

Lakewood Housing Authority First Time Homeownership Program Policy

In June of 2003 the Lakewood Housing Authority (LHA) initiated a pilot program for a First Time Section 8 Homeownership Program. Initially the program was offered to qualified Family Self-Sufficiency Program participants. After that initial trial the LHA opened the program to all eligible Section 8 recipients through a random lottery. It was the decision of the LHA to have twenty-five (25) homeownership slots and following the success of several families the amount of homeownership slots was increased to fifty (50). In 2020 the cap on the number of homeownership slots was eliminated.

1. GENERAL REQUIREMENTS

The LHA permits eligible participants in the Section 8 Housing Choice Voucher (HCV) Program, including participants with portable vouchers, the option of purchasing a home with their Section 8 assistance rather than renting.

Eligible participants for the homeownership program may not owe the LHA or any other Housing Authority/Agency an outstanding debt, there must not be any lease violations within the past six (6) months, and must meet the eligibility criteria. Section 8 homeownership assistance may be used to purchase the following type of homes; under construction or existing single-family, condominiums, town homes, cooperatives, or manufactured homes. Multi-family homes are not eligible.

Eligible participants must be on the HCV Program with the LHA for a minimum of one year prior to being considered for the homeownership option. In addition they must also meet the criteria for eligibility.

The LHA will also permit portability of Section 8 homeownership assistance to another Housing Authority, provided the receiving HA operates a Section 8 homeownership program for which the Section 8 homeownership participants qualifies or authorizes the HA to administer the homeownership assistance in their jurisdiction.

2. MINIMUM INCOME

The adult member purchasing the house must earn the equivalent of at least 2000 hours at the current federal minimum wage amount. This amount cannot include income received from welfare assistance except in the case of an elderly or disabled person. Also not included as income is Food Stamps, Earned Income Credit, WIC, Scholarship, Work Study, etc. However, Social Security (except for SSI) is considered income. The disregard of welfare assistance income under this section affects the determination of minimum monthly income in determining initial qualification for the homeownership program. It does not affect the determination

of income-eligibility for the HCV Section 8 Program. For disabled/elderly families the minimum income requirement is waived. The LHA may count self-employment on a case by case basis.

3. EMPLOYMENT

With the exception of disabled and elderly 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 employed for one year prior to participate in the program. As long as a participant is working 30+ hours per week and the job(s) are continuous for at least one year prior to enrollment into the Homeownership Program, the 30 hours can consist of multiple jobs. Contracted 10-month employees (school teachers/child care providers) will be considered to meet the full-time/continuous employment requirement as long as they work an average of at least 30 hours per week during the 10-month contract period. Self-employment will be considered on a case by case basis. If the family member is self-employed a certification must be signed that states the employment is 30 hours or more per week and the income is equivalent to or more than 2000 hours at the current Federal minimum income wage requirement. Continuous employment may be with more than one employer as long as there is no longer than a three-week interruption/break in employment between jobs. Interruptions due to temporary disability or maternity leave will not be considered a break in employment as long as the individual has since returned to work.

4. REPAYMENT OF ANY HOUSING AUTHORITY DEBTS

Participants in the Section 8 HCV program shall be ineligible for participation in the Section 8 homeownership program in the event any debt or portion of a debt remains owed to the LHA or any other Housing Authority/Agency at the time of selection for the homeownership program. Participants who pay their repayment amount in full will then be eligible to be considered for the homeownership program.

5. DOWN PAYMENT

A minimum of 3% of the purchase price must be put down by the family as a down payment, and at least 1% of the purchase price (\$4,000 based on the typical home sale price in Lakewood) must come from the family's OWN personal resources. The funds must be in the applicant's accounts at the time of selection for the homeownership program and cannot be borrowed funds.

6. FINANCING REQUIREMENTS

The proposed financing terms must be submitted to and approved by the LHA prior to close of escrow. LHA shall determine the affordability of the family's proposed financing, utilizing generally accepted underwriting guidelines. In making such

determination, the LHA may take into account other family expenses, including but not limited to child care, unreimbursed medical expenses, education and training expenses etc. Certain types of financing, including but not limited to; **balloon payment mortgages, interest only mortgages, variable interest rate mortgages and home equity lines of credit are prohibited and will not be approved by LHA.** The LHA prohibits seller financing. The mortgage must comply with generally accepted mortgage underwriting standards consistent with those HUD/FHA, Ginnie Mae, Fannie Mae, Freddie Mac, New Jersey Housing & Mortgage Finance Agency, USDA Rural Housing Services, the Federal Home Loan Bank, or other private lending institutions.

Homeowner assistance payments will be directly to the lender unless otherwise agreed upon with the LHA and lender.

7. FIRST TIME HOMEBUYER

The participant must be a first-time homebuyer as defined by HUD (A family of which no member owned any present ownership interest in a residence of any family member during the three years before commencement of homeownership assistance for the family). 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) is considered a first-time homeowner for purposes of the Section 8 Homeownership option; and the right to purchase title to a residence under a lease-purchase agreement is not considered an ownership interest. A member of a cooperative (as defined in 982.4) also qualifies as a first-time homeowner.

8. HOME QUALIFICATIONS

The unit must be either already under construction (footings installed) or existing, a single-family home, a condominium, a townhouse, a cooperative, or a manufactured home to be situated on a privately owned lot or on a leased pad in a mobile home park. The home must already exist or under construction at the time LHA determines the family eligible for homeownership assistance to purchase the unit. The family also may purchase a home in another jurisdiction, provided the Housing Authority in the receiving jurisdiction operates a Section 8 homeownership program for which the Section 8 homeownership applicant qualifies or authorizes LHA to administer the homeownership assistance in their jurisdiction. The former case, a family's participation in the Section 8 homeownership program will be subject to the Section 8 homeownership program and policies of the receiving jurisdiction.

The unit must pass HUD's Housing Quality Standards (HQS) Inspection performed by our agency. After the initial HQS Inspection an annual HQS Inspection is required thereafter. The same rules apply to homeownership assistance as Section 8 HCV assistance. If the repair/replacement is not completed according to HQS guidelines payment will be abated. The LHA reserves the right to perform a HQS if a situation arises that this authority feels is in its best

interest. In addition the unit must be inspected by a qualified Housing Inspector and the report issued must be supplied to this office. The family is responsible for the cost of this private inspection.

9. PURCHASING A HOME

Once a home is located and the sales agreement approved by the LHA is signed by the family, the family shall have up to six (6) months, or such other time as is approved by the LHA's Executive Director or set forth in the LHA approved sales agreement, to purchase the home.

If a Section 8 participant is unable to purchase the home within the maximum time permitted by the LHA, the family's participation in the Section 8 HCV program shall continue.

10. LEASE-PURCHASE

Families may enter into lease-purchase agreements while receiving Section 8 rental assistance. All requirements of the HCV Program apply to lease-purchase agreements, except that families are permitted to pay an extra amount out-of-pocket to the owner for purchase related expenses – a “homeownership premium.” Any such premium, defined as an increment of value attributable to the value of the lease-purchase right or agreement, is excluded from LHA's rent reasonableness determination and subsidy calculation, and must be absorbed by the family. When a lease-purchase participant family is ready to exercise their option, they must notify the homeownership coordinator at LHA and apply for the homeownership option. If determined eligible for homeownership assistance, the family may be admitted to the homeownership program and must meet all the requirements of these policies.

11. SALES AGREEMENT

Prior to execution of the offer to purchase or sales agreement, the financing terms must be provided by the family to LHA for approval. The sales agreement must provide for inspection by LHA and independent inspection referred to previously and must state that the purchaser is not obligated to purchase unless such inspections are satisfactory to LHA. The contract also must provide that the purchaser is not obligated to pay for any necessary repairs without approval by LHA. The sales agreement must provide that the purchaser is not obligated to purchase if the mortgage financing terms are not approved by LHA. The sales agreement must also contain a seller certification that the seller is not debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24.

12. COMPLIANCE WITH FAMILY OBLIGATIONS

A family must agree, in writing, to comply with all family obligations under the Section 8 HCV program and LHA homeownership policies.

These obligations include the following:

- a. All family income must be reported from all sources and names of all persons living in the household.**
- b. If, at any time any member of the household has a change in income it must be reported immediately to the LHA.**
- c. If, at any time, any one in my household moves in or out, it must be reported it within 10 days of the occurrence to the LHA.**
- d. Housing Assistance payments will be made only for the months the household is in residence in the home. It must be immediately reported to the LHA if you move out of the home.**
- e. The family (including each family member) must not participate in illegal drug or violent criminal activity.**
- f. You cannot sell, convey or transfer any interest in the home to any entity or person prior to informing the LHA. Housing Assistance Payments will terminate with any sale, conveyance, or transfer other than to a household member residing in the home with prior approval from the LHA.**
- g. Information must be provided to the LHA on any mortgage or other debt incurred to purchase the home, and any refinancing of such debt, and the LHA must approve the financing terms.**
- h. The family must comply with the terms of any mortgage security debt incurred to purchase the home and any refinancing of such debt. The LHA must be immediately notified of any defaults on mortgage debt incurred to purchase the home.**
- i. All utility bills must be promptly paid. No utility can be disconnected or shut off due to non-payment.**
- j. The premises must be kept in good repair and in safe and sanitary condition.**
- k. In conjunction with the annual reexamination of income and family composition all mortgage, insurance and utility payments are current.**

l. If the home is in default and home is lost, the family will not be able to use the Section 8 HCV for rental housing but may reapply for the Section Waiting List when application intake is opened.

m. No other residential property can be owned by the family.

n. Complete the PHA-required homeownership and housing counseling program and obtain a certificate of completion. This program must be attended by all those whose name will be on the deed.

o. Supply all required information to LHA; including but not limited to annual verification of household income, notice of change in homeownership expenses, notice of move-out and notice of mortgage default.

p. The LHA's payment will be issued directly to the homeowner.

q. A Statement of Homeowner Obligations must be signed by the prospective homeowners.

r. The family cannot move during the first year and no more than one move by the family during any one-year period.

s. The home must be occupied by the family full time and cannot be rented or sublet.

t. The LHA provides allowances to families in the homeownership program that consider the homeowner's responsibility for routine maintenance of the unit, and the need to save money for major repairs and replacement. The LHA requires the participant to maintain a minimum reserve for maintenance and major repairs. The minimum reserve shall be equal to the monthly reserve allowance times the number of months assisted as a homeowner less any LHA approved withdrawals. For example, in the HAP payment, the LHA provides a \$50/month allowance for major repairs of the unit and replacement of major systems and appliances. If a participant has been on the homeownership program for 12 months, they should have a reserve account that has at least \$600 (\$50/month x 12 months). A participant that has been on the homeownership program for 5 years, and has not taken any withdrawals for major repairs/replacement, should have a reserve account with at least \$3,000 (\$50/month x 60 months).

At some point, the unit/home may require repairs/improvements that exceed the amount the family has accumulated in their repair/replacement reserve. In this instance, the LHA may approve a home equity loan for the sole purpose of repairs/improvements to the participants' home. The participant will be required to document the intended purpose of the home equity loan funds and provide contracts/receipts for the repairs/improvements when completed. A

home equity loan, or any refinancing, may not be acquired without the prior written consent of the LHA. Home equity lines of credit are not permitted.

13. FAMILY TO SUPPLY TO LHA

Prior to assistance the family must give the LHA the following:

- a. price and terms of sale
- b. pre-purchase inspection performed on behalf of the family
- c. statement contained in terms of sale that not obligated to purchase unless inspection is satisfactory
- d. the buyer is not obligated to pay for repairs
- e. the seller is not debarred or suspended

14. MAXIMUM TERM OF HOMEOWNERSHIP ASSISTANCE

Except for disabled and elderly families, a family may receive Section 8 homeownership assistance for not longer than ten (10) years from the date of close of escrow unless the initial mortgage incurred to finance purchase of the home has a term that is 20 years or longer, in which case the maximum term is 15 years. Families that qualify as elderly at the commencement of homeownership assistance are not subject to a maximum term limitation. Families that qualify as disabled at the commencement of homeownership assistance or at any time during the provision of homeownership assistance are not subject to a maximum term limitation. If a disabled family or elderly family ceases to qualify as disabled or elderly, the appropriate maximum term becomes applicable from the date homeownership assistance commenced; provided, however, that such family shall be eligible for at least six additional months of homeownership assistance after the maximum term becomes applicable. The time limit applies to any member of the household who has an ownership interest in the unit during any time that homeownership payments made, or is a spouse of any member of the household who has an ownership interest.

Termination of assistance will occur 180 days (calendar days) after last homeownership assistance payment the family is eligible for. This means zero HAP (mortgage payment to family from LHA) for six months as in the Section 8 HCV Program.

15. HOMEOWNERSHIP COUNSELING

In order for a family to be considered for the issuance of a voucher for homeownership the family must attend and successfully complete a homeownership and housing counseling program provided or approved by the LHA. A Certificate of Completion must be issued. The homeownership and counseling program will cover home maintenance, budgeting and money management, fair housing, credit counseling, predatory lending issues, negotiating purchase price, securing mortgage

financing, finding a home, obtaining title insurance, and a review of home inspections needed. Anyone whose name will be on the deed must attend and complete the counseling sessions. The counseling must be from a HUD approved counselor or homeownership counseling provided by the LHA, and must include the above courses and be pre-approved by the LHA.

Upon receipt of the Certificate of Completion from a pre-approved HUD approved homeownership counseling agency or homeownership counseling provided by the LHA, the LHA will issue the family a homeownership voucher. The term of the voucher will be for six (6) months. The voucher may be extended on a case by case basis.

16. MORTGAGE PAYMENT

The mortgage payment (HAP) will equal the lower of:

- a. payment standard minus total tenant payment or
- b. monthly homeownership expenses minus total tenant payment
- c. the family is responsible for the rest

17. ALLOWABLE HOMEOWNERSHIP EXPENSES

- a. principal and interest
- b. refinancing of such debt
- c. mortgage insurance
- d. taxes
- e. home insurance
- f. maintenance expenses (\$100 including major repairs)
- g. utility allowance
- h. debt for major repairs/replacement
- i. coop operating charges or maintenance fees
- j. coop occupancy agreement real estate taxes & public assessments

18. MISC. INFORMATION

- a. The family is not required to return the homeownership assistance for the month the family moves out.
- b. The 40% rule for new admissions and moves is not applicable.
- c. The value of the home is excluded for asset and income purposes for ten (10) years. After that time the home is included as an asset.
- d. The homeowner does not have to be the head of the household or the spouse. It can be any adult family member who will own the home at commencement of homeownership.
- e. The family can be denied homeowner assistance for any violations of family obligations, criminal activity, and/or mortgage default.

f. The payment standard is the greater of the payment standard at the commencement of homeownership assistance for occupancy of the home and the payment standard at the most recent regular reexamination of family income and composition since the commencement of the homeownership assistance for occupancy of the home.

g. The LHA may terminate the family's participation in the Sec. 8 HCV Program if the family fails to comply with the terms of the mortgage. If the mortgage was FHA insured the LHA must terminate unless the family moves from one unit to another within time AND conveys the title to HUD or HUD's designee. The LHA still has the ability to deny assistance.

h. If the family wants to switch back to rental assistance they must sell the home before they can receive continued Section 8 assistance.

i. If the family decides to sell the home and switch to Section 8 assistance, any profit from the sale of the home will be used as an asset.

The Lakewood Housing Authority administers the Section 8 First Time Homeownership Program according to the CFR Title 24, Volume 4 revised as of April 1, 2003. Specifically Title 24 Chapter IX Part 982 Section 8 Subpart M Sec. 982.633