

## **Housing Choice Voucher Home Ownership Plan**

### **A. Overview**

The Independence Housing Authority (IHA) Section 8 Home Ownership Program (HOP) allows certain eligible participants in the Section 8 Housing Choice Voucher Program (HCV) the opportunity to purchase rather than rent a home with their voucher assistance. This program is authorized by the Final Rule published in the Federal Register on October 18, 2002 by the U. S. Department of Housing and Urban Development (HUD) implementing regulations found at 24 CFR Part 982. Participation in the home ownership program is voluntary.

HCV assistance provided to eligible HOP participants may be used to purchase the following types of homes within the city limits of Independence: new or existing single-family dwelling units, condominiums, cooperatives, or manufactured homes (*pre-fabricated*). The IHA may also permit portability of Section 8 home ownership assistance to another jurisdiction, provided the receiving jurisdiction operates a Section 8 home ownership program for which the participant qualifies.

### **B. Family Eligibility Requirements**

Only current IHA voucher participants who meet the following eligibility criteria may be eligible for participation in the HOP: (participants with portable vouchers may qualify for the home ownership program, as long as they also meet all program eligibility requirements.)

1. The family must complete all required home ownership counseling sessions and submit **all** required documents as described in this plan.
2. The family must financially qualify for IHA-approved financing of the home within two years after the date of selection for the program and must be financially capable at the time of purchase of providing at least 3% of the purchase price as a minimum homeowner down payment and/or to pay toward closing costs. But, in any case, the family must provide a minimum of \$500 of their own money to pay toward the purchase transaction. IHA shall review lender qualifications and the loan terms before authorizing home ownership assistance.
3. The head of household, spouse and other adult family members must qualify as first-time home buyers as follows:
  - a. No member of the household has had an ownership interest in any residence during the three years prior to selection for the home ownership program, or
  - b. The head of household is 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 home owner for purposes of the Section 8 Home Ownership Program, or

- c. The head of household or spouse is a person with disabilities.
4. At the time the family is determined eligible for the Home ownership program, the head of household, spouse, and/or other adult household members who will own the home must have a combined gross annual income of at least \$15,000.00.
5. The IHA shall not count any type of welfare assistance received by the family in determining annual income. The disregard of welfare assistance income in this section only affects the determination of minimum annual income used to determine if a family initially qualifies for the home ownership assistance and does not affect the calculation of the amount of the family's total tenant payment or home ownership assistance payments, except in the case of an elderly or disabled family, In the case of an elderly or disabled family, the IHA shall count welfare assistance in determining annual income for HOP eligibility purposes.
6. Each family must demonstrate that one or more adult members of the family who will own the home is employed full-time (not less than an average of 30 hours per week) and has been continuously employed during the twelve calendar months immediately preceding selection for the HOP. However, in the case of an elderly or disabled family, the IHA will waive the employment requirement and consider income from all sources in evaluating whether the household meets the minimum income required to purchase a home through the HOP. The IHA may also consider whether and to what extent an employment interruption (such as a seasonal layoff) is considered permissible in satisfying the employment requirement. The IHA may also consider self-employment to determine sufficient employment history.
7. Applicants for and new participants in the Section 8 Housing Choice Voucher Program shall not be eligible for participation in the HOP until successful completion of an initial Section 8 HCV lease term of 12 months and then shall be eligible only after the participant's first annual recertification in the Section 8 Housing Choice Voucher Program. **Nothing in this provision will preclude Section 8 participants who have completed an initial lease term (12 months) in another jurisdiction from participating in this Section 8 Home Ownership Program.**
8. Participants in the Housing Choice Voucher Program shall be ineligible for participation in the Section 8 Home Ownership Program if any debt or portion of a debt remains owed to the IHA or any other Federally-funded housing provider. Additionally, participants who are in violation of their family obligations while receiving Federal housing assistance shall be ineligible for participation in the HOP.
9. Prospective participant families shall be required to repay any current civil judgment or order, or court approved mediation agreement prior to be considered eligible for HOP participation. The IHA may allow exceptions for extraordinary medical expenses after conducting an internal review.

10. If the 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 any jurisdiction's Section 8 Home Ownership Program, the family will be ineligible to participate in the IHA's Home Ownership Program.

### **C. Ownership Home Counseling Program**

Approval of a family's participation in the home ownership program is pre-conditioned on the family attending and successfully completing a home ownership and housing counseling program approved by the IHA prior to commencement of home ownership assistance. A family must also attend a credit counseling seminar before assistance may be offered.

### **D. Approval of Family Participation**

The IHA shall have the sole authority to approve or disapprove a family's continued participation in the HOP when the required educational steps have been completed. The IHA will issue the family a written notice of approval disapproval within ten (10) working days after notice of educational training completion from the provider(s). Upon receipt of written approval, the family may begin searching for a home to purchase and applicable financing from an approvable source(s).

### **E. Locating a Home**

Once a family has been approved to search for a home, they shall have sixty (60) days to locate a home to purchase. A home shall be considered located if the family submits an accepted purchase or sales agreement along with a bank or lender commitment to the IHA. For good cause, the IHA may extend a Section 8 family's time to locate the home for up to two (2) additional thirty (30) day increments.

### **F. Eligible Units**

The unit selected by the HOP participant family must be either under construction or already existing at the time the IHA determined that the family is approved for home ownership assistance. The unit must be a one-unit property or a single dwelling unit in a cooperative or condominium. The HOP participant family must not purchase a home if the IHA has been informed (by HUD or otherwise) that the seller of the home is debarred, suspended, or subject to a limited denial of participation. The unit must be inspected by an IHA inspector and must be inspected by an independent inspector and incipient code violations identified by the independent inspector and the IHA. *The violation must be corrected within six (6) months of ownership.*

### **G. Continuation of Rental Assistance During Search**

During a HOP participant's search for a home to purchase, their HCV rental assistance shall continue for their current residence, in accordance with the IHA Section 8 Housing

Administrative Plan. If a HOP participant family is unable to locate a home within this time limit, they will be dropped from HOP participation and their Section 8 rental assistance through the Housing Choice Voucher Program shall continue.

#### **H. Pre-purchase Requirements**

The following steps must be taken after a potential purchase is found but before the purchase can be approved and finalized by the IHA. The family must:

1. submit a purchase or sales agreement (see Part J. Below) containing specific components to the IHA for approval,
2. allow the IHA inspector to inspect the proposed home ownership dwelling to assure that the dwelling unit meets applicable standards (see parts K and L below),
3. obtain an independent inspection covering major building systems (part K),
4. obtain IHA approval of the proposed mortgage (which must comply with generally accepted mortgage underwriting requirements) (see Part M below); and
5. enter into a written agreement with the IHA to comply with all of its obligations under the Section 8 Program (see Part N below).

#### **I. Time Limitations on Purchase Completion**

Once a family has located a home to purchase and received approved financing, the family shall have another *sixty (60)* days to complete the purchase and to close the loan. If the family is unable to complete the purchase within the maximum time permitted by the IHA, then IHA must withdraw approval to participate in the HOP and but shall continue the family's rental assistance in the HCV program. The family may not reapply for the HOP until the family has completed an additional year (12 months) of participation in the HCV program.

#### **J. Purchase or Sales Agreement**

Prior to execution of the offer to purchase, the financing terms must be provided by the family to the IHA for approval. The purchase agreement must provide for inspection by the IHA and the independent inspector and must state that the purchaser is not obligated to purchase unless the inspections and the mortgage financing terms are satisfactory to the IHA.

The contract of sale must: (1) specify the price and other terms of sale by the seller to the purchaser (2) provide that the purchaser will arrange for a pre-purchase inspection of the dwelling unit by an independent inspector selected by the purchaser (3) provide that the purchaser is not obligated to purchase the unit unless the inspection is satisfactory to the purchaser (4) provide that the purchaser is not obligated to pay for any necessary repairs (5)

contain a certification from the seller that the seller has not been debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24.

#### **K. Initial Inspection**

To assure the home complies with the IHA *housing quality standards*, home ownership assistance payments must not commence until the IHA has inspected and approved the home. Another inspection must also be completed by a professional home inspector selected by the family and approved by the IHA. The independent inspection must cover major building systems and components, including foundation and structure, housing interior and exterior, and the roofing, plumbing, electrical, and heating systems. The independent inspector must be qualified to report on property conditions, including major building systems and components and be certified to conduct home inspections. The independent inspector may not be the *owner of the property*, an IHA employee or contractor, or other person under control of the IHA. The independent inspector must provide a copy of the inspection report both to the family and to the IHA. The IHA may not pay any home ownership assistance for the family until the IHA has reviewed the inspection report of the independent inspector. The IHA shall have discretion to disapprove the unit for assistance under the Home Ownership program because of information in either the independent or *IHA* inspection reports.

#### **L. Ongoing Inspections**

Before the first annual HCV recertification, the home will be inspected by an IHA inspector and must pass inspection to continue receiving home ownership assistance. If the IHA determines there are problems with maintaining the home in a safe and decent manner, the IHA may require on-going inspections at annual recertifications for the next 3 years.

#### **M. Financing Requirements**

The proposed financing terms must be submitted to and approved by the IHA prior to close of the financing. The IHA shall determine the affordability of the family's proposed financing. In making such determination, the IHA may take into account other family expenses, including but not limited to child care, unreimbursed medical expenses, and other outstanding debts. Certain types of financing, including but not limited to, balloon payment mortgages, are prohibited and will not be approved. Seller-financed mortgages through land contracts shall not be approved. If a mortgage is not FHA-insured, the IHA will require the lender to comply with generally accepted mortgage underwriting standards consistent with those of HUD/FHA, Ginnie Mae, Fannie Mae, Freddie Mac, the Federal Home Loan Bank, or other private lending institutions. The IHA may disapprove proposed financing, refinancing or other debt if it is determined that the debt is unaffordable, or if the lender or the loan terms do not meet the qualifications as set forth by the IHA. The buyer must be capable of providing at least 3% of the purchase price for the down payment.

#### **N. Compliance with Family Obligations**

A family must agree in writing, to comply with all family obligations under the Section 8 Program and the IHA's home ownership policies. These obligations include (1) *attending ongoing home ownership counseling, if required by the IHA*; (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 and who is approved by the IHA; (4) not refinancing or adding debt secured by the home without prior approval by the IHA; (5) not obtaining a present ownership interest in another residence while receiving home ownership assistance; (6) supplying all required information to the IHA, 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; (7) allowing inspections of the home and maintaining the unit in a decent and safe manner; and (8) repairing any incipient code violations identified from the independent inspector's report within six (6) months of ownership.

#### **O. Amount of Assistance Calculation**

The amount of the monthly assistance payment will be based on three factors: the voucher payment standard for which the family is eligible; the estimated monthly home ownership expense; and 30% of the family's adjusted gross monthly income (total tenant payment). The IHA shall pay a monthly home ownership assistance payment directly to the lender on behalf of the family that is equal to the lower of:

- (1) The payment standard minus the total tenant payment; or
- (2) The family's monthly home ownership expenses minus the total tenant payment.

Home ownership expenses for a homeowner may include principal and interest on mortgage debt, any mortgage insurance premium incurred to finance the home, real estate taxes, any public assessments on the property, home insurance, IHA allowance for maintenance expenses and costs of repairs and replacements; and the IHA utility allowance.

#### **P. Payment to the Lender**

The IHA will provide the lender with notice of the amount of the housing assistance payment prior to close of escrow and will pay IHA's contribution towards the family's homeowner expense directly to the lender or to a designated, limited access checking account for the mortgage activity. The family will be responsible to submit the family's portion of the mortgage payment directly to the lender or to a designated, limited access checking account for the mortgage activity in a timely manner to allow the transfer of funds by the lender and/or mortgage servicer and within the terms of the mortgage loan agreement.

#### **Q. Termination of IHA HOP Assistance**

Housing assistance payments under the HOP shall be terminated as follows:

1. automatically 180 calendar days after the last housing assistance payment on behalf of the family is made by the IHA due to increase in family income.
2. by the IHA for good cause as set forth below:
  - a. if the family fails to comply with its obligations under the Section 8 program, IHA home ownership policies, or if the family defaults on the mortgage.
  - b. if required, the family fails to attend and complete additional ongoing home ownership housing counseling classes, or to permit ongoing inspections.
  - c. the family fails to comply with the terms of any mortgage incurred to purchase and/or refinance the home.
  - d. the family fails to provide the IHA with written notice of any sale or transfer of any interest in the home, any plan to move out of the home, changes in the family's household income and home ownership expenses (on an annual basis), any notice of mortgage default received by the family, or any other notices which may be required by the IHA's home ownership policies.

#### **R. Transfer of Ownership Limitations**

Except as otherwise provided in this Plan, the family may not convey or transfer any portion of ownership in the home to any entity, person, or persons other than a pre-approved member of the assisted family, while receiving home ownership assistance. The IHA shall terminate homeownership assistance at any time in accordance with Section 8 program rules and policies including but not limited to failure to comply with family obligations, crime by family members, misrepresentation of information or fraud.

#### **S. Occupancy of Home**

Home ownership assistance will only be provided while the HOP-approved family resides in the home. The home must be the HOP family's sole residence. If the family moves out of the home, the IHA will discontinue home ownership assistance commencing with the month after the family moves out.

#### **T. Changes in Income Eligibility**

A family's home ownership assistance may change during the annual recertification of the household income, and at other times according to the IHA's policy of interim changes, while the family is participating in the HOP. The majority of such changes are due to changes in family income. Such changes will necessarily prompt commensurate changes in the family's out-of-pocket share of their housing expenses.

Participation in the HOP shall continue until such time as the assistance payment equals \$0.00 for a period of 180 consecutive days (6 months) and/or as limited according to the terms of the following part T.

#### **U. Maximum Term of Home Ownership Assistance**

Except in the case of a family that qualifies as an elderly or disabled household, the family members participating in the Section 8 Home Ownership Program shall not receive home ownership assistance for more than (1) fifteen years, if the initial mortgage incurred to finance the home has a term of 20 years or longer; or (2) ten years in all other cases.

If the family qualifies as an elderly family (head of household or spouse is age 62 or over) at the time of initial home ownership assistance, the maximum term of assistance does not apply. If the family qualifies as a disabled family (head or spouse is a handicapped or disabled person as defined in HUD regulations) and continues to qualify as a disabled family, the maximum term of assistance does not apply. If, during the course of homeownership assistance, the family ceases to qualify as a disabled or elderly family, the appropriate maximum term as set forth in the preceding paragraph becomes applicable from the date homeownership 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.

#### **V. Procedures for Termination of Home Ownership Assistance**

A participant in the HOP who is terminated by the IHA for cause shall be entitled to the same termination notice and hearing procedures as set forth in the Administrative Plan for the IHA.

#### **W. Continued Participation in Section 8 Housing Choice Voucher Program**

If the family defaults on an FHA-insured mortgage, the IHA will permit the family to move with continued Section 8 Housing Choice rental assistance, as long as the family demonstrates that it has (a) conveyed title to the home to HUD or its designee as required by HUD, or will convey title to the home to HUD or HUD's designee as required by HUD, and (b) the family has moved from the home or will move within the period established or approved by HUD.

If the family defaults on a mortgage that is not FHA-insured, the IHA may permit the family to move with continued HCV rental assistance if the family demonstrates that it has (a) conveyed title to the home to the lender 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.

However, the IHA shall not provide continued tenant-based assistance for occupancy of a new unit so long as any family member owns any title or other interest in the homeownership program unit.

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