

Chapter 21

HOMEOWNERSHIP OPTION PROGRAM

[24 CFR 903 AND 982]

INTRODUCTION

CORHA has established a Section 8 Housing Choice Voucher Homeownership Program pursuant to the HUD final rule dated September 12, 2000. This program allows eligible Section 8 Voucher Program participants the option of purchasing a home with their Section 8 assistance, rather than renting.

A. GENERAL PROVISIONS

The homeownership program is limited to CORHA's Family Self-Sufficiency participants, and may not exceed 25 families in any fiscal year.

Eligible families must have completed an initial Section 8 lease term, may not owe CORHA or any other Housing Authority an outstanding debt, and must meet the eligibility criteria set forth herein.

B. FAMILY ELIGIBILITY REQUIREMENTS

Participation in the Section 8 home ownership program is voluntary. Each Section 8 home ownership participant must meet the general requirements for admission to the Section 8 housing choice voucher program as set forth in CORHA's Administrative Plan, and must be a current participant in CORHA's Family Self-Sufficiency Program. Participant must also be "eligible" to participate in the home ownership program.

The additional eligibility requirements for participation in CORHA's Section 8 home ownership program include:

1. First-Time Homeowner.

Each Section 8 family, except families with a disabled member, must be a first-time homeowner. A "first-time homeowner" means that no member of the household has had an ownership interest in any residence during the three years preceding commencement of home ownership assistance. However, a single parent or displaced homemaker who, while married, owned a home with a spouse (or resided in a home owned by a spouse) is

considered a "first-time homeowner" for purposes of the Section 8 homeownership option. The right to purchase title to a residence under a lease-purchase agreement is not considered an "ownership interest."

2. Minimum Income Requirement.

(a) Amount of Income.

At the time the family begins receiving homeownership assistance, the head of household, spouse, and/or other adult household members who will own the home, must collectively have a gross annual income at least equal to the Federal minimum hourly wage multiplied by 2000 hours. (Currently $\$5.15 \times 2,000 = \$10,300$)

(b) Exclusion of Welfare Assistance Income.

With the exception of elderly and disabled families, CORHA will disregard any "welfare assistance" income in determining whether the family meets the minimum income requirement. Welfare assistance includes assistance from Temporary Assistance for Needy Families ("TANF"); Supplemental Security Income ("SSI") that is subject to an income eligibility test; food stamps; general assistance; or other welfare assistance specified by HUD. The disregard of welfare assistance income under this section affects the determination of minimum monthly income in determining initial qualification for the home ownership program only. It does not affect the determination of income-eligibility for admission to the Section 8 housing choice voucher program, calculation of the family's total tenant payment, or calculation of the amount of home ownership assistance payments.

3. Employment History.

With the exception of disabled and elderly households, each family must demonstrate that one or more adult members of the family who will own the home at commencement of home ownership assistance is employed full-time (an average of 30 hours per week) and has been so continuously employed for one year prior to execution of the sales agreement. In order to reasonably accommodate a family's participation in the program, CORHA will exempt families that include a person with disabilities from this requirement. **CORHA's Housing Program Director may also consider whether and to what extent an employment interruption is considered permissible in satisfying the employment requirement. The Director may also consider successive employment during the one-year period and self-employment in a business.**

4. Completion of Initial Lease Term.

Applicants must have completed an initial Section 8 lease term and annual recertification in the Section 8 housing choice voucher program. Nothing in this provision will preclude Section 8 participants that have completed an initial lease term in another jurisdiction from participating in the Section 8 home ownership program.

5. Repayment of Any Housing Authority Debts.

Participants in the Section 8 housing choice voucher program shall be ineligible for participation in the Section 8 home ownership program in the event any debt or portion of a debt remains owed to CORHA or any other Housing Authority. Nothing in this provision will preclude Section 8 participants that have fully repaid such debt(s) from participating in the Section 8 home ownership program.

6. Additional Eligibility Factors.

(a) Elderly and Disabled Households.

Elderly and disabled families are exempt from the employment requirements set forth in Section B (3) above. In the case of an elderly or disabled family, CORHA will consider income from all sources, including welfare assistance in evaluating whether the household meets the minimum income required to purchase a home through the Section 8 home ownership program.

(b) Prior Mortgage Defaults.

If a head of household, spouse, or other adult household member who will execute the contract of sale, mortgage and loan documents has previously defaulted on a mortgage obtained through the Section 8 home ownership program, the family will be ineligible to participate in the home ownership program.

C. FAMILY PARTICIPATION REQUIREMENTS

Once a family is determined to be eligible to participate in the program, it must comply with the following additional requirements:

1. Home Ownership Counseling Program.

A family's participation in the home ownership program is conditional on the

family attending and successfully completing a home ownership and housing counseling program. CORHA has partnered with the Central Oregon Community Action Agency Network (COCAAN) to provide this counseling. **CORHA may require families to participate in a CORHA-approved home ownership counseling program on a continuing basis.**

2. Locating and Purchasing a Home.

(a) Locating A Home.

Upon approval for the Section 8 home ownership program, a family shall have **one hundred eighty (180) days** to locate a home to purchase. A home shall be considered located if the family submits a proposed sales agreement to CORHA. For good cause, CORHA may extend a Section 8 family's time to locate the home for additional thirty (30) day increments.

(Good cause is defined as a family or medical emergency, or other undue hardship to the family.) During a Section 8 participant's search for a home to purchase, their Section 8 rental assistance shall continue pursuant to the Administrative Plan. If a Section 8 participant family is unable to locate a home within the time approved by CORHA, their Section 8 rental assistance through the Section 8 housing choice voucher program shall continue.

(b) Location of Home.

A family approved for Section 8 home ownership assistance may purchase a home within CORHA's jurisdiction which covers Deschutes, Crook and Jefferson counties. The family may also purchase a home in another jurisdiction providing the Housing Authority in the receiving jurisdiction operates a Section 8 home ownership program for which the Section 8 home ownership applicant qualifies **or authorizes CORHA to administer the home ownership assistance in their jurisdiction.** In the former case, a family's participation in the Section 8 home ownership program will be subject to the Section 8 home ownership program and policies of the receiving jurisdiction.

(c) Type of Home.

A family may purchase the following type of home: a single-family home, a condominium, a home in a planned use development, a cooperative, a loft or live/work unit, or a manufactured home to be situated on a privately owned lot or on a leased pad in a mobile home park. The home must be already existing or under construction at the time CORHA determines the family eligible for home ownership assistance.

(d) Purchasing a Home.

Once a home is located and a sales agreement approved by CORHA is signed by the family, the family shall have up to **three (3) months**, or such other time as is approved by CORHA's Housing Program Director or set forth in the CORHA-approved sales agreement, to purchase the home.

(e) Failure to Complete Purchase.

If a Section 8 participant is unable to purchase the home within the maximum time permitted by CORHA, CORHA shall continue the family's participation in the Section 8 housing choice voucher program. The family may not re-apply for the Section 8 home ownership program until they have completed an additional year of participation in the Section 8 housing choice voucher program following the initial determination of their eligibility for the home ownership option.

(f) Lease-Purchase

Families may enter into lease-purchase agreements while receiving Section 8 rental assistance. All requirements of the housing choice voucher program apply to lease-purchase agreements, except that families are permitted to pay an extra amount out-of-pocket to the owner for purchase related expenses-- a "home ownership premium." Any "home ownership premium," defined as an increment of value attributable to the value of the lease-purchase right or agreement, is excluded from CORHA's rent reasonableness determination and subsidy calculation, and must be absorbed by the family.

3. Sales Agreement.

Prior to execution of the offer to purchase or sales agreement, the financing terms must be provided by the family to CORHA for approval. The sales agreement must provide for inspection by CORHA, the independent inspection referred to in Section 4 below, and **must state that the purchaser is not obligated to purchase unless such inspections are satisfactory to CORHA.** The contract also must provide that the purchaser is not obligated to pay for any necessary repairs **unless first approved by CORHA. The sales agreement must provide**

that the purchaser is not obligated to purchase if the mortgage financing terms are not approved by CORHA pursuant to Section 5 below. The sales agreement must also contain a seller certification that the seller is not debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24.

4. Independent Initial Inspection Conducted.

To assure the home complies with the housing quality standards of the Section 8 program, home ownership assistance payments may not commence until CORHA first inspects the home. An independent inspection of existing homes covering major building systems also must be completed by a professional selected by the family and approved by CORHA. CORHA will not pay for the independent inspection. The independent inspection report must be provided to CORHA. **CORHA may disapprove the unit due to information contained in the report or for failure of the unit to meet federal housing quality standards.**

5. Financing Requirements.

The proposed financing terms must be submitted to and approved by CORHA prior to close of escrow. CORHA shall determine the family's ability to afford the proposed financing. In making such determination, CORHA may take into account other family expenses, including but not limited to child care, unreimbursed medical expenses, education and training expenses, etc. 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 CORHA. Seller-financing mortgages shall be considered by CORHA on a case by case basis. If a mortgage is not FHA-insured, CORHA 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, the Federal Home Loan Bank, or other established private lending institutions.

6. Compliance With Family Obligations.

A family must agree, in writing, to comply with all family obligations under the Section 8 program and CORHA's home ownership policies. These obligations include (1) **attending ongoing home ownership counseling, if required by CORHA;** (2) complying with the mortgage terms; (3) not selling or transferring the home to anyone other than a member of the assisted family who resides in the home while receiving home ownership assistance; (4) not refinancing or adding debt secured by the home without prior approval by CORHA; (5) not obtaining a present ownership interest in another residence while receiving home ownership

assistance; and (6) supplying all required information to CORHA, including but not limited to annual verification of household income, notice of change in home ownership expenses, notice of move-out, and notice of mortgage default. CORHA's Home Ownership Family Obligation policy is attached as Appendix A.

7. Compliance Lien

Upon purchase of a home, the family must execute documentation as required by HUD and CORHA, consistent with State and local law, securing CORHA's right to recapture the home ownership assistance in accordance with Section E (3) below. The lien securing the recapture of home ownership subsidy may be subordinated to a refinanced mortgage at the sole discretion of CORHA and/or HUD.

D. AMOUNT OF ASSISTANCE

The amount of the monthly assistance payment will be based on three factors: the voucher payment standard for which the family is eligible; the monthly home ownership expense; and the family's household income. CORHA will pay the lower of either the payment standard minus the total family contribution ("TFC") or the family's monthly home ownership expenses minus the TFC. The Section 8 family will pay the difference.

1. Determining the Payment Standard.

The voucher payment standard is the fixed amount CORHA annually establishes as the "fair market" rent for a unit of a particular size located within CORHA's jurisdiction. In the home ownership program, the initial payment standard will be the lower of either (1) the payment standard for which the family is eligible based on family size; or (2) the payment standard which is applicable to the size of the home the family decides to purchase. The payment standard for subsequent years will be based on the higher of: (1) the payment standard in effect at commencement of the home ownership assistance; or (2) the payment standard in effect at the most recent regular reexamination of the family's income and size. The initial payment standard, for purposes of this comparison, shall not be adjusted even if there is a subsequent decrease in family size. CORHA will request HUD approval of a higher payment standard, up to 120% of the published Fair Market Rent limit, where warranted as a reasonable accommodation for a family that includes a person with disabilities.

2. Determining the Monthly Home Ownership Expense.

Monthly home ownership expense includes all of the following: principal and interest on the initial mortgage and any mortgage insurance premium (MIP) incurred to finance the purchase and any approved refinancing of such debt; real estate taxes and public assessments; homeowner's insurance; maintenance expenses per CORHA allowance; costs of major repairs and replacements per CORHA allowance (replacement reserves); utility allowance per CORHA's schedule of utility allowances; principal and interest on mortgage debt incurred to finance major repairs, replacements or improvements for the home including changes needed to make the home accessible; and homeowner association dues, fees or regular charges assessed, if any. Home ownership expenses for a cooperative member may only include CORHA approved amounts for the cooperative charge under the cooperative occupancy agreement including payment for real estate taxes and public assessments on the home; principal and interest on initial debt incurred to finance purchase of cooperative membership shares and any refinancing of such debt; home insurance; the allowances for maintenance expenses, major repairs and replacements and utilities; and principal and interest on debt incurred to finance major repairs, replacements, or improvements, including changes needed to make the home accessible.

3. Determining the Total Family Contribution

The TFC is that portion of the home ownership expense that the family must pay. It is generally 30% percent of the family's adjusted income, plus any gap between the payment standard and the actual housing cost. All family income (including public assistance), will be counted to determine the family's adjusted monthly income for purposes of determining the amount of assistance.

4. Payment to Family or Lender.

CORHA will provide the lender with notice of the amount of the housing assistance payment prior to close of escrow and will pay CORHA's contribution towards the family's homeowner expense **directly to the family, unless otherwise required by the lender**. The family will be responsible for submitting the entire mortgage payment to the lender unless the lender requires direct payment of CORHA's contribution.

E. TERMINATION OF SECTION 8 HOMEOWNERSHIP ASSISTANCE

1. Grounds for Termination of Home Ownership Assistance include:

- (a) Failure to Comply with Family Obligations Under Section 8 Program or CORHA's Home Ownership Policies.

A family's home ownership assistance may be terminated if the family fails to comply with its obligations under the Section 8 program, CORHA home ownership policies, or if the family defaults on the mortgage. The family must comply with the terms of any mortgage incurred to purchase and/or refinance the home. The family must provide CORHA with written notice of any sale or transfer of any interest in the home; any plan to move out of the home prior to the move; the family's household income and home ownership expenses on an annual basis; any notice of mortgage default received by the family; and any other notices which may be required pursuant to CORHA home ownership policies. Except as otherwise provided in this Section, the family may not convey or transfer the home to any entity or person other than a member of the assisted family while receiving home ownership assistance.

- (b) Occupancy of Home.

Home ownership assistance will only be provided while the family resides in the home. If the family moves out of the home, CORHA will cease home ownership assistance commencing the month after the family moves out. **Neither the family nor the lender is obligated to reimburse CORHA for home ownership assistance paid for the month the family moves out.**

- (c) Changes in Income Eligibility.

A family's home ownership assistance may be changed in the month following annual recertification of the household income, but **participation in the Section 8 Home Ownership program shall continue until such time as the assistance payment amounts to \$0 a month for a period of six (6) consecutive months.**

- (d) Maximum Term of Home Ownership Assistance.

Notwithstanding the provisions of Section E (1), subparagraphs a through c, except for disabled and elderly families, a family may receive Section 8 home ownership assistance for not longer than ten (10) years from the date of close of escrow unless the initial mortgage incurred to finance purchase of the home has a term that is 20 years or longer, in which case the maximum term for Section 8 Homeownership assistance is 15 years. Families that qualify as elderly at the commencement of home ownership

assistance are not subject to a maximum term limitation. Families that qualify as disabled families at the commencement of home ownership assistance or at any time during the provision of home ownership assistance are not subject to a maximum term limitation. If a disabled family or elderly family ceases to qualify as disabled or elderly, the appropriate maximum term becomes applicable from the date home ownership assistance commenced; provided, however, that such family shall be eligible for at least six additional months of home ownership assistance after the maximum term becomes applicable. The time limit applies to any member of the household who has an ownership interest in the unit during any time that home ownership payments are made, or is a spouse of any member of the household who has an ownership interest.

2. Procedure for Termination of Home Ownership Assistance.

Prior to CORHA's termination of the home ownership assistance for a participant, that participant shall be entitled to the same termination notice and informal hearing procedures as are set forth in CORHA's Administrative Plan for the Section 8 housing choice voucher program.

3. Recapture of Home Ownership Assistance

In certain circumstances the home ownership assistance provided to the family is subject to total or partial recapture upon the sale or refinancing of the home. Sales proceeds that are used by the family to purchase a new home with Section 8 home ownership assistance are not subject to recapture. Further, a family may refinance to take advantage of better terms without any recapture penalty, provided that no proceeds are realized ("cash-out") and subject to CORHA approval of the refinance as provided herein. Only "cash-out" proceeds from refinancing and sales proceeds not used to purchase a new home with Section 8 assistance are subject to recapture. Further, the amount of home ownership assistance subject to recapture shall automatically be reduced in annual increments of 10% beginning one year from the purchase date. At the end of 10 years the amount of home ownership assistance subject to recapture will be zero.

E. CONTINUED PARTICIPATION

1. Default on FHA-Insured Mortgage.

If the family defaults on an FHA-insured mortgage, CORHA may permit the family to move with continued Section 8 housing choice rental assistance if the family demonstrates that it has (a) conveyed title to the home to HUD or its

designee, as required by HUD; and (b) moved from the home within the period established or approved by HUD.

2. Default on non-FHA-Insured Mortgage.

If the family defaults on a mortgage that is not FHA-insured, CORHA may permit the family to move with continued Section 8 housing choice voucher rental assistance if the family demonstrates that it has (a) conveyed title to the home to the lender, to CORHA or to its designee, as may be permitted or required by the lender; and (b) moved from the home within the period established or approved by the lender and/or CORHA.

G. CORHA ADMINISTRATIVE FEE

For each month that home ownership assistance is paid by CORHA on behalf of the family, CORHA shall be paid the ongoing administrative fee described in 24 C.F.R. §982.152(b).

H. WAIVER OR MODIFICATION OF HOME OWNERSHIP POLICIES

The Executive Director of CORHA shall have the discretion to waive or modify any provision of the Section 8 home ownership program or policies not governed by statute or regulation for good cause or to comply with changes in HUD regulations or directives.

APPENDIX A: SECTION 8 HOME OWNERSHIP OBLIGATIONS

This form is to be signed by the home buyer(s) in the presence of the Central Oregon Regional Housing Authority's (CORHA) Home Ownership Program Coordinator. The Coordinator will explain any and all clauses which you, the home buyer(s), may not understand.

The following paragraphs describe your responsibilities under the Section 8 Home Ownership Program. If you or members of your household do not meet these responsibilities, through your actions or your failure to act, you may be terminated from the Section 8 Home Ownership Program.

1. **Family Obligations:** You must comply with all Family Obligations of the Section 8 Housing Choice Voucher Program, excepting only the prohibition against owning or having an interest in the unit. *Family Obligations §§ 982.551(c),(d),(e),(f),(g) and (j) do not apply to the Section 8 Homeownership Program.*
2. **Housing Counseling:** All participating family members (i.e. those signing the purchase offer and loan documents) must satisfactorily complete a CORHA provided or approved counseling program prior to commencement of home ownership assistance. CORHA may require any or all participating family members to attend additional housing counseling classes as a condition of continued assistance.
3. **Purchase Contract:** You must include contract conditions in any Offer to Purchase that give CORHA a reasonable time (a) to inspect the home for compliance with HUD's Housing Quality Standards; (b) to review and approve a professional home inspection report obtained by you from a CORHA approved inspector; and (c) approve the terms of your proposed financing. Advise your Realtor of these requirements.
4. **Mortgage Obligations:** You must comply with the terms of any mortgage incurred in the purchase of the property and must notify CORHA's Home Ownership Program Counselor within five (5) days of receipt of any late payment or default notice.
5. **Occupancy:** You must occupy the unit as your principal residence. You may not transfer, sell, or assign any interest in the property without CORHA's prior written consent. You may not rent or lease any part of the premises without CORHA's prior written consent. You must notify CORHA in writing at least 30 days prior to moving out of the house for a period of 30 days or longer or prior to any sale, transfer, assignment, lease or other form of alienation of the assisted property.

6. **Maintenance:** You must maintain the property in a decent, safe and sanitary manner. You must allow CORHA to inspect the property within one-week of a demand by CORHA to conduct an inspection. You must correct any notice of deficiency issued by CORHA within the time limit specified in the notice. If you fail to adequately maintain the property, CORHA may divert the maintenance and replacement reserves portions of the Home Ownership Assistance Payment to an escrow account to be used to pay for reasonable and necessary maintenance expenses.
7. **Annual Re-examination:** You must annually provide CORHA with current information regarding family income and composition in a format required by CORHA.
8. **Refinancing:** You must notify CORHA in writing of any proposal to refinance the original purchase mortgage or of any proposal to encumber the property with secondary financing and obtain CORHA's written approval of such financing prior to executing any loan documents.
9. **Default:** In the event of a default on your mortgage obligation, you must cooperate with CORHA and the lender to minimize any loss to the lender in order to maintain your eligibility to continue as a participant in the Section 8 Housing Choice Voucher Program.
10. **Recapture:** You must sign and have recorded a lien, in a form required by HUD, securing CORHA's right to recapture a percentage of home ownership assistance provided to you upon your sale or refinancing of the home within a 10 year period after the purchase date. The amount of recapture shall be calculated in accordance with HUD regulations and shall be subject to automatic reduction in 10% increments annually beginning one year from the purchase date.

By signing below, I attest that I have read and understood my obligations as a participant in the Section 8 Home Ownership Program and I agree to abide by these responsibilities. I understand that CORHA may terminate my home ownership assistance if I violate any of these obligations, but that I may request an informal review of any proposed notice of termination prior to it becoming effective.

Section 8 Homeownership Program Participant

Date

Section 8 Homeownership Program Participant

Date