

Question: What is the HUD Section 8 Homeownership Voucher Program?

As CWICs strive to assist beneficiaries who wish to increase their financial independence, the option of owning a home can become an effective way to build assets and achieve financial stability. It is important for CWICs to have a good working knowledge of programs available to beneficiaries who wish to become homeowners. Although there are programs that promote home ownership outside of HUD, we will focus specifically on one HUD program: The Section 8 **Homeownership Voucher Program**.

This program implements the “homeownership option” authorized by section 8(y) of the United States Housing Act of 1937, as amended by section 555 of the Quality Housing and Work Responsibility Act of 1998. Under the section 8(y) homeownership option, “a public housing agency may provide tenant-based assistance to an eligible family that purchases a dwelling unit that will be occupied by the family.” As part of the Housing Choice Voucher Program, some Public Housing Authorities (PHAs) elect to participate in the Homeownership Voucher Program. For information on which PHAs currently participate in this program, see the “Resources” section below. As required by law, the homeownership option is not available for families receiving section 8 project based assistance.

Qualifications for the Homeownership Voucher Program

To qualify for this program, families must obtain a voucher through their local PHA and be first-time homebuyers. However, if a family contains a member with disabilities who requires homeownership assistance as a reasonable accommodation, the family would be eligible for the homeownership option, regardless of whether they had owned a home previously.

Families must meet the following minimum income requirements: 1) The qualified annual income of the adult family members who will own the home must not be less than the federal minimum hourly wage multiplied by 2,000 hours. 2) For disabled families, the qualified annual income of the adult family members who will own the home must not be less than the monthly federal Supplemental Security Income (SSI) benefit for an individual living alone multiplied by 12.

The law requires that income counted in meeting the minimum income requirement under the homeownership option must come from sources other than welfare

assistance. However, HUD may count welfare assistance in determining availability of voucher homeownership assistance for a family whose head of household is elderly or disabled. (The term “welfare assistance” is defined in HUD’s regulations at 24 CFR 5.603.)

In addition to the income requirements above, there is also an employment requirement. One or more adults in the family who will own the home must currently be employed on a full-time basis and has been continuously employed on a full-time basis for at least one year before commencement of homeownership assistance. This includes self-employment as well as wage employment. Full-time employment is defined as no less than 30 hours a week. The employment requirement does not apply to a family whose head of household is elderly or disabled. Furthermore, if a family includes a member with disabilities, the PHA must grant an exemption from the employment requirement if the PHA determines that an exemption is needed as a reasonable accommodation. This is done in order for the program to be readily accessible and usable by persons with disabilities.

The above is only a summary of the main qualifications. More information can be found in the resources listed at the end of this document.

Purchasing the Home

Once a family has been determined by the PHA to be eligible for Section 8 homeownership assistance, they must attend homeownership counseling sessions. The PHA uses its normal voucher program payment standard schedule to determine the amount of subsidy. The housing assistance payment (HAP) will be the lesser of either the payment standard minus the total tenant payment or the family's monthly homeownership expenses minus the total tenant payment. The PHA may make the HAP payment directly to the family or to the lender. To keep families from purchasing a home that will result in a payment the family cannot afford, the PHA may set affordability limits for their program.

A Section 8 participant receiving a rental voucher may request a PHA operating a homeownership program to determine whether the family would be eligible for Section 8 homeownership assistance. If eligible, the family would continue to receive rental assistance until they vacate the rental unit (consistent with the lease). Generally, a family determined eligible for homeownership assistance by the initial PHA may purchase a unit outside of the initial PHA’s jurisdiction, if the receiving PHA is administering a voucher homeownership program and is accepting new homeownership families.

PHAs may link Section 8 homeownership with the Family Self-Sufficiency (FSS) program. For example, the PHA may require that families participate in the FSS program as an eligibility requirement. The PHA may also opt to incorporate the goal of homeownership into the family’s FSS contract of participation. Therefore, any FSS escrow could be advanced in order to purchase a home or for home maintenance/improvement purposes.

The family will enter into a contract of sale with the seller. The family must secure its own financing for the home purchase, subject to PHA approval. There is no prohibition against using a local or state Community Development Block Grant (CDBG) or other subsidized financing in conjunction with the Section 8 homeownership program. This program also permits Section 8 homeownership assistance for a family that purchases a home that they had previously occupied under a “lease-purchase agreement”—generally a lease with option to purchase.

After the homeownership housing assistance payments begin, the PHA will reexamine family income and composition on an annual basis and make appropriate adjustments to the amount of the monthly housing assistance payment. Section 8 homeownership assistance can only be paid for a maximum period of 15 years if the initial mortgage incurred has a term that is 20 years or longer. In all other cases, the maximum term of homeownership assistance is 10 years. The maximum term does not apply to a family whose head of household is elderly or disabled. This final rule clarifies that, in the case of an elderly family, the exception is only applied if the family qualifies as an elderly family at the commencement of homeownership assistance. In the case of a disabled family, the exception applies if at any time during receipt of homeownership assistance the family qualifies as a disabled family. If, during the course of homeownership assistance, the family ceases to qualify as a disabled or elderly family, the maximum term becomes applicable from the date homeownership assistance commenced. However, such a family must be provided at least 6 months of homeownership assistance after the maximum term becomes applicable.

If the family later decides that they prefer to live in a rental apartment and they have met all obligations under the Section 8 program, the PHA may issue them a rental voucher. However, the family must sell the home before the PHA may provide rental assistance. The law provides for the recapture of a percentage of homeownership assistance provided to the family upon the sale or refinancing of the home. Sales proceeds that are used by the family to purchase a new home with Section 8 homeownership assistance are not subject to recapture. Further, a family may refinance to access better mortgage terms, without any recapture penalty. Only those proceeds realized upon refinancing that are retained by the family (for example during a “cash-out” of the refinanced debt) are subject to the recapture provision.

This is only a program summary. There is many other program details that you may wish to research using the resources listed below. While home ownership may not be appropriate or even advisable for all of the beneficiaries CWICs encounter, it could be an excellent opportunity for some. Your VCU Technical Assistance Liaison is available to assist you as you explore this option, and learn more about the implications of home ownership for the beneficiaries you serve.

Resources:

Family Self-sufficiency program: 24 CFR Part 984,
Homeownership Voucher Program: 24 CFR Part 982 (sections 625-642).
Federal Register, vol 65 no 177, 9/12/2000

For information about which PHAs currently participate in the Homeownership Voucher Program, go to:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/homeownership

“Disabled family”- defined in 24 CFR 5.403 as a family whose head, spouse or sole member is a person with disabilities