

HOUSING CHOICE VOUCHER HOMEOWNERSHIP OPTION PROGRAM

FREQUENTLY ASKED QUESTIONS

What is the Section 8 Homeownership Option Program?

This program is designed to assist families in reaching the dream of homeownership, while having the security of the Section 8 Program. The program is especially geared for those families who have insufficient income to save for a down payment. The program allows the monthly Section 8 payment to be used to cover mortgage and other homeownership costs.

How do I know if I am ready for Homeownership?

Owning a home is a huge responsibility and understanding that responsibility is essential to your success as a homeowner. That is why it is mandatory that you attend an approved Homeownership Education Course prior to purchasing a home. The classes will provide you with information you need to help you decide if homeownership is for you. You should also clean up any credit issues.

You can get a better idea if you are ready for homeownership by asking yourself the following questions:

- Do I have a steady source of income?
- Have I been employed on a regular basis for the last year and is my income reliable? This minimum employment requirement does not apply to elderly or disabled families.
- Do I have a good record paying my bills?

What are the eligibility requirements?

To be eligible, you must meet all of the following criteria:

1. You must be a Housing Choice Voucher participant in good standing.
 - The family has had no family-caused HQS violations within the last year.
 - The family does not owe money to HACOT.
 - The family has not committed any serious or repeated violations of their rental assistance.
2. The family must not be in the first year of participation with HACOT.
3. The head of household, spouse or other adult who will own the home, must have a gross annual income at least equal to the minimum Federal hourly wage multiplied by 2000 hours. For disabled families, the minimum income must be equal to or greater than the monthly Federal Supplemental Security Income (SSI) benefit multiplied by

12. Welfare cannot be counted except for families in which the head of household or spouse is elderly or disabled. This minimum income requirement is based on all adults, not just the Head of Household.

4. One adult family member must be working full time, at least 30 hours per week. *This minimum employment requirement does not apply to elderly or disabled families.*

5. Must have been continuously employed at 30 hours per week for the prior year. *This minimum employment requirement does not apply to elderly or disabled families.*

6. Must qualify as a first time homebuyer per the HUD definition, not owned a home within the past three years. Exception is made for single parent/displaced homemaker families that owned a home with a prior spouse.

7. Must successfully complete HUD approved Homeownership Counseling program.

8. Must sign and honor a Statement of Homeowner Obligations.

What kind of paperwork must I fill out?

When you purchase a home there is a lot of paperwork that must be filled out. Some of the paperwork provides HACOT, the lender and real estate professional information they need to make sure you're able to financially purchase a home. Other paperwork ensures you are treated professionally and are protected. It is very important that what you provide is accurate, complete and submitted quickly. Some of the information you will need to provide: evidence of your eligibility for this program: documentation of income; credit or alternate credit information. Make sure you understand what you are signing. Don't be afraid to ask the lender, real estate professional and others questions to help you understand the process.

How do I obtain financing?

The family is responsible for securing its own financing. We anticipate that lenders will take into consideration the Section 8 Assistance you will be receiving, but we cannot mandate. Some banks may not be familiar with the Homeownership Option Program.

Are there any financial restrictions?

Yes. The HACOT will prohibit the following forms of financing: **Balloon Payment Mortgages, Variable Interest Rate Loans, Seller Financing.** The HACOT has final approval as to whether the financing arrangement is affordable.

Do I have to have good credit?

YES you must have good credit! If you don't, homeownership counselor can instruct you on how to clean up your credit record or contact Consumer Credit Counseling for

assistance. However, you may have never established a traditional credit record and that's okay, but the lender needs to know if you pay your bills on time. The lender will review your record of making timely rent, utility and other payments. This is called alternate credit.

Do I have to have a down payment?

You may be required to make a down payment of a percentage of the purchase price. For instance, if you qualify for a mortgage of \$100,000 and your required down payment was 1%, your down payment would be \$1000; for \$150,000 your down payment would be \$1500, etc. Speak to your lender about programs that are designed to assist with down payments. USDA Rural Development home loans do not require a down payment.

What other costs are there?

You will have to pay for an appraisal, which will cost between \$300 - \$400 and a professional inspection, which will cost between \$150 and \$300 (*does not apply to USDA Rural Development home loans*). There may be other incidental expenses prior to your purchase as well that you would be responsible for, such as; Credit Report, Prepaid Insurance, Taxes, Attorney fees and Title fee. Depending on how you finance your home these costs can accumulate. The norm seems to range from \$1500 to \$3000, in addition to your down payment.

How does the Lender determine how much I can pay for a home?

The amount you are able to pay for a home depends on your total income and resources. The mortgage lender will consider your debt-to-income ratio, which is a comparison of your gross (pre-tax) income to housing and non-housing expenses. Non-housing expenses include such long-term debts as cars, student loans, alimony or child support. The lender also considers cash available for down payment and closing costs, credit history, etc. The lender will pre-qualify you for a loan based on this information. It is important to have this pre-qualification before you begin shopping for a home.

Am I limited as to how much I may pay for a home?

Monthly mortgage payments should be no more than 29% of gross income, while the mortgage payment combined with non-housing expenses, should total no more than 41 % of income. HACOT is limited by the payment standard as to how much subsidy can be provided for a family in relation to the bedroom size the family is eligible for. The family must pay any amount over and above the payment standard in addition to 30% of their adjusted monthly income.

Can my family help me buy the home?

In most cases, your family can help you purchase a home. Assisting with a down payment or other expenses or co-signing/co-borrowing on the loan might provide help. However, it is important to understand that under Section 8 regulations, a non-occupying co-borrower cannot own an interest in the home.

Can I have a roommate?

No. Under the standard family obligations for use and occupancy for the voucher program, no other person except members of the assisted family may reside in the unit except for a foster child or live-in aide. The individual or family may not sublease or let the unit under the family obligations.

How long will I continue to receive Section 8 Homeownership Assistance?

The length of time you receive Section 8 homeownership assistance is dependent on many factors. Congress must approve funding for Section 8 renewals each year. You must remain eligible for Section 8 assistance, comply with the rules and regulations, and remain qualified in income limits each year. Families can receive homeownership assistance for a maximum of 15 years if the mortgage is 20 years or more and 10 years for all others. Elderly and disabled families are exempt by HUD from Section 8 subsidy time limits in this homeownership program. It is important that you understand that you are responsible for the full mortgage payment if your Section 8 is terminated for any reason.

Can I lose my Homeownership Option Assistance?

Yes. You are subject to the same Family Obligations as in the Rental Voucher Program. You must be recertified each year. Your home must pass annual HQS inspections or you can lose your assistance. Your assistance will be terminated if the family is dispossessed from the home due to a judgment or order of foreclosure.

Once I have purchased a home will I still have a Section 8 re-certification every year?

Yes. You will still need to submit all the paperwork for re-certification each year and you will have to continue to conform to all the Section 8 rules and regulations and to all the statements in the Statement of Homeowner Obligations which you sign prior to purchasing a home.

Do I need to get my home inspected?

Yes. There are actually two types of inspections that are required. You must hire a professional home inspector to inspect the home to identify any physical defects and the condition of major building systems components. The Housing Authority will have to do a HUD Housing Quality Standards (HQS) inspection, which is the same inspection, made for Section 8 rental assistance. Your home will also be subject to annual HQS inspections at the time of your re-certification.

Am I responsible for other expenses incurred as a result of purchasing the home?

Yes. You are responsible for all monthly homeownership expenses (for example: homeowner association dues) and for any expenses (for example: a new water heater, structural repairs, etc.) that you may have as a homeowner.

What factors are the monthly assistance payment based on?

1. The voucher Payment Standard for which the family is eligible;
2. The monthly homeownership expense; and
3. The family's household income.

The Homeownership Housing Assistance Payment will equal the lower of:

1. Payment Standard (PS) minus the Total Tenant Payment (TTP) or

- 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.
- Payment Standard for subsequent years: Will be based on the higher of: (1) the payment standard in effect at commencement of the homeownership assistance; or (2) the payment standard in effect at the most recent regular reexamination of the family's income and size.

2. The monthly homeownership expenses (see list below) minus the TTP

- Mortgage principal and interest
- Mortgage insurance, if applicable
- Real estate taxes and public assessments
- Homeowner's insurance
- Principal and interest on any other debt to finance repairs, closing costs, down payments, or accessibility changes for a person with disabilities
- Utility allowance amounts including sewer and water if applicable
- Condo/cooperative fees if applicable
- Maintenance and repair will be \$50 per month

What can I do if I have trouble paying my mortgage or maintaining my home?

You may be required to attend ongoing homeownership counseling. In your community there are experienced homeownership counselors who can help you save towards repairs and general maintenance of your home or assist you in getting financial advice so you can avoid defaulting on your payments. It's important to understand that you are responsible for the debt incurred to purchase your home.

Can I sell my home?

Yes, however the HACOT must approve all sales. Sale proceeds can be used by the family to purchase a new home while still on the Section 8 as long as they qualify to receive assistance. If not reinvested into another home, they will be counted as an

asset if you remain on Section 8 assistance.

Will purchasing a home make me ineligible for other assistance programs such as food stamps, Medicaid or Medicare?

No. A home, as well as a car, is an exempt asset according to Social Security and other federal agencies. These assets do not count against a person receiving other supports.

Can I purchase a manufactured home?

Yes. However the home must meet certain standards such as it must be permanently attached to the foundation and the family must have the right to occupy the home site for at least 40 years. Lenders will also consider the age and condition of the home.

Can I purchase a multi-family home?

No. The unit must be a one-unit property or a single dwelling unit in a cooperative or condominium.

Does one Housing Choice Voucher participant get a preference over other family to receive a Homeownership Voucher?

Yes. Those families who participate on the *Family Self-Sufficiency (FSS) Program* get a preference over other families. If you would like to be an FSS Participant, please contact Terri Bouchard, Occupancy Specialist, at 827-6151 to request an application or more information

If Interested in Homeownership, what should I do next?

First, contact Catherine LaBree, HCV Program Manager, Old Town Housing Authority, at 827-6151 to request an application or more information. A key requirement of the program is that interested individuals/families must complete a **Homebuyer Education Course which is offered locally through Penquis CAP; for class information call 974-2424.** In these classes you will learn valuable information to aid you in determining whether you are ready for homeownership and what homeownership involves; how to search for a house and what to look for, etc. Information will also be provided on how to clean up credit issues and agencies to contact to assist with saving for a down payment.