



HOUSTON
HOUSING AUTHORITY

Houston Housing Authority
HOMEOWNERSHIP PROGRAM
PLAN

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Houston Housing Authority
HOUSING CHOICE VOUCHER HOMEOWNERSHIP PROGRAM
PROGRAM GUIDE

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Houston Housing Authority
HOUSING CHOICE VOUCHER HOMEOWNERSHIP PROGRAM
PROGRAM DESCRIPTION

ELIGIBILITY CRITERIA

To qualify for the homeownership option a participant must be a:

Housing Choice Voucher (HCV) holder

- HHA resident who is lease-compliant and meets HHA's eligibility criteria for a homeownership referral

The participant also must meet the criteria outlined below:

- 1) A participant must be continuously employed full-time (30 hours or more per week) for a minimum of 12 months prior to application for homeownership option (except elderly & disabled participants). However preference will be given to family employed for 24 month or longer
- 2) A participant must be a first-time homebuyer or may not have owned a home during the three years before commencement of homeownership assistance (except for a custodial parent displaced because of divorce or domestic violence) and no family member may have a present interest in any real estate or second residence during the homeownership assistance period.
- 3) A participant must earn a minimum of \$20,000 in wages, and/or self-employment income annually. For participants who are elderly and/or disabled, welfare assistance, social security or disability income may count. The minimum annual income for elderly and/or disabled participants is \$18,000.
- 4) A participant must continue to meet the eligibility requirements for the Housing Choice Voucher program.
- 5) A participant must be in full compliance with his/her lease and program requirements and must terminate his/her current lease arrangement in compliance with the lease. If lease will be terminated early the client must submit a Mutual Rescission form signed by client and rental landlord. If client is unable to get the mutual rescission form signed, they are required to complete their lease agreement.
- 6) A participant must enroll and successfully complete a pre-purchase counseling program conducted by a HHA-designated Home Buyer Education Program before being granted the Homeownership Voucher.
- 7) A participant must enroll in a post-purchase counseling program conducted by a HHA-designated Home Buyer Counseling Agency.

- 8) A Participant must be enrolled in the Family Self Sufficiency program or have completed the FSS contract of participation within 12 month of enrollment in the Homeownership program.

In a program like this, there are other requirements as well. Purchasing a home is never easy; it takes perseverance and patience.

Upon HHA's determination of the applicant's initial eligibility, a Homeownership Eligibility Certificate will be issued. A copy of the certificate will be provided to the housing counseling agency that will assist the applicant in purchasing a home. The Homeownership Eligibility Certificate does not guarantee that the applicant will be able to purchase a home; it merely specifies that the applicant can begin the process leading to the purchase of a home. The Homeownership Eligibility Certificate will also signify the amount of the housing assistance payment benefit the recipient is entitled to receive, the unit size and timeframe for completion of the home purchase.

INCOME AND EMPLOYMENT REQUIREMENTS

Participant head of household or spouse must have a minimum annual income of \$20,000 and have been continuously employed for a minimum of 12 months. However, the eligible participant must also meet the income and employment requirements established by the lender for a mortgage loan. The participant must remain employed during the term of homeownership assistance. If employment termination should occur, the participant will receive referral assistance to agencies to help in obtaining new employment. Evidence of employment search must be provided. The participant has six (6) months to seek and find employment, unless otherwise approved by the HHA. The minimum employment requirement may be waived for participants who are head of household and elderly and/or disabled. Household income must come from sources other than welfare assistance. Income from self-employment will be considered toward meeting the eligibility threshold.

However, welfare assistance income of an elderly participant – head of household aged 62 years plus or disabled participant – a family whose head or spouse is elderly or disabled – shall count in determining whether the family has the minimum income to qualify for homeownership assistance, as long as they will own the home.

If a participant or spouse is able to demonstrate that they have been pre-qualified for financing or pre-approved, the minimum annual income is waived. However, the participant must have a minimum annual income of \$14,500 at the time the family begins receiving assistance. The pre-qualified/pre-approved financing must meet HHA'S requirement for financing the purchase of the home (including qualification of lenders and terms of financing).

DOWNPAYMENT

Participants must make a minimum downpayment of 3% of the purchase price of the home. At least 1% of the downpayment must come from personal savings but not less than a minimum of \$1,000. The balance of the downpayment may be advanced from the FSS escrow account, gifts, or other sources.

FAMILY SELF SUFFICIENCY (FSS) PROGRAM

Participants must be enrolled in the Family Self Sufficiency Program. The homeownership option may be designated as a goal in the individual self-sufficiency plan developed by the participant and FSS Coordinator. The plan will include but not be limited to credit repair, savings goals, and referral to homebuyer education and counseling program. During quarterly monitoring meetings/mail-outs, the FSS coordinator will discuss any issues regarding homeownership; ascertain home repair needs and status of payment and saving goals, etc.

FAMILY SELF SUFFICIENCY (FSS) ESCROW ACCOUNT

FSS Escrow may be advanced for downpayment assistance and/or home maintenance and improvement purposes. However, a participant must meet the criteria established by HHA's FSS Program for withdrawal. All requests will be examined on a case by case basis.

Upon graduation from the FSS program, all escrow balances shall be given to the participant.

PRE & POST HOME BUYER COUNSELING

Upon acceptance into the Homeownership Program, the participant will be referred to a homebuyer education and counseling program offered by a designated HHA partner. The program should include a minimum of 12-16 hours of training and one-on-one counseling. The homebuyer education and counseling program will be offered in both English and Spanish.

Pre-Purchase Counseling

Pre-purchase counseling shall include but not be limited to the following:

- ❖ Budgeting and money management;
- ❖ Credit counseling;
- ❖ How to negotiate the purchase price of a home;

- ❖ How to obtain homeownership financing and pre-approvals including description of the types of financing available and the pros and cons of these various financing mechanisms;
- ❖ How to find a home, including information about homeownership opportunities, schools and transportation in the City of Houston;
- ❖ Advantages of purchasing a home in an area that does not have a high concentration of low-income families and how to locate homes in such an area;
- ❖ Information on fair housing including fair housing lending and local fair housing enforcement agencies, and state and federal truth-in-lending laws;
- ❖ How to identify and avoid loans with oppressive terms and conditions (predatory lending);
- ❖ Homebuyer pre-qualification;
- ❖ One-on-one homebuyer counseling and assistance to become “mortgage ready”;
- ❖ Home maintenance;

Post-Purchasing Counseling

Post-purchase counseling shall include but not be limited to the following:

- ❖ Annual post-purchase counseling session by FSS staff and/or credit counseling agency for a 2 year period after closing;
- ❖ Quarterly finance check-ups, for a 2 year period after closing;
- ❖ Periodic workshops on home repairs and maintenance including do-it-yourself home repairs, energy conservation, gardening, contractor selection and savings and investment options;
- ❖ Rapid Response Systems for mortgage delinquencies including mortgage default counseling and early intervention counseling. The lender and/or participant will notify HHA of any and all late payments within 10 days of payment delinquency.
- ❖ If post-purchase counseling is provided by an outside agency, certificate of completion is required.

MAXIMUM TERM OF ASSISTANCE

The maximum term of homeownership assistance shall be 15 years for mortgage terms greater than or equal to 20 years. In all other cases the maximum assistance term of 10 years. This maximum term does not apply to an elderly (62 years plus) family or a disabled family. In the case of an elderly/disabled family, this exception only applies if the family qualifies at the commencement of homeownership assistance. If during the course of homeownership the family ceases to qualify as elderly or disabled, then the maximum term applies but the family will be provided at least 6 months of homeownership assistance after the term expires.

SPECIAL PROVISIONS FOR THE ELDERLY AND DISABLED

As stated above for a family whose head of household or spouse is elderly or disabled the special provisions are as follows:

- ❖ Household income from welfare assistance, social security, disability benefits, etc., shall be considered in meeting the income requirement for participating in the homeownership program, if that person will own the home.
- ❖ Employment requirement may be waived.
- ❖ There is no maximum term of assistance as long as the family is classified and elderly and/or disabled.
- ❖ Handicapped assistance expenses for attendant care and auxiliary apparatus will be considered when calculating the Housing Assistance Payment.
- ❖ Additional funding may be available for auxiliary apparatus to be installed in the new home.
- ❖ Minimum annual income is \$18,000.

The Houston Housing Authority will also seek to provide referrals to agencies providing down payment and closing cost assistance for the Homeownership Program.

HOMEOWNERSHIP OPTIONS

Under the homeownership option a participant may purchase the following:

- ❖ Single-Family House (single-family detached or townhouse)
- ❖ Condominium
- ❖ Shares in a Cooperative
- ❖ Manufactured Homes

Multi-Family dwellings (2 or more units) do not qualify under this program.

Lease-to-purchase agreements are considered rental property and subject to the normal tenant-based HCV program rules. The family will be subject to the homeownership requirements at the time the family is ready to exercise the homeownership option under the lease-to-purchase agreement.

The participant must obtain and maintain flood insurance for units in special flood hazard areas.

Home must be under construction before contract is entered into.

A listing of Approved Realtors will be provided to the Housing Choice Voucher Participants. Approved Realtors are defined as Realtors who have attended the HHA Realtor Orientation workshop and have received a Certificate of Completion.

TIME FRAME FOR UTILIZATION OF THE VOUCHER

A new voucher holder shall have 90 days from the date of issuance of a Homeownership Eligibility Certificate to find a home and to execute a “Residential Sales Purchase Agreement” with the seller. Additionally, the new voucher holder shall have 90 days after identification of the home to close on home.

If a qualified participant is unable to enter into a purchase agreement before the end of the 90 days, the participant will be provided with an additional 30 days to utilize the HCV voucher for homeownership or enter into a rental agreement.

CONTRACT FOR SALES

The participant must enter into a residential sales contract with the seller and provide a copy to HHA. The residential sales contract must:

- A) Specify the purchase price and other terms of sale by seller.
- B) Provide that the purchaser will arrange for a pre-purchase HQS inspection.
- C) Provide that the purchaser shall arrange for a 3rd party Professional inspection that must be conducted by a certified housing inspector.
- D) Provide that the purchaser is not obligated to pay for any necessary repairs.
- E) Provide that the purchase price is subject to appraisal.
- F) Provide that the purchaser shall have not less than 30 days to secure financing.
- G) Contain a certification form the seller that he or she is not debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24.

The contract for sale should, at a minimum, include language consistent with the standard Texas residential sales contract. The participant should consider obtaining legal counsel to review the contract.

SELLER INFORMATION

HHA may deny approval of a seller for any reason provided or disapproval of an owner under the voucher rental program regulations. These reasons include: violations of the housing assistance payment (HAP) contract; committing fraud; bribery; or any other corrupt or criminal acts in connection with an Federal housing program; engaging in drug-related or violent criminal activity; non-compliance with HUD’s housing quality standards (HQS); failing to meet State of local housing codes; and failure to pay State of local real estate taxes, fines, or assessments.

HOME INSPECTION

Upon receipt of an executed residential sales contract, HHA shall arrange for and conduct a Housing Quality Standard (HQS) Inspection. HHA will conduct the HQS Inspection promptly after receiving the request from the participant.

Subsequently, the participant, at his/her cost, must also secure a licensed independent home inspector to perform a visual inspection and produce a written report on the condition of the property. The purpose of this inspection is to determine major system defects that require repairs.

After completion of the HQS and independent home inspections, HHA will review the written inspection report and issue a letter qualifying or disqualifying the home. Any repairs deemed necessary by the HQS inspector must be completed before closing on the mortgage at the seller's expense.

Newly constructed homes must be inspected before the closing on the purchase. The purchase contract must clearly indicate that executions of the "Residential Sales Purchase Agreement" with the seller shall be subject to final inspection due approval of HHA.

HOMEOWNERSHIP EXPENSES

Homeownership expenses shall include:

- ❖ Principal and interest payments;
- ❖ Mortgage insurance premiums (if applicable);
- ❖ Utility allowance (same as the rental program);
- ❖ Property taxes;
- ❖ Land lease payments (must have right to occupy the site for a period of at least forty years and the home must have a permanent foundation);
- ❖ Home maintenance warranty policy (usually about \$500 per year)
- ❖ Expenses to improve the home to accommodate disabled persons and/or meet the Housing Quality Standards will be eligible and included in the purchase price

Cooperative homeownership expenses which may include cooperative charges under the cooperative occupancy agreement including payment for taxes and public assessments

FINANCING

Participants must secure their own financing. The participant may not secure a mortgage with a balloon payment or an adjustable rate mortgage. Seller financing is not permitted unless the seller is a not-for-profit organization approved by HHA. Lender qualifications, terms and fees must be approved by HHA before closing on a loan.

Under the HCV homeownership program the income of a family member living in the unit may be included in calculating qualifying income along with the participant/applicant, as long as that family member has been an occupant of the household one year prior to homeownership application. However, only the HCV holder may hold the title to the property.

The proposed financing terms must be submitted to and approved by the Public Housing Agency prior to close of escrow. The PHA shall determine the affordability of the family's proposed financing. In making such determination, The PHA may take into account other family expenses, including but not limited to child care, un-reimbursed medical expenses, education and training expenses and the like. Certain types of financing, including but not limited to , balloon payment mortgages, unless convertible to a variable rate mortgage, are prohibited and will not be approved by The PHA. If a mortgage is not FHA-insured, The PHA will require the lender to comply with generally accepted mortgage underwriting standards consistent with those of HUD/FHA, Ginnie Mae, Fannie Mae, Freddie Mac, California Housing Finance Agency (CHFA), USDA Rural Housing Services, the Federal Home Loan Bank, or other private lending institution.

PAYMENT – HOUSING ASSISTANCE PAYMENT (HAP) SUBSIDY

HHA shall make the Housing Assistance Payment directly to the homeowner via direct deposit. The participant may be required to pay their mortgage payment to the lender via electronic withdrawal from the participant's bank account. If required, the participant must establish a bank account that permits electronic withdrawal, of the mortgage payment by the lender on the due date. HHA will deposit its portion in the account on the same date.

The monthly homeownership housing assistance payment is equal to the family's current housing assistance payment.

The payment standard for the homeownership program is the same as for the housing choice voucher program. The payment standard for the family at commencement of homeownership assistance is the lower of:

- The payment standard for the family unit size.
- The payment standard for the size of the home.

The payment standard for a homeownership family does not decrease after homeownership assistance commences. The payment standard is the greater of (1) the payment standard at commencement of homeownership assistance for occupancy of the home, or (2) the payment standard at the most recent regular reexamination of family income and composition.

The family total tenant payment is the same for homeownership families. TTP is the greatest of:

- Thirty (30) percent of adjusted monthly income.
- Ten (10) percent of gross monthly income.
- Minimum rent established by HHA and contained in the administrative plan.

After the homeownership housing assistance payments begin, HHA will annually reexamine family income and composition and make appropriate adjustments to the amount of the monthly housing assistance payment.

Sample Calculation of the Monthly Housing Assistance Payment

Calculation 2

Monthly Homeowner Expenses	
Mortgage (P&I)	\$1,000
Taxes	100
Insurance	100
Condo Association Fees	-0-
Private Mortgage Insurance	100
Handicapped Assistance Expenses*	-0-
Utility Allowance	185
Total	<u>\$1,380</u>
Minus Total Tenant Payment	577
Housing Assistance Payment	\$ 803

*Handicapped Assistance Expenses includes eligible expenses for attendant care and auxiliary apparatus for a disable family member. The estimated HAP will be calculated by HACH and provided on the Determination of Eligibility for Homeownership Form)

THE PHA will provide the lender with notice of the amount of the housing assistance payment prior to close of escrow and will pay THE PHA’S contribution to the lender. The family will be responsible to submit the entire mortgage payment to the lender unless the lender requires direct payment of THE PHA’S contribution.

FAMILY SHARE

The Homeownership family is responsible for all homeowner's expenses not covered by the HAP payment. For instance, if the monthly homeownership expenses exceed the payment standard, the family is responsible for paying the difference in addition to the required TTP.

FAMILY OBLIGATION

A participant must sign and abide by the Homeowner Obligation Agreement. (See Statement of Homeowner's Obligation in Appendix)

SELLING, BUYING ANOTHER HOME OR REFINANCING

A homeownership participant may sell their home and return to the rental program as long as there has not been a foreclosure on a FHA mortgage within the regular rules, policies and regulations of the Housing Choice Voucher Program.

A homeownership participant may also sell their home and purchase another as long as there has been no mortgage default. A decision to sell a home must first be approved by HHA.

A homeownership participant may also refinance their home; however, financing terms and conditions must be approved by HHA before loan closing. Proceeds received from refinancing may be considered as income.

MORTGAGE DEFAULTS

In the event of mortgage default and the family is dispossessed from the home pursuant to a judgment of order of foreclosure on a FHA-insured mortgage, a homeowner will be denied continued assistance under the homeownership program. However, HHA may consider mitigating circumstances in determining whether to provide a family with rental assistance after a mortgage default. The participant must sign an agreement to share information and documents pertaining to the mortgage and homeownership program. If a participant is delinquent in making a payment, HHA will refer the participant to the appropriate counseling agency to help resolve this matter in a timely fashion. The counseling agency, along with staff from the FSS Program, will then ascertain the circumstances that led to the default and develop a corrective strategy for the participant.

HHA may consider mitigating circumstance in determining if a participant may continue assistance under the rental program in the event of mortgage default on a loan other than a FHA-insured loan.

PORTABILITY

While the majority of the participants will purchase a home within the City of Houston, the participant may purchase a home anywhere in the United States. The receiving Public Housing Authority must also be administering a HCV homeownership program and accepting new homeownership families. The receiving PHA may absorb the homeownership family or bill HHA for the homeownership housing assistance using the normal portability billing process.

Portability recommended only if client has no late payments, is in good standing with HCV Program and has lived in the unit more than 24 months. (Emergencies will be handled on a case by case basis).

TERMINATION OF HOMEOWNERSHIP ASSISTANCE

The participant may be terminated from the homeownership assistance program for the following reasons: Criminal activity by family members or visitors (drug-related or violent criminal activity); Failure to comply with Homeowner Obligation Agreement (See Appendix); Total Tenant Payment (TTP) exceeds the fair market rent (FMR) (note: eligibility will continue for six month after the TTP exceeds the FMR); Illegal weapons possession by any household member; Fraud in connection with this program or any other federal program. HHA may terminate a working family's homeownership assistance based on a willful refusal to adhere to, or properly document, the full-time employment requirement

Upon the participant's termination the participant will notify the lender that HHA will cease making payments.

STEP BY STEP GUIDE TO THE HHA HOUSING CHOICE VOUCHER HOMEOWNERSHIP PROGRAM

Step 1 Applicant notifies the Family Self Sufficiency Program (FSS) that they are interested in becoming a Homeowner. Applicant must enroll in the HHA Family Self Sufficiency Program (FSS). If currently enrolled in FSS, applicant notifies FSS coordinator of his/her interest in homeownership. FSS Coordinator gathers pre-screening information, i.e. length of employment, saving information, credit scores, good standing letter from landlord and informs the participant of the next homeownership orientation.

Step 2 Applicant attends an initial homeownership orientation that covers overview of program, basic homeownership, homebuyer document checklist, opportunity neighborhoods, review of general underwriting criteria etc. (Note: will be conducted in cooperation with homebuyer counseling agency)

If applicant wishes to proceed the applicant will be required to complete an application, submit copies of bank statements of their savings accounts, employment information (1 year of continuous employment and earnings. The applicant will also be given referrals to get copies of their 3 credit reports and submit them to the FSS Coordinator within 30 days.

Step 3 The Coordinator reviews application, employment information, credit report and savings. If deemed feasible to proceed, an appointment is scheduled with the coordinator. The applicant is given a Certification of Eligibility, Housing Voucher, Copy of Homebuyer Obligation Agreement, and referral form to a Housing Counseling Agency.

Step 4 Applicant completes Homebuyer Education Program (12-16 hours of training). Upon completion a certificate of completion is issued and the applicant receives one-on-one counseling. If the applicant is ready the homebuyer counseling agency issues a mortgage pre-qualification and refers the client to low cost or pro-bono legal assistance. Client pays any and all attorney fees.

A purchase/mortgage readiness status is determined and forwarded to the FSS Coordinator by the mortgage counselor, i.e. ready to purchase, needs down payment assistance, long term needs 6 months or longer to address issues identified; short term needs 3 to 6 months to address issues.

The Coordinator files certification and identifies participant as “in process of securing financing and seeking a home”.

If not mortgage ready then go to Step 5. If mortgage is ready go to Step 6.

- Step 5 Applicant and mortgage counselor will develop an action plan to become mortgage ready, i.e. credit repair, savings club, employment, etc. Applicant also incorporates plan into the FSS plan during the next scheduled counseling session.
- Step 6 If mortgage-ready, applicant identifies lender and seeks pre-approval.
- Lender(s) issue denial or approval subject to appraisal and title commitment before the applicant selects a home. Applicant obtains a pre-approval letter from the lender(s) outlining the terms of the loan and forwards to the Coordinator.
- The Coordinator reviews the terms and conditions from the lender and issues a written approval or denial of lender terms to the applicant. If approved, the applicant may proceed.
- Step 7 If applying for a second mortgage bank should forward that information to HHA also.
- Step 8 Upon pre-approval of the first and second mortgage the applicant shops for a home to buy.
- A real estate brokers and attorneys list is provided upon request and/or applicant is apprised of properties that are currently available through partnering not-for-profit organizations.
- Step 9 Applicant finds a home and executes a residential purchase agreement subject to HQS Inspection, home inspection and securing a commitment for financing. Applicant forwards the contract to Coordinator so an HQS Inspection request can be made.
- Step 10 The HQS Inspector renders an opinion on HQS. If repairs and/or improvements are deemed necessary, the HQS Inspector prepares a report and forwards a copy to the Coordinator. If desired, the seller (owner) has ten days to make repairs to the home. Upon completion of repairs the HQS Inspector will re-inspect the home. If failed HQS, applicant must find another home.
- Step 11 If HQS is approved, applicant orders an Independent Home Inspection selected by them.
- Applicant receives Independent Home Inspection and decides to proceed. Applicant must forward copy of Home Inspection to Coordinator. A HAP Voucher is prepared and forwarded to the Applicant for the Lender.

- Step 12 Applicant forwards contract to the lender. An appraisal is order and lender (s) completes underwriting.
- Step 13 Lender issues final loan commitment and closing is scheduled. Applicant notifies the Coordinator.
- Step 14 Applicant closes on the first and if necessary second mortgage. At the closing the Applicant executes the Home Buyer Obligation Agreement and if necessary establishes a checking account for electronic withdrawal of the monthly mortgage payment.
- Step 15 HHA sends HAP payment to the participant via electronic deposits to a checking account.
- Step 16 Homeowner makes automatic debit payments to the mortgage lender.
- Step 17 Homeowner is assigned to a post-purchase counseling agency and attends quarterly counseling session and workshops as designated by the post-purchase counseling agency for 2 years.
- Step 18 Annual post-purchase counseling is conducted by the post-purchase counseling agency and/or coordinator.
- Step 19 HHA conducts annual reexamination of the homeowner's income and family composition to determine appropriate payments and make adjustments as necessary.
- Step 20 HAP maintains a record of participants and provides requested data to HUD.