



# VOUCHER HOMEOWNERSHIP PROGRAM

Overview



# Resources

## ✦ Legislative

- Housing and Community Development Act of 1992- section 8(y)
- PH Reform Act of 1998, amends section 8 (y)

## ✦ Regulatory

- Final Rule 9/18/2000
- Final Rule- Downpayment Assistance 10/18/2002
- Interim Rule- PHA owned units 10/28/2002



# Basic Concept

- ✦ PHA may use Housing Choice Voucher assistance for homeownership purposes rather than for rental assistance
  - Monthly homeownership expenses ( mortgage payments)
  - Down payment assistance
- ✦ Option of PHA to offer either, both or none



# Family eligibility

- ✂ Current Voucher participant or eligible for program
- ✂ 1<sup>st</sup> Time Homebuyer
- ✂ Minimum income requirement
- ✂ Full Time Employment
- ✂ Pre-assistance counseling
- ✂ Additional PHA requirements
  - May require minimum downpayment, participation in FSS, post-assistance counseling



# Program change

- ✦ The October 18, 2002 Final rule changed the minimum income requirements
  - Previously the family required a minimum non-welfare income of \$10,300 (2000 hrs x Federal min. wage)
  - Now, PHAs may establish a higher minimum income than the National
  - New standard for disabled families of monthly SSI benefit for an individual living alone x 12
  - Higher standard is not applicable if the family can demonstrate that have been pre-qualified or pre-approved for a home



# Eligible Units

- ✖ Under construction or already existing
- ✖ One unit property or single dwelling unit in coop or condo
- ✖ PHA may deny seller participation based on same reasons for denying participation of landlords (10/18/02 change)
- ✖ Unit meets environmental requirements
- ✖ Passes home inspections



# Inspections

- ✦ HQS – regular HQS inspection by PHA
- ✦ Inspection by independent professional inspector
  - Selected and paid by family
  - Assesses adequacy and life-span of major systems, appliances and other structural components
  - PHA may disapprove unit on basis report
  - PHA may set standards for inspectors



# Homeownership Assistance Payments

## ✦ Lower of:

- PHA's Payment Standard minus family TTP
  - Use same PS as for rental
  - TTP usually 30% of Monthly Adjusted Income
- Homeownership Expenses minus TTP
  - **Mortgage P and I, mortgage insurance, real estate taxes (PITI)**
  - Home insurance, PHA utility allowance, allowances for routine maintenance, major repairs, P and I on debt for major repairs, coop or condo fees



# Payment Standards

- ✦ Established by PHAs- from 90% to 110% of Fair Market Rents (FMRs)
- ✦ FMRs represent the 50<sup>th</sup> percentile of rents for an area (Atlanta Metro covers 20 counties) and includes rent plus utilities.
- ✦ FMRs have decreased in Atlanta from 2004 to 2005
  - Range from \$750 for 1 BR to \$1164 for 4 BR
  - FMRs have dropped by \$ 60 to \$ 359
- ✦ PS for Gwinnett County
  - 1BR \$ 825, 2 BR \$917, 3 BR \$1137, 4 BR \$ 1280, 5 BR \$1471, 6 BR \$ 1664



# Pre-assistance counseling

- ✦ Family must attend and satisfactorily complete
- ✦ May be provided by PHA or other entity
  - HUD funds and approves Housing counseling agencies- see lists under Single Family section of <http://www.hud.gov>
- ✦ Topics include:
  - Home maintenance
  - Budgeting and money management



# Pre-assistance counseling

## ✦ Topics include:

- Credit counseling and credit repair
- Financing aspects
  - Obtaining financing and loan pre-approvals
  - Types of financing, pros and cons of different approaches
- How to find a home
- Advantages of purchasing in areas that do not have high concentrations of low-income families



# Pre-assistance counseling

## ✦ Topics include:

- Information on fair housing, fair housing lending and local enforcement agencies
- Information about RESPA, state and Federal truth-in-lending laws, how to avoid loans with oppressive terms and conditions

## ✦ Counseling may be tailored for each family



# Finding a Home

- ✦ PHA may establish time limits for a family to locate a home to purchase and to purchase a home
- ✦ Family may choose eligible unit within PHA jurisdiction
  - May go outside jurisdiction only if the receiving PHA is administering a homeownership program and is accepting new families



# Financing

- ✦ Homeownership Assistance Payments may not be used to assist with financing costs
- ✦ Family responsible for securing financing
  - PHAs may partner with lenders but may not require the use of a certain lender



# Financing

## ☀ PHA may establish:

- Requirements concerning qualifications of potential lenders
- Prohibitions on certain forms of financing (balloon payments)
- Requirements concerning terms of financing-  
minimum downpayments
- Requirements or restrictions on other debt



# Financing

## ✦ Affordability of purchase

- PHA may disapprove proposed financing, refinancing or financing for improvements or repairs if the PHA determines the debt is unaffordable or loan terms do not meet PHA requirements
- PHA must describe financing and affordability requirements in the Admin Plan





# Financing Options

## ✦ Four basic models

- HAP deducted from PITI
- HAP added to borrower income for qualifying
- Two mortgage model with non-profits
- Downpayment assistance (not available at this time)

# Examples

✦ Payment Standard = \$1280

✦ Adjusted Monthly Income = \$2000

✦ TTP = \$600

✦ PITI = \$1000

✦ Total Homeownership Expenses = \$1300

✦ HAP = \$1280 - \$600 = \$680

# HAP deducted from PITI

✂ PITI – HAP = \$ 1000 - \$ 680 = \$320

✂ Monthly income = \$2000

✂ Expense to income ratio

– \$320/\$2000 = 16 %

✂ Family expenses

- Mortgage \$320
- Other \$300

# HAP added to borrower income

- ✦ Add HAP to Borrower income
- ✦ FHA model
  - HAP may be grossed up by 25% in recognition of tax free status
- ✦  $\text{HAP } (680) \times 1.25 = \$ 850$
- ✦  $\text{Monthly } \$2000 + \$ 850 = \$2850$
- ✦  $\text{Ratio } \$2850 \times 28\% = \$798$

# Two mortgages

- ✦ First mortgage from private lender
  - Based on family income
  - \$2000 monthly
  - 30 year mortgage
- ✦ Second from non-profit
  - Based on HAP
  - Term matches max. subsidy
  - \$680 HAP
  - 15 year mortgage
- ✦ Family income expected to cover full mortgage by year 15

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# FHA Requirements

- ✦ If the purchase is financed with FHA mortgage insurance, the financing is subject to FHA mortgage insurance requirements



# Contract of Sale

- ✦ Family must provide a copy of the contract of sale to the PHA
- ✦ Contract of Sale must:
  - Specify price and terms of sale
  - Provide for pre-purchase inspection
  - Buyer satisfaction, buyer not obligated for needed repairs
  - Seller certification that he/she is not debarred, suspended or subject to LDP



# Time limits

- ✦ Maximum term of homeownership assistance
  - 15 years if the initial mortgage has a term of 20 years or longer
  - 10 years in all other cases
  - Runs from initial purchase, regardless of subsequent purchases
- ✦ Limits not applicable to elderly or disabled families-  
Head of household or spouse is 62+ years old or disabled



# Status of program in Georgia

## In the past

- |        |        |             |
|--------|--------|-------------|
| – 2002 | 1 PHA  | 3 Closings  |
| – 2003 | 4 PHAs | 22 Closings |
| – 2004 | 7 PHAs | 45 Closings |

## Currently

- Seven PHAs have had families closed on housing
- Total of 78 closings (8 so far this year)
- Additional PHAs are in the process of establishing a program many with families searching for homes



# Resources

## ☀ HUD Voucher website

- <http://www.hud.gov/offices/pih/programs/hcv>

## ☀ Report- Voucher Homeownership Assessment

- [http://www.huduser.org/publications/hsgfin/msd\\_vol1\\_vol2.html](http://www.huduser.org/publications/hsgfin/msd_vol1_vol2.html)



# The future

## Flexible Voucher Program

- HUD has proposed a major restructuring of the voucher program with the FY 2006 budget
- A homeownership program is included
  - Provide greater flexibility for administering a homeownership program
  - PHAs may use voucher funds for homeownership expenses, downpayment and closing costs (up to \$10,000) or both
- Requires Congressional approval