

SECTION 3: SECTION 8 HOMEOWNERSHIP PROGRAM

**The City of Covington
Department of Development**

Section 8 Homeownership Program
JULY 2014 (REVISED)

City of Covington
Department of Development
Section 8 Program

2300 Madison Avenue
Covington, KY 41014
(859) 292-2188

1. ***Introduction***

This Plan has been prepared as an addendum to the existing Section 8 Administrative Plan.

This plan addresses those areas that are only pertinent to the Homeownership Program. Areas not addressed by this plan may be found in the overall plan.

The Section 8 Homeownership Program ("Program") of the City of Covington Department of Development Section 8 Program ("Section 8") permits eligible participants in the Section 8 Voucher Program, including those with portable vouchers, the option of purchasing a home with their Section 8 Assistance rather than renting. Applicants for the Program must meet the minimum eligibility requirements set forth herein.

2. ***Household Eligibility Requirements*** (CFR 24 §982.626)

Participation in the Section 8 Homeownership Program is voluntary. All Section 8 Homeownership participants must meet the general requirements of the Housing Choice Voucher Program as well as these additional eligibility requirements:

- participating families must be first-time homeowners or have a family member with disabilities;
- participating families must have participated in the Section 8 Rental Program for at least one year prior to initiating the purchase of a home and be in good standing with the Program;
- participating families must have demonstrated their ability to maintain their home in neat, clean and orderly condition;
- participating families must meet a minimum income requirement of the federal minimum wage multiplied by 2000 hours, without counting income from welfare assistance sources;
- with the exception of elderly and disabled households, participating families must meet the requisite employment criteria;
- participating families must have fully repaid any outstanding debt owed to the Section 8 Department or to any other housing agency;
- participating families must not have previously defaulted on a mortgage under the Section 8 Homeownership Program; and
- participating families must not have a member who has a present ownership interest in a residence at the commencement of home ownership assistance.

A. ***Family Self-Sufficiency Program***

All participating families will not be required to enroll in the Section 8 Family Self-Sufficiency Program prior to entering the Section 8 Homeownership Assistance Program. However, families enrolled in FSS will receive preference.

B. ***First-Time Homeowner*** (CFR 24 §982.627 (a) (2) and (b))

Each Section 8 family, except families with a disabled member, must be first-time homeowners. A first-time homeowner shall mean that no member of the household had an ownership interest in any residence during the three years prior to homeownership assistance. However, a single parent or displaced homemaker who, while married, owned a home with a spouse (or resided in a home owned by a spouse) shall be considered a first-time homeowner. A family which has the

right to purchase title to a residence under a lease-purchase agreement shall not be deemed to have an "ownership interest" in that residence. Also, a member of a cooperative will be considered a first-time homeowner.

C. *Minimum Income Requirements* (CFR 24 §982.627 (c))

At the time the family begins receiving homeownership assistance, the head of household, spouse, and/or other adult household members who will own the home, must have a gross annual income at least equal to the Federal minimum hourly wage multiplied by 2000 hours.

With the exception of elderly and disabled families, the Section 8 Department will disregard any welfare assistance income in determining whether the family meets the minimum income requirement. Welfare assistance includes Temporary Assistance for Needy Families ("TANF"), Supplemental Security Income ("SSI") that is subject to an income eligibility test, food stamps, general assistance, or other welfare assistance specified by HUD. This disregard of welfare assistance income only affects the determination of minimum annual income used to determine if a family initially qualifies for the Homeownership Program, but does not affect the determination of income eligibility for admission to the voucher program, the calculation of the family's total tenant payment, or the calculation of the amount of the homeownership assistance payment made on behalf of the family.

The minimum income requirement for disabled households will be the same as for working households unless the disabled household demonstrates that they have been pre-qualified or pre-approved for financing sufficient to purchase housing that meets housing quality standards. In this case the minimum income requirements may be lowered to equal the monthly Federal Supplementary Security Income ("SSI") benefit for an individual living alone (or paying his or her share of food and housing costs) multiplied by twelve.

D. *Employment Criteria* (CFR 24 §982.627 (d))

With the exception of elderly and disabled households, each family must demonstrate that one or more adult members of the family who will own the home at commencement of homeownership assistance is employed full time (an average of 30 hours per week) and has been so continuously for one year prior to the execution of a sales agreement. The Section 8 Department will consider whether and to what extent an employment interruption will be considered permissible in satisfying the employment requirement. The Section 8 Department will also consider successive employment and self-employment during the one year period as permissible in satisfying the employment requirement.

In order to reasonably accommodate a family's participation in the program, the Section 8 Department will exempt a person who is elderly or disabled from the employment requirement. Furthermore, if a family, other than an elderly or disabled family, includes a person with disabilities, the Section 8 Department shall grant an exemption from the employment requirement if it is determined that an exemption is needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

This employment requirement will be in effect at the commencement of homeownership assistance and will continue as long as the family is receiving homeownership assistance.

E. Completion of Initial Lease Term

Applicants for the Section 8 Homeownership Program must have completed an initial lease term and had their first annual re-certification under the Section 8 Housing Choice Voucher Program. Applicants who have completed an initial lease term in another jurisdiction shall be considered eligible for homeownership assistance.

F. Repayment of Any Housing Debts

Participants in the Section 8 Housing Choice Voucher Program shall be ineligible for homeownership assistance in the event that they owe any debt or portion of a debt to the City of Covington Section 8 Department or to any other Housing Agency. Participants who have fully repaid such debt(s) will not be precluded from participating in the Section 8 Homeownership Program.

G. Prior Mortgage Defaults (CFR 24 §982.627 (a) (5) and (e))

No head of household, spouse or other adult household member who has previously defaulted on a mortgage obtained through the Section 8 Homeownership Program will be eligible for the Section 8 Homeownership Program.

H. Present Ownership Interest (CFR 24 §982.627 (a) (6))

No family member shall be permitted to have an ownership interest in another residence at the commencement of homeownership assistance.

I. Future Homeownership Interest (CFR 24 §982.633 (b) (7))

Any family members who are adult family members at the time the family receives homeownership assistance may not have any future ownership interest in any other residential property.

3. Family Participation Requirements (CFR 24 §982.633)

Families that are found to be eligible to participate in the program must comply with the following requirements prior to receiving homeownership assistance:

- complete a homeownership education and counseling program;
- locate the home it proposes to purchase within a specified time;
- submit a sales agreement to the Section 8 Department for approval;
- purchase the home within a specified time;
- allow the Section 8 Department to inspect the proposed property to insure compliance with Housing Quality Standards;
- obtain an independent whole house inspection from a Section 8 Department approved inspector;
- obtain Section 8 Department approval of the proposed mortgage; **and**
- enter into a written agreement with the Section 8 Department agreeing to comply with all of the family obligations of the Section 8 Homeownership Program.

A. Homeownership Education and Counseling (CFR 24 §982.630)

Participating families will be required to attend a homeownership counseling program provided or approved by the Section 8 Department prior to receiving homeownership assistance. The homeownership counseling program will cover maintenance; budgeting and money management; credit counseling; negotiating purchase price; securing mortgage financing; finding a home; and the advantages of purchasing and locating homes in areas that do not have a high concentration of low-income families.

B. Locating a Home (CFR 24 §982.629 (a))

Upon approval for the Program, families shall have one hundred eighty (180) days to locate a home to purchase. A home shall be considered located when the family submits a proposed sales agreement for Section 8 Department approval. The Section 8 Department may extend a families time to locate a home for additional thirty (30) day increments, for good cause. During a family's search for a home, their Section 8 rental assistance shall continue. If a family is unable to locate a home within the specified time, their assistance through the Section 8 Housing Choice Voucher Program shall continue.

C. Sales Agreement (CFR 24 §982.631 (c))

Prior to signing a sales agreement, participating families must submit a proposed sales agreement to the Section 8 Department for approval. The sales agreement must specify the price and terms of the sale and must also include the following provisions:

- allowance for a pre-purchase whole house inspection by an independent inspector selected by the family;
- provision that the family is not obligated to purchase the home unless the whole house inspection is satisfactory to the family and to the Section 8 Department;
- allowance for the Section 8 Department to conduct an inspection to insure compliance with Housing Quality Standards;
- provision that the family is not obligated to pay for any repairs unless approved by the Section 8 Department;
- provision that the family's mortgage financing terms and requirements must be approved by the Section 8 Department;
- contain a seller certification that the seller is not debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24; **and**
- that the Section 8 Department has the right to review and approve the independent inspection report

D. Purchasing a Home (CFR 24 §982.629 (a))

Once a home is located and a sales agreement approved by the Section 8 Department is signed by the family, the family shall have three (3) months to purchase the home. If a longer period is set forth in the approved sales agreement, the longer period will be allowed. If a participating family is unable to purchase the home within the maximum time period, they will be permitted to continue their participation in the Housing Choice Voucher Program. The family may not re-apply for the Section 8 Homeownership Program until they have completed an additional year under

the Housing Choice Voucher Program unless failure to complete the purchase was beyond the control of the participant.

E. *Housing Quality Standards* (CFR 24 §982.631 (a))

The Section 8 Department will inspect all prospective homes under the Section 8 Homeownership Program to insure that they meet Housing Quality Standards. All homes must meet or exceed HQS prior to the family receiving homeownership assistance. Homes that do not initially meet HQS may be repaired and then re-inspected. If they meet HQS after re-inspection, they would then be eligible for the program.

F. *Whole House Inspection* (CFR 24 §982.631 (b))

All participating families will be required to obtain, and pay for, an independent whole house inspection by an ASHI certified home inspector. The independent inspector must cover major building systems and components, including but not limited to: foundations and structures, housing interiors and exteriors, roofing, plumbing, electrical, and HVAC systems. This report must be provided to the Section 8 Department for review prior to homeownership assistance. The Section 8 Department may find the house ineligible for the program based on information found in this report.

G. *Financing Approval* (CFR 24 §982.632 (a))

All participating families must get Section 8 Department approval of their mortgage financing prior to receiving homeownership assistance. The financing must be provided, insured, or guaranteed by the state or federal government, comply with secondary mortgage market requirements or be consistent with generally accepted private sector mortgage underwriting standards. The proposed loan terms must be approved by the Section 8 Department prior to closing. The Section 8 Department will determine whether the loan is affordable for the family and if the loan is consistent with current market conditions.

The Section 8 Department may not require participants to use certain lenders or certain types of financing. However, certain types of financing like those that require balloon payments will not be allowed. Also, the Section 8 Department will not allow sub-prime terms in lending or any lending that it considers abusive or predatory.

The Section 8 Department will let the market determine the down-payment. If the family is involved in the FSS Program, they may use their escrow account for down-payment and closing costs. Participants may also utilize other grants or down-payment assistance programs available to them. Regardless of any grants or assistance programs that the family receives, the Section 8 Department will require a minimum contribution of \$500 coming directly from the family. This \$500 can be from an FSS escrow account.

H. *Family Obligations* (CFR 24 §982.633)

Each participating family must sign a written agreement with the Section 8 Department agreeing to comply with all the requirements and family obligations of the Program. Failure to comply with the requirements of the Program may result in the family losing their homeownership assistance.

This written agreement will outline all of the post-purchase family obligations of the Homeownership Program. These obligations shall include:

- participating in ongoing post-purchase homeownership counseling as required by the Section 8 Department;
- complying with all the terms of their mortgage;
- not selling or transferring the home to anyone other than a member of the assisted family (i.e., in the event of a divorce or other change in family composition);
- supplying all required information to the Section 8 Department, including but not limited to, annual verification of household income and notice of changes in homeownership expenses;
- notification of move-out;
- notification of mortgage default; **and**
- not obtaining a present ownership interest in another residence while receiving homeownership assistance. In addition, the family must also agree not to refinance or incur additional debt secured by the home without prior written approval by the Section 8 Department. Also, the family must allow the Section 8 Department to conduct annual HQS inspections of their home for the first five years of homeownership assistance. These obligations will only exist while the family is receiving homeownership assistance.

4. Eligible Units (CFR 24 §982.628)

Participating families may purchase new or existing single family homes, single dwelling units in a condominium or cooperative, or a manufactured home to be permanently situated on a lot owned by the family. New homes must already be under construction when a family is determined eligible for the program. Housing where the family will not also own fee title to the real property on which the home is located will also be eligible as long as the family has the right to occupy the site for a period of at least forty years. Further, this type of housing must have a permanent foundation. Assistance is not available to purchase homes that are receiving Section 8 project-based assistance.

The home that is being purchased may be located anywhere in Kenton County. Participating families may purchase homes in another Kentucky county provided that the Housing Agency in that county operates a Section 8 Homeownership program. In this case, the family's eligibility will be subject to the program and policies of the receiving jurisdiction.

5. Amount of Assistance (CFR 24 §982.635)

The amount of the monthly assistance payment will be based on the voucher payment standard for which the family is eligible, the monthly homeownership expense, and the family's household income. The Section 8 Department will pay the lower of either the payment standard minus the total family contribution ("TFC"), or the family's monthly housing expenses minus the TFC. The family will pay the difference.

A. Determining The Payment Standard (CFR 24 §982.635 (b))

The voucher payment standard is the fixed amount that the Section 8 Department annually establishes as the "fair market" rent for a unit of a particular size in its jurisdiction. In the homeownership program, the initial payment standard will be the lower of either the payment standard for which the family is eligible based on family size, or the payment standard which is applicable to the size of the home the family decides to purchase.

The payment standard for subsequent years will be the higher of either the initial payment standard or the payment standard in effect at the most recent regular reexamination of the family's income and size.

The initial payment standard will not be adjusted in the event of a decrease in family size.

As a reasonable accommodation to foster homeownership to elderly/disabled households, single person, elderly/disabled households will be granted a two- bedroom voucher.

B. *Determining The Monthly Homeownership Expense* (CFR 24 §982.635 (b))

Monthly homeownership expense includes all of the following:

- principal and interest on the initial mortgage debt and any mortgage insurance premium incurred to finance the purchase and any refinancing of such debt;
- real estate taxes and public assessments;
- homeowner's insurance;
- the Section 8 Department allowance for maintenance expenses;
- the Section 8 Department allowance for costs of major repairs and; replacements
- the Section 8 Department utility allowance for the home;
- principal and interest on mortgage debt incurred to finance major repairs and replacements or improvements to the home including changes to make the home accessible;
- homeownership expenses for a condominium may include homeowner association dues, fees, or regular charges assessed. Land lease payments (the cost of leasing the land for both manufactured housing and other housing types) may also be included in the monthly homeownership expense.

C. *Determining the Total Family Contribution* (CFR 24 §982.635 (a))

The total family contribution is the portion of the homeownership expense that the family must pay. It is generally 30% of the family's adjusted gross income, plus any gap between the payment standard and the actual housing cost. All family income (including welfare assistance) will be counted to determine the family's adjusted income.

D. *Housing Assistance Payments* (CFR 24 §982.635 (d))

The Section 8 Department will notify the lender regarding the amount of the housing assistance payment prior to closing. The housing assistance payment will be paid directly to the loan servicer, unless otherwise required by the lender. The family will be responsible for submitting their portion of the mortgage payment directly to the loan servicer.

The amount of the assistance payment may be changed in the month following the family's annual re-certification if the family's income or housing expense changes. When the housing assistance payment becomes \$0 for a period of six (6) consecutive months, the family's participation in the Section 8 Homeownership Program will end.

E. Voluntary Individual Maintenance Account

Each participating family will be given the option to establish a monthly maintenance savings account with the Section 8 Department. The family may elect to have a portion of their housing assistance payment deposited monthly into a savings account established by the Section 8 Department. The amount of the deposit will be \$75 or another amount mutually agreed upon by the family and the Section 8 Department. In the event that the housing assistance payment exceeds the amount due to the lender, the family will be encouraged to deposit the excess into the maintenance account. The family will be able to request withdrawals from this account for home repairs and maintenance as needed. At any time, the family may choose to end the maintenance account. The entire housing assistance payment would then be paid directly to the lender. Any unused funds in the maintenance account can be applied to the principal on the family's mortgage at the family's discretion.

6. Maximum Term of Homeownership Assistance (CFR 24 §982.634)

Families may receive homeownership assistance for a maximum of 15 years from the loan closing. If the initial loan has a term of 20 years or less, the family may receive assistance for a maximum of 10 years. Families that qualify as elderly or disabled at the commencement of assistance are not subject to a term limitation. If a family becomes disabled while receiving homeownership assistance, they will no longer be subject to a term limitation. However, if a family ceases to qualify as elderly or disabled, the appropriate maximum term becomes applicable from the original closing date. However, such a family must be provided at least six months of homeownership assistance after the maximum term becomes applicable (provided the family is in good standing with the Program).

7. Moves (CFR 24 §982.637)

Participating families may request permission from the Section 8 Department to move to a new home only one time in any one year period. The family may return to voucher rental assistance, or may continue to receive homeownership assistance. The family may not receive assistance in a new home while any family member owns any title or other interest in the previous home.

8. Denial or Termination of Homeownership Assistance (CFR 24 §982.638)

A. Grounds for Termination

- Denial or Termination under basic voucher program (CFR 24 §982.638 (b))
At any time, the Section 8 Department may deny or terminate homeownership assistance in accordance with §982.552 or §982.553.
- Failure to comply with Family Obligations (CFR 24 §982.638 (c))
- A family's homeownership assistance may be terminated, and voucher rental assistance may be denied, if the family fails to comply with the requirements and obligations of the Section 8

Program, the Section 8 Department's homeownership policies, or if the family defaults on its mortgage.

- The family must comply with the terms of any mortgage incurred to purchase and/or refinance the home. The family must provide the Section 8 Department with written notice of any sale or transfer of any interest in the home; any plan to move out of the home prior to the move; the family's household income and homeownership expenses on an annual basis; any notice of mortgage default received by the family; and any other notices which may be required pursuant to the Section 8 Department's homeownership policies. Except as otherwise provided in this section, the family may not convey or transfer the home to any entity or person other than a member of the assisted family while receiving homeownership assistance.

- **Occupancy of Home** (CFR 24 §982.633 (a))

Homeownership assistance will only be provided while the family resides in the home. If the family moves out of the home, the Section 8 Department will not continue homeownership assistance commencing with the month after the family moves out. Neither the family nor the lender is obligated to reimburse the Section 8 Department for homeownership assistance paid for the month the family moves out.

B. Procedure for Termination of Homeownership Assistance

A participating family will be entitled to the same termination and informal hearing procedures as specified in the Administrative Plan of the Section 8 Department for the Section 8 Housing Choice Voucher Program.

- **Resale Restrictions**

Those who purchase homes as part of the Section 8 Homeownership Program are free to resell their homes (with Section 8 Department approval) to any buyer, regardless of income. The anti-speculation clause will protect the interests of HUD and the Section 8 Department.

9. Continued Participation in Housing Choice Voucher Program

- If the family defaults on an FHA insured mortgage, the Section 8 Department may permit the family to move, with continued Housing Choice Voucher Program assistance, if the family demonstrates that it has conveyed title to the home to HUD or its designee, and moved from the home within the period established or approved by HUD. (CFR 24 §982.638 (d))
- If the family defaults on a mortgage that is not FHA insured, the Section 8 Department may permit the family to move, with continued Housing Choice Voucher Program assistance, if the family demonstrates that it has conveyed title to the home to the lender, to the Section 8 Department or to its designee, as may be required by the lender, and moved from the home within the specified period. (CFR 24 §982.638 (d))

10. Disapproval of Seller

The Section 8 Department, in its administrative discretion, may deny approval of a seller for any reason provided for disapproval of an owner under the voucher rental program regulations.

11. *Waiver or Modification of Homeownership Policies*

The Director of the Section 8 Department shall have the sole discretion from time to time to waive or modify any provision of the Section 8 Homeownership Program not governed by statute or regulation or to comply with changes in HUD regulations or directives.