obligations**
  - written agreement signed by family to comply with all family obligations under homeownership option

# Time Limits

- Time limits do not apply to elderly or disabled families
- Maximum term
  - 15 years if the initial mortgage has term of 20 years or longer
  - 10 years in all other cases
  - Time limit applies from initial purchase

# Removal of Recapture Provisions

- 10-18-02 Final Rule eliminates the current recapture requirement of homeownership voucher assistance for new families and currently assisted homeowners
- No impact on any non-homeownership voucher recapture provisions

# Homeownership Vouchers Questions and Answers