

E. Appendix 2: Definitions of Terms

1937 Act Funds: Programs authorized under the U.S. Housing Act of 1937 that received appropriations awarded to PHAs, such as the Capital Fund program and the HOPE VI grant program, that are available for use in connection with public housing homeownership are considered to be 1937 Act Funds in the context of the Section 32 program. This does not include PHA reserves of Section 8 administrative fees.

Anti-speculation provision: This provision limits the amount the subsidized, original purchaser can realize due to gain from appreciation of the property upon sale. This provision only applies to the sharing of sale proceeds and does not address the recapture of financing the PHA provides directly to the purchaser.

Appreciation: Appreciation means the financial gain on resale attributable solely to the home's increase in value over time, and not attributable to government-provided assistance or below market financing.

Direct financing to the purchaser: This term refers to the provision of a mortgage or some other form of financial assistance such as downpayment or closing costs assistance to a purchaser. Unlike a subsidy that is invested in the unit (such as a permanent write-down), this form of financing is provided directly to the purchaser.

Lease-purchase program: A lease-purchase arrangement generally provides that a portion of the tenant's rent be set aside for the eventual purchase of the unit. For PHAs implementing a lease-purchase program, public housing tenants rent units designated as lease-purchase units. During the leasing period, a portion of the tenant's rent is set aside for purchase of the unit in which the tenant resides. After a determined period of the time, the PHA sells the public housing rental unit to the tenant, at which point the PHA must amend its ACC to remove the unit(s) in question from the PHA's portfolio.

Net proceeds: This is the seller's financial gain after he/she has (a) satisfied all mortgages (including the PHA's, if it provided one), (b) paid closing costs, and (c) recovered his/her investment (downpayment and other paid-in equity, and the depreciated value of his/her improvements to the home).

Program Income: Income generated by operation of the public housing homeownership program that is available for reuse by PHAs or their designees for purposes benefiting low-income persons constitutes program income. The scope of uses authorized for program income may be broader than that associated with initial appropriations.

Purchase and Resale Entity (PRE): This term is applicable to the Section 32 program, and means an entity that acquires units for resale to low-income families in accordance with this part. Qualified resident organizations may qualify as a PRE.

Recapture provision: This provision outlines the terms of recapture of PHA subsidy to the purchaser. The PHA may choose to recapture the entire amount of direct financing to the purchaser (generally in the form of a subordinate mortgage) or to forgive the loan over time.

Sales proceeds: Proceeds realized by the owner entity/developer from the sale of homeownership units after the payments of the construction loan(s), the developer fee, and all other project costs have been satisfied.

Subordinate mortgage: This is a loan secured by a mortgage against a homeowner's property that is junior to the first loan and secured against the same property. Subordinate mortgages are frequently structured as "soft" (involve no interest and no payments by the purchaser) and are typically forgiven gradually over time. A soft subordinate mortgage is paid according to the loan terms and/or upon resale of the home. Subordinate mortgages also can be used to record restrictions or conditions on the use or resale of the property.