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
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
- 1st Time Homebuyer
- Minimum income requirement
- Full Time Employment
- Pre-assistance counseling
- Additional PHA requirements
  - May require minimum downpayment, participation in FSS, post-assistance counseling
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 50th 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 Gwinnet 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
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
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

\[ \text{PITI} - \text{HAP} = \$1000 - \$680 = \$320 \]

Monthly income = $2000

Expense to income ratio

\[ \frac{\$320}{\$2000} = 16\% \]

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

HAP (680) x 1.25 = $ 850

Monthly $2000 + $ 850 = $2850

Ratio $2850 x 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
If the purchase is financed with FHA mortgage insurance, the financing is subject to FHA mortgage insurance requirements.
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

-Headers-

HUD Voucher website
- http://www.hud.gov/offices/pih/programs/hcv

Report- Voucher Homeownership Assessment
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