

SECTION 8 HOMEOWNERSHIP SUMMARY

A. Authority .

The Section 8 Tenant-Based Assistance: Housing Choice Voucher Program final rule (24 CFR part 982) was published in the Federal Register on September 12, 2000, and was effective on October 12, 2000. The text of the rule can be found on the HUD Home Page (www.hud.gov/pih/programs/s8/s8homeownership.html).

B. Section 8 Homeownership .

The rule provides that PHAs may choose to administer a homeownership program but are not required to do so. The PHA may impose limits on the size of its housing choice voucher homeownership program, or limit use of the option to certain purposes. HUD does not provide new housing choice voucher funding for homeownership assistance – the PHA uses voucher funding available under its annual contributions contract.

C. Eligible Costs .

Homeownership assistance is provided to help first-time homeowners with their monthly homeownership expenses. Housing choice voucher funds may not be used to assist with financing costs such as the downpayment, closing costs, etc. Monthly homeownership expenses include principal and interest, mortgage insurance premium, taxes and insurance, PHA allowance for utilities, PHA allowance for routine maintenance costs, PHA allowance for major repairs and replacements, principal and interest on debt to finance major repairs and replacements for the home, and principal and interest on debt to finance costs to make the home accessible for a family member with disabilities, if the PHA determines it is needed as a reasonable accommodation. If the home is a coop or condo unit, homeownership expenses may also include cooperative or condominium operating charges or maintenance fees assessed by the condominium or cooperative homeowner association.

D. Amount of Subsidy .

The PHA uses its normal voucher program payment standard schedule to determine the amount of subsidy. The housing assistance payment is the lesser of the payment standard minus the total tenant payment or the family's monthly homeownership expenses minus the total tenant payment. The PHA may make the HAP payment directly to the family or the lender.

E. Eligibility.

To be eligible for housing choice voucher homeownership assistance, the family must be eligible for the voucher program and meet the following eligibility requirements:

1. First-time Homeowner or Cooperative Member. The family must meet the definition of a first-time homeowner (or coop member).
2. Minimum Income. The qualified monthly income of the adult family members who will own the home must not be less than the Federal minimum hourly wage multiplied by 2,000 hours (\$10,300). Except in the case of an elderly or disabled family, welfare assistance is not counted in determining whether the family meets this requirement.
3. Employment. Except in the case of elderly and disabled families, one or more adults in the family who will own the home must be currently employed on a full-time basis (not less than an average of 30 hours a week) and have been continuously employed on a full-time basis for at least one year before commencement of homeownership assistance.
4. No Mortgage default. The family may not have previously defaulted on a mortgage while receiving voucher homeownership assistance.
5. No Ownership Interest in any Residential Property. Except for coop members, no family member may have a present ownership interest in a residence at the commencement of homeownership assistance for the purchase of any home.
6. Additional PHA eligibility requirements. The family must meet any other initial eligibility requirements established by the PHA.
7. Homeownership counseling. The family must attend and satisfactorily complete the PHA's pre-assistance homeownership and housing counseling program.

F. Inspections.

The home must pass an initial housing quality standards inspection conducted by the PHA and an independent home inspection before the PHA may approve the sale. The rule does not require any subsequent inspections.

G. Limit on Assistance .

The law provides that a limit may be placed on the amount of time a family may receive assistance under the homeownership option. There is no time limit for an elderly or disabled family. For all other families, there is a mandatory term limit of 15 years if the initial mortgage incurred to finance purchase of the home has a term that is 20 years or longer, and for all other cases the maximum term of homeownership assistance is 10 years.

H. Sale or Refinancing .

If the family sells or refinances within ten years of the commencement of assistance, the homeownership assistance provided on behalf of the family is subject to recapture.

1. The recapture amount for sales is the lesser of:
 - a. the amount of homeownership assistance provided to the family (reduced after the first year of assistance by 10 percent each year over a 10 year period) or
 - b. the difference between the sales price and purchase price of the home less the costs of any capital expenditures, sale costs, and any amounts previously recaptured.

2. The recapture amount for refinancing of the home is the lesser of:
 - a. the amount of homeownership assistance provided to the family (reduced after the first year of assistance by 10 percent each year over a 10 year period) or
 - b. the difference between the current mortgage debt and the new mortgage debt minus the cost of any capital expenditures, refinancing costs, and any amounts previously recaptured.