

APPENDIX C.

Pilot Section 8 Home Ownership Program

I. INTRODUCTION

The Section 8 Home Ownership Program (S8HOP) of the Housing Authority of Portland (HAP) provides eligible participants in the tenant-based Housing Choice Voucher Program (HCVP), the option of purchasing a home with their Section 8 assistance. A maximum of 50 families will participate in the 2-year pilot program.

Although this program is voluntary, families who choose home ownership are required to participate in HAP's GOALS (Greater Opportunities to Advance, Learn and Succeed) FSS (Family Self Sufficiency) Program. The GOALS coordinator and the participant develop short and long term goals and a plan for achieving them. The GOALS program escrow savings account may be used as part of the down payment.

HAP's pilot program will move GOALS families selected for this program to a new level of independence through active participation in their own self-sufficiency.

II. FAMILY ELIGIBILITY REQUIREMENTS

Participation in S8HOP is voluntary. Each family must:

- meet S8HOP eligibility requirements (See Section II. G for families with elderly or disabled members); and
- be a participant in good standing in the Section 8 tenant-based HCVP (participants in Project-Based programs are not eligible); and
- be a participant in good standing or a graduate of HAP's GOALS FSS program; and
- have successfully completed the Financial Fitness and ABC's of Home Buying Class provided by the Portland Housing Center within the previous 12 months of their application to participate in S8HOP; and
- have made substantial and verifiable progress in their GOALS program as agreed to with their GOALS Coordinator.

Additional eligibility requirements for participation are:

A. First-Time Homebuyer

Each family must be a first-time homeowner. This means that no member of the household has had an ownership interest in any residence during the three years preceding S8HOP 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 this program. A member of a cooperative (as defined in 24CFR982.4) also qualifies as a “first-time homeowner”. (For elderly and disabled families, see Section II.G)

B. Minimum Income Requirement (For elderly and disabled families, see Section II.G)

1. Amount of Income and Savings

The Department of Housing and Urban Development (HUD) recently published a proposed regulation (6/13/01) and an interim regulation (6/22/01) to supplement its (9/12/00) Section 8 Home Ownership Option. One of these proposed changes includes:

“Authorization for every public housing authority (PHA) to adopt a higher minimum income eligibility standard that is based on local housing costs and the practices of participating lenders.”
*www.NHLP.Sec.8Homeownership New Rules & Regulations
HUD Publishes Proposed Rule & Interim Rule Affecting Existing
Sec. 8 Home Ownership*

HAP will require that the adult household member(s), who intend(s) to own the home, have a combined gross annual income equal to, or exceeding, 40% of the area Median Family Income (MFI) for the family size.

2. Exclusion of Welfare Assistance Income

HAP will not count any “welfare assistance” income in determining the minimum income requirement for initial home ownership qualification. 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. It does not affect the determination of income-eligibility for admission to the Section 8 HCVP, calculation of the family’s total tenant payment, or calculation of the amount of home ownership assistance payments. (For elderly and disabled families, see Section II.G)

3. The family must also have at least \$3,000 in a GOALS Escrow, personal savings or Individual Development Account (IDA), or a combined savings total of \$3,000 in one or more locations. (For elderly and disabled families, see Section II.G)

C. Employment History

Each family must demonstrate that one or more adult members of the family at commencement of Home ownership assistance is employed full-time (an average of 30 hours per week minimum) and has been continuously employed for the prior 12 months. HAP may waive employment requirements in certain circumstances, considering employment interruption, and reemployment situations when verifiable through income tax records, etc. (For elderly and disabled families, see Section II.G)

D. Completion of Initial Lease Term - 12 Consecutive Months In Any PHA

1. Applicants for, and new participants in, the HCVP shall be ineligible for participation in the S8HOP until completion of an initial 12 month Section 8 Lease Term or the participant's first annual re-certification in the Section 8 HCVP (whichever is later).
2. Section 8 participants who have completed a 12-month initial lease term in another jurisdiction have also met this requirement.

E. Repayment of Any Housing Authority Debts

Participants in HCVP shall be ineligible for participation in S8HOP if any debt or portion of a debt remains owed to HAP or any other PHA. Participants may acquire "good standing" if all outstanding debt is paid; however, they will not be eligible for home ownership until 12 months after final PHA debt payment.

F. Home Ownership Counseling Program - Portland Housing Center

Family participation in S8HOP is conditioned on the family attending and successfully completing the Portland Housing Center's HomeOwner Basics and being approved for a second mortgage loan by the Portland Housing Center prior to issuance of S8HOP assistance. HomeOwner Basics covers:

Home maintenance
Budgeting and money management
Credit counseling

Negotiating the purchase price
Securing mortgage financing
Finding a home

The sessions will cover the advantage of purchasing homes in areas that do not have high concentration of low-income families, and information on how to identify and avoid loans with oppressive terms and conditions. In addition, the following will be covered:

Fair Housing
Fair Housing Lending Practices
Local Fair Housing enforcement agencies
Information on RESPA (Real Estate Settlement Procedures Act)
State and Federal Truth In Lending Law

G. Eligibility Factors and Criteria for households with Elderly or Disabled members. (5 S8HOP homebuyer slots for Elderly/Disabled households will be set-aside in each year of the 2-year pilot program.)

1. Families with a disabled or elderly member may have previously been homeowners;
2. HAP will count incomes such as Supplemental Security Income, Social Security, and general assistance when determining whether the family meets the minimum income requirement;
3. Families need not meet the employment and escrow savings requirements;
4. Families may choose between participation in the GOALS program or may participate in a modified case management program designed for the client's needs. A GOALS Coordinator will monitor the family's progress;
5. Elderly and disabled-qualifying families must so qualify at the commencement of home ownership; and
6. Extensions beyond the original term of assistance will be reviewed on a case-by-case basis to accommodate needs of elderly or disabled home owner households.

H. Prior Mortgage Default

If a head of household, spouse, or other adult household member has previously defaulted on a mortgage obtained through the S8HOP, the family will be ineligible to participate in the program. However, prior default on any other loan program or product will comply with time periods established by current lending practices.

III. METHOD OF SELECTION

A. Notification and Application

All current SC8 GOALS families will be notified by mail about the start date of this pilot program. The notification will indicate where application forms will be available. Applicant must complete and submit the application to HAP. Applications will be selected and processed in the same manner as in the HCVP random-selection method (See Section XI of HAP's HCVP Administrative Plan). All new SC8 GOALS participants will be briefed about this option when accepted into the GOALS program.

B. Selection Process and Requirements

1. From the pool of applicants, the first 12 families, who meet all home ownership criteria, will be sent by HAP to PHC.
2. HAP will process the next group (remainder of 25 S8HOP home buyers per year) when no fewer than 5 of the first 12 families have:
 - a. Made a written and accepted offer on a home and passed the HQS and Home Inspection
 - b. Decided to withdraw from the Home Ownership process and continue on with their Section 8 Housing Choice Voucher Program through renting; or
 - c. Actively pursuing home ownership and able to qualify within the next 12 months based on the assessment of the PHC credit counselor. The "actively pursue home ownership" requirement will be satisfied by the household's participation in one or more of the following activities:
 - i. regular attendance at PHC homebuyer credit counseling sessions;
 - ii. monthly contributions into a savings account or an individual development account for a down payment to purchase a home;
 - iii. working towards a long-term debt ratio of 10% or less of gross income;
 - iv. adhere to a quarterly review of actual expenses versus projected expenditures by credit counselor;
 - v. contact the credit counselor monthly;
 - vi. actively searching for a home in their affordable price range; and/or
 - vii. participation in other services offered by the Portland Housing Center;

- d. If the S8HOP homebuyer ceases to “actively pursue home ownership” for a period of more than two months, the reservation of funds will be forfeited. The funds will be reserved on a First-come, First-served basis until fully committed.

IV. FAMILY PARTICIPATION REQUIREMENTS

A. Locating and Purchasing a Home

1. Eligibility Determination

The family must complete an eligibility review to determine the payment standard, the bedroom size, and other eligibility criteria. The family must also attend a briefing presented by HAP.

2. Lender Approval

Upon S8HOP selection approval, a family shall be referred to the PHC for second mortgage loan approval, and assistance in obtaining first mortgage loan approval, choosing a realtor, and in locating a home.

3. Locating A Home

Home buyer will have ninety (90) days to locate a home to purchase and submit a proposed sales agreement acceptable to PHC. The home must be located in Multnomah County. For good cause, HAP may extend a Section 8 family’s time to locate the home for one (1) additional thirty (30) day increment. During the search for a home, Section 8 rental assistance on the assisted unit shall continue pursuant to the Administrative Plan.

4. Failure To Locate A Home

If the home buyer is unable to locate a home within the time approved by HAP, Section 8 assistance through the Section 8 HCVP shall continue. Families are eligible to re-apply to the home ownership wait list but must wait for their name to again be selected.

During the home searching process, S8HOP home buyers must continue to work with PHC in locating a home for purchase. Failure to notify PHC for 4 consecutive weeks will result in withdrawal from the S8HOP. The family will continue as a participant in the Section 8 HCVP as in the past.

5. Type of Home

Home buyer approved for S8HOP assistance may purchase the following types of homes:

New or existing single family dwellings	Cooperatives
Condominiums	Lofts, live/work units
A home in a planned-use development	Manufactured homes on their own lots - Minimum: Double Wide

A manufactured home must be sited on its own lot, be built after 1976, have tie downs, and comply with current Federal Housing Administration (FHA) standards. Homes must be titled with the land, cannot be on rented space, in a park or elsewhere.

6. Construction Types

The home must exist or be currently under construction. If new construction, then home must have been completed and ready to close, purchase, and move into within one year of acceptance into the S8HOP. [See 24CFR982.628(a)(2)].

B. Sales Agreement To Purchase Home

1. Prior to execution of the offer to purchase and sales agreement, the following conditions will be included:
 - The buyer is not obligated to pay for any repairs
 - HAP inspection per Housing Quality Standards (HQS), including Lead-Based Paint requirements
 - Independent, licensed, and professional whole house inspection, including a Pest and Dry Rot Report
 - Purchaser is not obligated to purchase unless all such inspections are satisfactory to HAP's HQS
 - Seller certification that the seller is not debarred, suspended, or subject to a limited denial of participation under 24CFR24.
2. Once a home is located and a sales agreement, approved by PHC and HAP, is signed by the family, the family shall have up to three months (90 days), to purchase the home. This 3-month period will allow time for inspections, appraisal and scheduling for any required repairs. The purchasing family would be able

to move in at the end of this 3-month period, or sooner if all parties agree, and financing is ready for funding and recording. Extensions require HAP approval.

C. Housing Quality Standard (HQS) Inspection & Professional Inspection

1. Home ownership assistance payments may not commence until HAP inspects and approves the home subject to HQS standards. (See Section IV. B.1. above).
2. An independent inspection of major building systems must be completed by a licensed professional selected and paid for by the home buyer.

D. Financing

HAP has a Memorandum of Understanding with PHC to administer financing for the pilot S8HOP. PHC has raised loan capital dedicated to S8HOP home buyers and it has agreed to use this loan capital toward HAP S8HOP homebuyers. (See also Section VIII. SINGLE DOWNPAYMENT ASSISTANCE GRANT.)

E. Compliance With Family Obligations

A family must agree, in writing, to comply with all family obligations under the Section 8 HCVP and HAP's S8HOP. These obligations include:

1. Attending on-going home ownership education, if required by PHC
2. Complying with mortgage terms
3. Not selling or transferring the home to anyone unless approved by PHC, HAP, and first mortgage lender.
4. Not refinancing or adding debt secured by the home, without prior approval of PHC and HAP.
5. Not obtaining a present ownership interest in another residence while receiving S8HOP.
6. Supplying all required information to PHC and HAP, including, but not limited to, annual verification of household income, changes in family household composition, notice of move-out, and notice of mortgage default. HAP's S8HOP Family Obligations are set forth in Appendix D.
7. Continuing in HAP's GOALS program, (or HAP's Home Ownership case management, if elderly or disabled) for a period to be determined by GOALS Coordinator.

8. Complying with HAP's annual HQS inspection of property to maintain property in good condition.
9. Continuing in good standing as a SC8 participant in HAP's HCVP.

V. AMOUNT OF ASSISTANCE

A. **Monthly Assistance Payment**

The monthly assistance payment paid to PHC on behalf of home buyers will be established at the time of initial certification into S8HOP, and be based upon three factors, subject to change with notice:

1. The voucher payment standard for which the family is eligible
2. The monthly home ownership expense
3. The family's household income

B. **Determining the Payment Standard**

1. The voucher payment standard is the fixed amount that HAP annually establishes based upon "fair market" rent for a unit of a particular size located within HAP's jurisdiction. In the S8HOP, the **payment standard** will be the lower of either:
 - a. The payment standard for which the family is eligible based on family size, or:
 - b. The payment standard which is applicable to the size of the home the family decides to purchase.
2. The payment standard, for purposes of this program, shall not be adjusted even if there is a subsequent decrease in family size. Under HAP's Moving to Work (MTW) authority, HAP will freeze the payment standard for the term of assistance to the amount at the time of purchase. Both the payment standard and the amount of subsidy will remain constant for the entire term of assistance.

In the event the family's income increases and family no longer qualifies for assistance, HAP will continue to make payments for 6 months after the family is determined to be over income. In the 7th month, the family will be obligated to make the remaining loan payments to PHC and the first mortgage lender until the loan balances are satisfied.

C. **Determining the Total Family Contribution (TFC)**

The Total Family Contribution (TFC) is that portion of the home ownership expense that the family must pay to the first mortgage lender. It is a minimum

of 30% percent of the family's adjusted income as determined by HAP, 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.

D. Payment to First Mortgage Lender and PHC

1. The family will make the payments to the primary lender (1st mortgage) as instructed by the lender. HAP will make payments directly to PHC on the 2nd mortgage.
2. HAP will provide PHC with notice of the amount of the housing assistance payment at the time of initial referral to PHC.
3. Any charges for late payment will be the responsibility of the home buyer.
4. If the homebuyer becomes ineligible for S8HOP for any reason, the home buyer will have full responsibility to make payments on both the 1st and 2nd mortgages until these obligations are satisfied

Note: After the final 6 month's of HAP assistance (because income has increased), the family will make payments on the 1st mortgage to the primary lender, and on the 2nd mortgage to PHC.

VI. MAXIMUM TERM OF HOME OWNERSHIP ASSISTANCE

A. Maximum Term of Assistance

The maximum term of assistance is 15 years from initial purchase (24CFR982.636 and 637). The first mortgage loan has a term of 30 years. The term for second mortgage is 15 years. See criteria for elderly and disabled households in Section II.G above.

B. Elderly and Disabled Family Assistance

If an Elderly or Disabled family ceases to qualify as such, the appropriate maximum term becomes applicable from the date home ownership assistance commenced. The family shall remain eligible for at least six additional months of home ownership assistance after the maximum term becomes applicable. The time limit applies to any member or spouse of a member of the household who has an ownership interest in the unit when home ownership payments are made. Note: This would apply if the head of household were elderly and/ or disabled, and no longer resided in the home. This may be due to death, or transfer to a nursing or care facility.

C. Portability and Transfers

During this pilot program, home purchases will be limited to Multnomah County; porting out of assistance will not be allowed. S8HOP home buyers may also not move more than once a year.

VII. CALCULATING MONTHLY EXPENSES (Determining Monthly Home Ownership Expenses)

A. Standard monthly home ownership expenses

1. Principal and interest on the initial mortgage and any mortgage insurance premium (MIP) incurred to finance the purchase and any refinancing of such debt
2. Real estate taxes and public assessments
3. Home Warranty
4. Home owner insurance
5. 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
6. Home owner association dues, fees or regular charges assessed, if any.

B. Cooperative monthly home ownership expenses

There are currently no Cooperative home ownership units available in Multnomah County.

VIII. SINGLE DOWNPAYMENT ASSISTANCE GRANT

HAP may provide a single downpayment assistance grant for a participant who has received tenant-based rental assistance in the HCVP. A family may only receive one form of assistance, but may opt for this grant in lieu of monthly assistance payments as defined in Section V. The two types of assistance may not be combined.

The grant may be applied to the downpayment for purchase of the home or for reasonable and customary closing costs required in connection with the purchase of the home. Note: HAP may not commence offering this downpayment assistance until published by HUD notice in the Federal Register.

A. Maximum Downpayment Grant

A downpayment assistance grant may not exceed twelve (12) times the difference between the payment standard and the total tenant payment as would be paid in the 1st year of assistance.

If the grant is to be used for closing costs, the costs must be reasonable

and customary, and must permit coverage for costs required if financed under FHA-insured mortgages.

B. Payment of the Grant

The downpayment assistance grant may be paid to the family, or to a mortgage lender on behalf of the family. The grant must be paid at the closing of the family's purchase of the home.

IX. TERMINATION OF SECTION 8 HOMEOWNERSHIP ASSISTANCE

A. Termination of Home Ownership Assistance

A family's home ownership assistance may be terminated if the family fails to comply with its obligations under the Section 8 Program, HAP's Home Ownership Policies, or if the family defaults on the mortgage. If required, the family must attend and complete ongoing home ownership and housing education classes and participate in HAP's and/or GOALS case management.

Grounds for Termination of S8HOP assistance include failure to:

1. Comply with Family Obligations Under Section 8 Program or HAP's Home Ownership Policies
2. Comply with the terms of any mortgage incurred to purchase and/or refinance the home with HAP and PHC approval
3. Give HAP PHC written notice of any intent of sale or transfer of any interest in the home
4. Give proper (30 day) written notification to PHC and HAP of any plan to move out of the home, prior to the move
5. Report family's household income on an annual basis to HAP
6. Inform PHC and HAP of any notice of mortgage default received by the family within 5 calendar days of receipt
7. Get approval in writing from PHC and HAP, prior to adding anyone to the title or altering ownership or interest in any way.

The family must comply with any other notices which may be required pursuant to HAP's Home Ownership policies except as otherwise provided in this section. The family may not convey or transfer the home to any entity or person while receiving Home Ownership Assistance without approval by PHC and HAP.

Note: For termination from S8HOP for any cause other than income increase, HAP is obligated for no more than a 30-day notice, after which the homebuyer is responsible for payment on both 1st and 2nd Mortgage debt. Also refer to note in Section V.D.3.

B. Occupancy of Home

Home ownership assistance will only be provided while the assisted family resides in the home. If the family moves out of the home, HAP will not continue home ownership assistance commencing with the month after the family moves out. Neither the family nor the primary lender or PHC is obligated to reimburse HAP 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 re-certification of the household income, but participation in the S8HOP shall continue until such time as the assistance payment amounts to "0" for a period of six (6) consecutive months, or maximum time limits are reached.

Note: Refer to Note in V.D.3. above concerning payment of 1st and 2nd mortgages at termination of HAP assistance.

D. Procedure for Termination of Home Ownership Assistance

A home buyer in S8HOP shall be entitled to the same termination notice and informal hearing procedures as set forth in the Administrative Plan of HAP for the SC8 Program. This only applies if HAP terminates the assistance for program rules violation. No hearing is provided if primary lender or PHC forecloses on the mortgage.

X. CONTINUED PARTICIPATION IN HAP'S SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

A. Return to Tenant-based Assistance

A family that has received a downpayment assistance grant may apply for and receive tenant-based rental assistance. However, HAP may not commence HCVP monthly assistance for occupancy of the new unit so long as any member of the family owns any title or other interest in the home purchased with homeownership assistance. In addition, 18 months must have passed since the family's receipt of the downpayment assistance grants.

B. Default on FHA-Insured Mortgage

If the family defaults on an FHA-insured mortgage, HAP may permit the family to continue with a Section 8 Housing Choice Voucher rental assistance if the family demonstrates that it has:

1. Conveyed title to the home to HUD or its designee, as required by HUD,
2. Moved from the home within the period established or approved by HUD, and
3. Has left the home in good condition per HQS Standards.

C. Default on non-FHA-Insured Mortgage

If the family defaults on a mortgage that is not FHA-insured, HAP may permit the family to move with continued Section 8 Housing Choice Voucher assistance if the family demonstrates that it has:

1. Conveyed title to the home to the first mortgage lender and notified PHC of this action
2. Moved from the home within the period established by the 1st mortgage holder and PHC.
3. Left the home in good condition per HQS Standards.

XI. HAP ADMINISTRATIVE FEE

For each month that home ownership assistance is paid by HAP on behalf of the family, HAP shall be paid the ongoing administrative fee from HUD described in 24CFR982.152(b). For each downpayment assistance grant made by HAP, HUD will pay HAP a one-time administrative fee in accordance with 24CFR982.152(a)(1)(iii).

XII. WAIVER OR MODIFICATION OF HOME OWNERSHIP POLICIES

The Executive Director of HAP shall have the discretion to waive or modify any provision of the S8HOP or policies not governed by statute or regulation for good cause or to comply with changes in HUD regulations or directives. Any changes require a 30-day notice to PHC.