

Administrative Plan

Housing Choice Voucher
Homeownership Program

Revised October 12, 2021



Chapter 35 Homeownership

[24 CFR 982.625]

35.1 Introduction

The HASLC provides the option of using a housing choice voucher for a participant to purchase a home. The homeownership option is to assist a family residing in a home purchased and owned by one or more members of the family. Homeownership is available to all those who qualify. The HASLC will restrict homeownership to families for purposes defined by the HASLC. The HASLC will also limit the number of families assisted with homeownership to a maximum of 100 at any given time. This chapter describes the eligibility requirements for the use of a voucher for homeownership and polices for the homeownership option.

35.2 Eligibility Requirements [24 CFR 982.627]

The family must meet all of the requirements listed below before the commencement of homeownership assistance.

- The family must be a current participant in the HCV program
- The family must qualify as a first-time homeowner or may be a co-operative or have a family member who is a person with disabilities
- The HASLC must require a down payment of at least 3 percent of the purchase price for participation, and require one percent come from the family's personal resources
- The HASLC must determine the minimum income requirements for disabled families by multiplying the monthly SSI by twelve and for other families, the federal minimum wage multiplied by 2,000 hours
 - Unless the family is elderly or disabled, income from welfare assistance will not be counted toward this requirement
- Unless the family is elderly or disabled, the family must meet the federal minimum employment requirement:
 - At least one adult family member who will own the home must be currently employed full-time and must have been continuously employed for one year prior to execution of sales agreement
 - Full time employment means not less than an average of 30 hours per week
 - A family member will be considered to have been continuously employed even if that family member has experienced a break in employment, provided that there has only been one break in the past 12 months
- The family must have participated in the HCV program for at least one year
- The family must not owe a debt to the HASLC or any other PHA, or a former or current Section 8 owner
- The family must not have defaulted on a mortgage securing debt to purchase a home under the homeownership option
- The family or any family member may not have a present ownership interest in a residence at the commencement of homeownership assistance

- The family has had no family-caused violations of HUD’s Housing Quality Standards within the last year
- The family has not committed any serious violations of a the HASLC assisted lease within the past year
- Any family member who has previously defaulted on a mortgage obtained through the homeownership option or other federally insured mortgage is barred from receiving future homeownership assistance

35.3 Homeownership Counseling Requirements [24 CFR 982.630]

When the family has been determined to meet the eligible requirements, the family must attend and complete homeownership counseling sessions. The counseling sessions will be conducted by a HASLC approved housing counseling agency. Such counseling shall be consistent with HUD approved housing counseling programs. The following topics must be included in the homeownership counseling sessions:

- Home maintenance (including care of the grounds)
- Budgeting and money management
- Credit counseling
- How to negotiate the purchase price of a home
- How to obtain homeownership financing and loan pre-approvals, including a description of types of financing that may be available, and the pros and cons of different types of financing
- How to find a home, including information about homeownership opportunities, schools and transportation in the HASLC’s jurisdiction
- Advantages of purchasing a home in an area that does not have a high concentration of low-income families and how to locate homes in such areas
- Information about RESPA, state and federal truth-in-lending laws, and how to identify and avoid loans with oppressive terms and conditions
- Fair Housing

35.4 Eligible Units [24CFR 982.628]

The unit must meet all of the following requirements to qualify for the homeownership program:

- The unit may not be any of the following:
 - A Public or Indian housing unit
 - A unit receiving Section 8 project-based assistance
 - A nursing home, board and care home or facility providing continual psychiatric, medical or nursing services
 - A college or other school dormitory
 - Units on the grounds of a penal reformatory, medical, mental and other similar public or private institutions
- The unit exists or is under construction at the time the family is determined eligible for homeownership assistance
- The unit is a one-unit property or a single dwelling unit in a cooperative or condominium
- The unit has been inspected by the HASLC and by an independent inspector designated by the family.

- The unit meets HUD HQS requirements
- The HASLC has not been informed that the seller is debarred, suspended or subject to a limited denial of participation

35.5 Search and Purchase Requirements [24 CFR 982.629]

The HASLC has established the maximum time that will be allowed for a family to locate and purchase a home. The family's deadline date for locating a home to purchase may be up to 240 calendar days from the date the family's eligibility for the homeownership option is determined. For good cause, the HASLC may extend a family's time to locate a home for additional 30 day increments for two increments. The family must purchase the home within three months for an existing home and six months for new construction of HASLC's approval of the sales agreement. The HASLC will require periodic reports on the family's progress in finding and purchasing a home.

The family will provide such reports at intervals of 30 days. If a family is unable to locate a home within the time approved by the HASLC, their rental assistance shall continue. The family may not reapply for the Homeownership program until they have completed an additional year of participation in the HCV program.

35.6 Inspection and Contract [24 CFR 982.631]

The unit selected for homeownership must meet HQS prior to the commencement of HAP payments. In addition, the selected home must be inspected by an independent professional inspector selected and paid for by the family. The inspector must be qualified to identify physical defects and report on property conditions, including major building systems and components. These systems and components include, but are not limited to:

- Foundation and structure
- Housing interior and exterior
- Roofing
- Plumbing, electrical and heating systems

The inspector must not be a HASLC employee or contractor. The HASLC will not require the family to use an inspector selected by the HASLC, however, the inspector must be ASHI (American Society of Home Inspectors) certified. Copies of the independent inspection report will be provided to the family and the HASLC, along with the contract for approval. Based on the information in this report, the family and the HASLC will determine whether any pre-purchase repairs are necessary. The HASLC may disapprove the unit for homeownership assistance because of information in the report.

35.7 Contract of Sale

The family must enter into a contract of sale with the seller of the unit. A copy of the contract must be given to the HASLC. The contract of sale must specify the price and terms of sale and provide that the purchaser will arrange for a pre-purchase independent inspection of the home. The contract must also allow for inspection by the HASLC and must state that the purchaser is not obligated to purchase unless such inspections are satisfactory to the HASLC. The contract also must provide that the purchaser is not obligated to pay for any necessary repairs without approval by the HASLC. The contract must provide that the purchaser is not obligated to purchase if the mortgage financing terms are not approved by the

HASLC. The contract must also contain a seller certification that the seller is not debarred, suspended or subject to a limited denial of participation.

35.8 Financing [24 CFR 982.632]

The family is responsible for securing financing. The HASLC may disapprove proposed financing if the HASLC determines that the debt is unaffordable. The proposed financing terms must be submitted to and approved by the HASLC prior to closing. The HASLC shall determine the affordability of the family's proposed financing. In making such determination, the HASLC may take into account other family expenses, including, but not limited to, childcare, un-reimbursed medical expenses and education and training expenses.

Certain types of financing, including, but not limited to, balloon payment mortgages, unless convertible to a variable rate mortgage, are prohibited and will not be approved by the HASLC. Seller-financing mortgages shall be considered by the HASLC on a case-by-case basis. If a mortgage is not FHA-insured, the HASLC will require the lender to comply with generally accepted mortgage underwriting standards consistent with those of HUD/ FHA, Ginnie Mae, Fannie Mae, Freddie Mac, USDA Rural Housing Services or the Federal Home Loan Bank.

The HASLC requires that the financing for purchase provided is insured or guaranteed by the state or federal government (including FHA insurance), complies with secondary mortgage market underwriting requirements or complies with generally accepted private sector underwriting standards.

35.9 Continued Assistance [24 CFR 982.633]

Homeownership assistance may only be paid while the family is residing in the home. The family or lender is not required to refund homeownership assistance for the month when the family moves out. The family must comply with the following obligations:

- The family must comply with the terms of the mortgage securing debt incurred to purchase the home or any refinancing of such debt
- The family may not convey or transfer ownership of the home, except for purposes of financing, refinancing or pending settlement of the estate of a deceased family member
- Use and occupancy of the home are subject to the family obligation requirements in Chapter 17
- The family must supply all information required to the HASLC
 - The family must further supply any information required by the HASLC or HUD concerning mortgage financing or refinancing, sale or transfer of any interest in the home, or homeownership expenses
- The family must notify the HASLC before moving out of the home
- The family must notify the HASLC if the family defaults on the mortgage used to purchase the home
- No family member may have any ownership interest in any other residential property
- The family must attend and complete such ongoing homeownership counseling as required by the HASLC

Before commencement of homeownership assistance, the family must execute a statement in which the family agrees to comply with all family obligations under the homeownership option.

35.10 Maximum Term of Homeownership Assistance [24 CFR 982.634]

Except in the case of elderly or disabled families, the maximum term of homeownership assistance is 15 years if the initial mortgage term is 20 years or longer, or 10 years in all other cases.

The elderly exception only applies if the family qualified as elderly at the start of homeownership assistance. The disabled exception applies if, at any time during receipt of homeownership assistance, the family qualifies as disabled. If the family ceases to qualify as elderly or disabled during the course of homeownership assistance, the maximum term becomes applicable from the date assistance commenced. However, such a family must be afforded at least six months of homeownership assistance after the maximum term becomes applicable. If the family receives homeownership assistance for different homes or from different PHAs, the total is subject to the maximum term limitations.

35.11 Homeownership Assistance Payments and Expenses [24 CFR 982.635]

The monthly homeownership assistance payment is the lower of the voucher payment standard, minus the total family contribution or the monthly homeownership expenses, minus the total family contribution. In determining the amount of the homeownership assistance payment, the HASLC will use the same payment standard schedule, payment standard amounts and subsidy standards as those described in this plan for the HCV program. The HASLC will pay the homeownership assistance payments directly to the family or to a lender on behalf of the family.

Some homeownership expenses are allowances or standards determined by the HASLC. These allowances are used in determining expenses for all homeownership families and are not based on the condition of the home. Homeownership expenses include:

- Principal and interest on mortgage debt
- Mortgage insurance premium
- Taxes and insurance
- HASLC utility allowance used for the HCV program
- HASLC allowance for routine maintenance costs
- HASLC allowance for major repairs and replacements
- Principal and interest on debt for improvements
- If the home is a cooperative or condominium, expenses also include operating expenses or maintenance fees assessed by the homeowner association

35.12 Portability [24 CFR 982.636, 982.353(b) and (c), 982.552, 982.553]

Subject to the restrictions on portability included in Chapter 26 of this plan, the family may exercise portability if the receiving PHA is administering a voucher homeownership program and accepting new homeownership families. The receiving PHA may absorb the family into its voucher program or bill the HASLC (the initial PHA). The receiving PHA arranges for housing counseling and the receiving PHA's homeownership policies apply.

35.13 Moving With Continued Assistance [24 CFR 982.637]

A family receiving homeownership assistance may move with continued tenant-based assistance. The family may move with rental assistance or with homeownership assistance. Continued tenant-based assistance for a new unit cannot begin as long as any family member holds title to the prior home. The

HASLC prohibits more than one move by the family during any one-year period. The HASLC will deny permission to move with continued rental or homeownership assistance if the HASLC determines that it does not have sufficient funding to provide continued assistance. The HASLC will require the family to complete additional homeownership counseling prior to moving to a new unit with continued assistance under the homeownership option.

35.14 Denial or Termination of Assistance [24 CFR 982.638]

Termination of homeownership assistance is governed by the family obligations for the HCV program contained in Chapter 17 of this plan. However, the provisions which relate to leasehold interests do not apply to homeownership. The provisions that do not apply are as follows:

- The family is responsible for an HQS breach
- The family must allow the HASLC to inspect the unit at reasonable times and after reasonable notice
- The family must promptly give the HASLC a copy of any eviction notice

The HASLC will terminate homeownership assistance if the family is dispossessed from the home due to a foreclosure. The HASLC will also terminate homeownership assistance if the family violates any of the following:

- Transfer or conveyance of ownership of the home
- Not notifying HASLC before moving out of the home
- Family defaults on the mortgage

35.15 Default on FHA-Insured Mortgage

If the family defaults on an FHA-insured mortgage, the HASLC will not allow the family to move with continued HCV assistance.

35.16 Default of Non-FHA Insured Mortgage

If the family defaults on a mortgage that is not FHA-insured, the HASLC will not allow the family to move with continued assistance.