

16A. PURPOSE

The Housing Authority of the County of Kern's (HACK) Housing Choice Voucher (HCV) Homeownership Program is designed to promote and support homeownership opportunities for voucher participants. The initial availability of these assistance payments helps the family pay the costs of homeownership, and may provide additional assurance for a lender, so that the family can finance the purchase of a home. The HCV Homeownership Program is available to all voucher holders who meet the minimum qualifications set forth in this plan and who have the ability to independently secure a mortgage loan.

16B. HOUSING CHOICE VOUCHER RULES APPLY

With the exception of unique eligibility and family obligation procedures identified elsewhere in the chapter, HACK will administer the HCV Homeownership program in accordance with all the policies and procedures contained in the HCV Administrative Plan and 24 CFR Part 982.

16C. FAMILY PARTICIPATION REQUIREMENTS

Participation in the HCV Homeownership Program is voluntary. Each participant must meet the general requirements for admission into the HCV rental program as set forth in the HACK Administrative Plan. The family must also meet all eligibility requirements of the HCV Homeownership Program.

General Requirements

1. To assure a successful transition from renting to home ownership, this program shall be open only to those who have been an HCV participants for at least 12 months and are actively participating in the Family Self-Sufficiency Program. During this period (the previous twelve months), all program requirements will have to be met.
2. The applicant must be in good standing with their landlord and HACK with regard to their family obligations and contracts. The family must satisfy the prerequisite of being in "good standing" prior to receiving a Certificate of Eligibility for the homeownership program. For the purpose of this program "good standing" is defined as meeting all of the conditions prior to and during the homeownership shopping period, as outlined below.
 - a. Provide landlord reference(s) indicating that during the prior year the family has an uninterrupted record of paying monthly rent in full and on time, and satisfactorily meets all other lease obligations, as documented on the landlord reference form. All verifications will be completed via third-party written or oral communication.
 - b. Within the past year and throughout the homeownership shopping period, the family may not owe HACK or any other housing authority any outstanding

debt nor enter into a repayment agreement. A participant may become eligible to apply for the homeownership program on the first anniversary date of full payment of any debt, subject to meeting the other conditions of good standing.

3. An applicant must be a “first-time homeowner”. To qualify as a “first-time homeowner,” the assisted family may not include any person with a present ownership interest in a residence during the past three years.
4. No more than 2% of HACK's Section 8 Housing Choice vouchers shall be utilized at any one time.
5. The family is qualified to participate, as set forth in Section 18C of this Policy.
6. The unit to be purchased is eligible, as set forth in Section 18D of this Policy.
7. The family has satisfactorily completed the required pre-assistance, home ownership counseling.
8. If located in a special flood hazard area, the purchaser has obtained flood insurance on the home and agrees to maintain this insurance.

16D. FAMILY ELIGIBILITY REQUIREMENTS

1. The family has been participating in the ~~Section 8~~ Housing Choice Voucher Program for at least 12 months.
2. The family has been participating in the Family Self Sufficiency Program for at least 12 months and desires to participate in the Homeownership Program.
3. At the commencement of homeownership assistance, the family must be one of the following:
 - a. A first-time homeowner, meaning that no family member had any present ownership interest in a residence of any family member during the last three years;
 - b. Single parents or displaced homemakers who, while married, owned a home with spouse or resided in home owned by spouse.
 - c. A cooperative member; or
 - d. A family, of which a family member is a person with disabilities, and the use of the home ownership option is needed as a reasonable accommodation so

that the Program is readily accessible to and usable by such person.

2. At commencement of home ownership assistance for the family, the family must demonstrate that its total annual income (gross income), as determined by HACK, for all adult family members who will own the home at commencement of home ownership assistance is not less than the Federal minimum hourly wage, multiplied by 2,000 hours.

Except in the case of an elderly family or a disabled family, HACK shall not count any welfare assistance received by the family in determining annual income under this section.

The disregard of welfare assistance income under the preceding paragraph only affects the determination of minimum annual income used to determine if a family initially qualifies for commencement of home ownership assistance, in accordance with this section but does not affect:

- a. The determination of income-eligibility for admission to the Voucher Program; ..
- b. Calculation of the amount of the family's total tenant payment (gross family contribution); or
- c. Calculation of the amount of home ownership assistance payments on behalf of the family.

In the case of an elderly family or a disabled family, welfare assistance shall be counted in determining annual income. The minimum income for disabled families is SSI for one-person times twelve months.

3. The family must demonstrate that one or more adult members of the family who will own the home at commencement of home ownership assistance:
 - a. Is currently employed on a full-time basis (the term "full-time employment" means not fewer than an average of 30 hours per week); and
 - b. Has been continuously so employed during the year before commencement of homeownership assistance for the family. This requirement shall be considered fulfilled if:
 - a. The family member is self-employed and earning a net income (income after business expenses have been deducted) that equals the federal minimum hourly wage, multiplied by 2,000 hours; or

- b. Any employment interruptions either were not the fault of the family member or were for fewer than 30 days and caused by an effort to improve the family's situation.

The employment requirement does not apply to an elderly family or a disabled family. Furthermore, if a family, other than an elderly family or a disabled family, includes a person with disabilities, an exemption from the employment requirement shall be granted if HACK determines that an exemption is needed as a reasonable accommodation so that the Program is readily accessible to and usable by persons with disabilities.

4. HACK shall not commence home ownership assistance for a family if any family member has previously received assistance under the home ownership option and has defaulted on a mortgage securing debt incurred to purchase the home.
5. Except for cooperative members who have acquired cooperative membership shares prior to commencement of home ownership assistance, no family member has a present ownership interest in a residence at the commencement of home ownership assistance for the purchase of any home.
6. Except for cooperative members who have acquired cooperative membership shares prior to the commencement of home ownership assistance, the family has not entered a contract of sale.

16E. ELIGIBLE UNITS

1. Any unit eligible under the Housing Choice Voucher Program is eligible for this Program, except the restrictions against purchasing a unit owned by HACK or precluding a unit occupied by its owner or by a person with any interest in the dwelling unit are not applicable. The types of units eligible are:
 - a. Single family dwellings;
 - b. Condominiums;
 - c. Cooperatives; and
 - d. Manufactured Housing and their pads.
2. The unit must be either existing or under construction at the time HACK determines the family is eligible for home ownership assistance.
3. The unit must be either a one-unit property or a single dwelling unit in a cooperative or condominium.
4. The unit must satisfy the Housing Quality Standards (HQS), and it must have

been inspected by an independent inspector designated and paid for by the family.

5. The seller cannot be someone who has been debarred, suspended, or is subject to a limited denial of participation by HUD.

16F. SEARCHING FOR A NEW HOME

Because the financial health of HACK's Housing Choice Voucher Program depends upon having units either under lease or being purchased, it is necessary for HACK to limit the amount of time a family can take between the time a Housing Choice Voucher is issued to the family and the time a home is identified that the family wishes to purchase. Normally, families will have up to sixty (60) days to locate an appropriate property and to notify HACK. If extraordinary difficulties are encountered, the family can request up to two (2), thirty (30) day extensions that may be granted at the sole discretion of HACK. If an extension is requested and granted, the family will orally report to HACK every two (2) weeks to update HACK on the progress of its search.

Once a suitable property has been identified and an agreement to purchase contract entered into, HACK will determine a maximum time in which the closing must occur and the family will take occupancy of the property. This time frame will vary, depending on market conditions.

If the family is unable to locate a suitable home to purchase, it can request that the Housing Choice Voucher be converted into a rental assistance voucher. This request must be made before the voucher expires. Approval of the request will be at the sole discretion of HACK, with the decision being based on the effort exerted by the family and the condition of the marketplace.

Additional time will be grant to a disabled family as a reasonable accommodation, if justified by the family's actions and/or marketplace conditions.

16G. HOME OWNERSHIP COUNSELING

Before the commencement of homeownership assistance for a family, the family must attend and satisfactorily complete a pre-assistance home ownership and housing counseling program required by HACK (pre-assistance counseling). If possible, the counseling will be conducted by a HUD- approved counseling agency. If this is not available, HACK shall make other arrangements for the pre-assistance counseling.

Among the topics to be covered in the required pre-assistance counseling program are:

1. Home maintenance (including care of the ground);
2. Budgeting and money management;
3. Credit counseling;
4. How to negotiate the purchase price of a home;
5. How to obtain homeownership financing and loan pre-approvals, including a description of types of financing that may be available, and the pros and cons of different types of financing;
6. How to find a home, including information about homeownership opportunities, schools, and transportation in HACK's jurisdiction;
7. 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 areas;
8. Information on fair housing, including fair housing lending and local fair housing enforcement agencies; and
9. Information about the Real Estate Settlement Procedures Act (RESPA), State and federal truth-in-lending laws, and how to identify and avoid loans with oppressive terms and conditions.

16H. HOME INSPECTIONS

HACK will not commence homeownership assistance for a family until it has inspected the unit and has determined that the unit passes HQS. The unit must also be inspected by an independent professional inspector selected by and paid for by the family. The independent inspection must cover major building systems and components, including foundation and structure, housing interior and exterior, and the roofing, plumbing, electrical, and heating systems. The independent inspector must be qualified to report on property conditions, including major building systems and components. HACK may not require the family to use an independent inspector selected by HACK. The independent inspector may not be a HACK employee or contractor, or other person under control of the housing authority. The independent inspector shall be certified by the American Society of Home Inspectors or one whose inspections are accepted by three local lenders. It shall be the responsibility of the inspector to verify that the inspector meets this certification qualification.

The independent inspector must provide a copy of the inspection report, both to the family and to HACK. HACK will not commence home ownership assistance for the family until it has reviewed the inspection report of the independent inspector. Even if the unit otherwise complies with the HQS (and may qualify for assistance under HACK's tenant-based rental voucher program), HACK shall have discretion to disapprove the unit for assistance under the homeownership option because of information in the inspection report.

16I. CONTRACT OF SALE

Before commencement of homeownership assistance, a member or members of the family must enter into a contract of sale with the seller of the unit to be acquired by the family. The family must give HACK a copy of the contract of sale.

The contract of sale must:

1. Specify the price and other terms of sale to the purchaser.
2. Provide that the purchaser will arrange for a pre-purchase inspection of the dwelling unit by an independent inspector selected by the purchaser.
3. Provide that the purchaser is not obligated to purchase the unit unless the inspection is satisfactory to the purchaser.
4. Provide that the purchaser is not obligated to pay for any necessary repairs.
5. Contain a certification from the seller that the seller has not been debarred, suspended, or subject to limited denial of participation.

16J. FINANCING THE PURCHASE OF THE HOME

1. A purchasing family must invest at least three percent (3%) of the purchase price of the home it is buying in the property. This can take the form of either a down payment, closing costs, or a combination of the two. Of this sum, at least one percent (1%) of the purchase price must come from the family's personal resources.
2. The family must qualify for the mortgage loan under a lender's normal lending criteria, taking into account the fact that this is, by definition, a low-income family.

3. If the home is purchased using FHA mortgage insurance, it is subject to FHA mortgage insurance requirements. If the loan is financed by either the seller or a non-traditional mortgage lending institution or individual, the loan shall be subject to the review of HACK. HACK may verify that there are no unusual or onerous requirements in the loan documents and that the mortgage is affordable to the purchasing family. Also, the lender must require that an appraisal of the property is conducted, and the appraiser must determine that the property is worth at least as much as the purchaser is paying.
4. Unless the purchaser can convince HACK of unusual circumstances, no balloon payment mortgages or variable rate mortgages shall be allowed in the program.
5. All mortgage loans must close within the time period established by HACK at the time the purchaser and seller enter into their sale contract.

16K. REQUIREMENTS FOR CONTINUING ASSISTANCE

Homeownership assistance will only be paid while the family is residing in the home. If the family moves out of the home, HACK may not continue homeownership assistance after the month when the family moves out. The family or lender is not required to refund to HACK the homeownership assistance for the month when the family moves out.

The family must comply with the following obligations:

1. The family must comply with the terms of any mortgage securing debt incurred to purchase the home (or any refinancing of such debt).
2. As long as the family is receiving homeownership assistance, use and occupancy of the home is subject to the following requirements:
 - a. The family must use the assisted unit for residence by the family. The unit must be the family's only residence.
 - b. The composition of the assisted family residing in the unit must be approved by HACK. The family must promptly inform HACK of the birth, adoption or court-awarded custody of a child. The family must request housing authority approval to add any other family member as an occupant of the unit. No other person (i.e., nobody but members of the assisted family) may reside in the unit (except for a foster child or live-in aide).
 - c. The family must promptly notify HACK if any family member no longer

- resides in the unit.
- d. If HACK has given approval, a foster child or a live-in-aide may reside in the unit.
 - e. Members of the household may engage in legal profit-making activities in the unit but only if such activities are incidental to primary use of the unit for residence by members of the family.
 - f. The family must not sublease or let the unit.
 - g. The family must not assign the lease or transfer the unit.
 - h. The family must supply any information or certification requested by the housing authority to verify that the family is living in the unit, or relating to family absence from the unit, including any housing authority requested information or certification on the purposes of family absences. The family must cooperate with the housing authority for these purposes. The family must promptly notify the housing authority of its absences from the unit.
3. The family may grant a mortgage on the home for debt incurred to finance purchase of the home or any refinancing of such debt.
 4. Upon death of a family member who holds, in whole or in part, title of the home or ownership of cooperative membership shares for the home, home ownership assistance may continue, pending settlement of the decedent's estate, notwithstanding transfer of title by operation of law to the decedent's executor or legal representative, so long as the home is solely occupied by remaining family members, in accordance with Paragraph C above. In the case of a divorce or family separation, the assistance shall follow a court decree.
 5. The family shall supply HACK with any required information requested by the housing authority. In particular this shall include information relating to the following:
 - a. Citizenship or related immigration matters;
 - b. Family income and composition;
 - c. Social Security numbers;
 - d. Any mortgage or other debt placed on the property;

- e. Any sale or other transfer of any interest in the home; and
 - f. The family's home ownership expenses.
6. The family must notify HACK before the family moves out of the home.
 7. The family must notify HACK if the family defaults on a mortgage securing any debt incurred to purchase the home.
 8. During the time the family receives homeownership assistance under this Program, no family member may have any ownership interest in any other residential property.
 9. Before commencement of homeownership assistance, the family must execute a statement of family obligations in the form prescribed by HUD. In the statement, the family agrees to comply with all family obligations under the homeownership option.
 10. The family must secure the written permission of HACK before it refinances any debt secured by the home or places any additional secured debt on the property.
 11. The family must assure HACK that all real estate taxes were paid on a timely basis. If they are not paid, assistance shall be terminated.

16L. MAXIMUM TERM OF HOMEOWNERSHIP ASSISTANCE

1. Except in the case of a family that qualifies as an elderly or disabled family, family members shall not receive homeownership assistance for more than fifteen (15) years if the initial mortgage incurred to finance purchase of the home has a term of 20 years or longer; or ten years, in all other cases.
2. The maximum term described in the preceding paragraph applies to any member of the family who has an ownership interest in the unit during the time the homeownership payments are made or is the spouse of any member of the household who has an ownership interest during the time the home ownership payments are made.
3. As noted in Paragraph 1 of this Section, the maximum homeownership assistance term does not apply to elderly and disabled families. In the case of an elderly

family, the exceptions only applies if the family qualifies as an elderly family at the start 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 (provided the family is otherwise eligible to receive homeownership assistance in accordance with this program).

4. If the family has received such assistance for different homes, or from different housing authorities, the total of such assistance terms is subject to the maximum term described in Paragraph A of this section.

16M. AMOUNT AND DISTRIBUTION OF HOME OWNERSHIP ASSISTANCE

1. While the family is residing in the home, HACK shall pay a monthly homeownership assistance payment on behalf of the family that is equal to the lower of:
 - a. The payment standard, minus the total tenant payment; or
 - b. The family's monthly homeownership expenses, minus the total tenant payment.
2. The payment standard for a family is the lower of:
 - a. The payment standard for the family unit size; or
 - b. The payment standard for the size of the home.

If the home is located in an exception payment standard area, HACK will use the appropriate payment standard for the exception payment standard area. The payment standard is the greater of:

- a. The payment standard (as determined in accordance with Paragraph 1 of this section) at the commencement of homeownership assistance for occupancy of the home; or
- b. The payment standard (as determined in accordance with Paragraph 1 of this section) at the most recent regular re-examination of family income and composition since the commencement of home ownership assistance for

occupancy of the home.

HACK will use the same payment standard schedule, payment standard amounts, and subsidy standards for the home ownership option as for the Rental Voucher Program.

3. A family's homeownership expenses shall include the following items:
 - a. Principal and interest on initial mortgage debt, any refinancing of such debt, and any mortgage insurance premium incurred to finance purchase of the home;
 - b. Real estate taxes and public assessments on the home;
 - c. Home insurance;
 - d. Maintenance expenses of \$50.00 per month;
 - e. An allowance of \$50.00 a month for costs of major repairs and replacements;
 - f. HACK's utility allowance for the home; and
 - g. Principal and interest on mortgage debt incurred to finance costs for major repairs, replacements or improvements for the home. If a member of the family is a person with disabilities, such debt may include debt incurred by the family to finance costs needed to make the home accessible for such person, if the housing authority determines that allowance of such costs as home ownership expenses is needed as a reasonable accommodation so that the home ownership option is readily accessible to and usable by such person.
4. Homeownership expenses for a cooperative member may only include amounts to cover:
 - a. The cooperative charge under the cooperative occupancy agreement including payment for real estate taxes and public assessment on the home;
 - b. Principal and interest on initial debt incurred to finance purchase of cooperative membership shares and any refinancing of such debt;

- c. Home insurance;
 - d. The PHA allowance for maintenance expenses;
 - e. The PHA allowance for costs of major repairs and replacements;
 - f. The PHA utility allowance for the home; and
 - g. Principal and interest on debt incurred to finance major repairs, replacements or improvements for the home. If a member of the family is a person with disabilities, such debt may include debt incurred by the family to finance costs needed to make the home accessible for such person, if the housing authority determines that allowance of such costs as home ownership expenses is needed as a reasonable accommodation so that the home ownership option is readily accessible to and usable by such person.
5. If the home is cooperative or condominium unit, homeownership expenses may also include cooperative or condominium operating charges or maintenance fees assessed by the condominium or cooperative homeowner association.
 6. HACK will pay homeownership assistance payments directly to the lender on behalf of the family unless the lender does not want the payment to be made directly to them. If there is any excess assistance, it will be paid to the family.
 7. Homeownership assistance for a family terminates automatically 180 calendar days after the last housing assistance payment on behalf of the family. However, HACK retains the discretion to grant relief from this requirement in those cases where automatic termination would result in extreme hardship for the family.

16N. HOMEOWNERSHIP PORTABILITY

1. A family may qualify to move outside the initial Housing Authority's jurisdiction with continued homeownership assistance under the voucher program. Families determined eligible for homeownership assistance by HACK may purchase a unit outside our jurisdiction, if:
 - a. They meet our normal requirements for portability under the rental program;
 - b. The receiving housing authority is administering a voucher homeownership program, and the family meets the receiving housing authority's eligibility requirements; and

- c. The receiving housing authority is accepting new homeownership families.
2. Conversely, if HACK has slots open in its home ownership program, it will accept homeowners exercising portability from another program and absorb such families if possible.
3. In general, the portability procedures described previously in this Administrative Plan apply to the homeownership option. The administrative responsibilities of the initial and receiving housing authorities are not altered, except that some administrative functions (e.g., issuance of a voucher or execution of a tenancy addendum) do not apply to the homeownership option.
4. The family must attend the briefing and counseling sessions required by the receiving housing authority. The receiving housing authority will determine whether the financing for, and the physical condition of the unit are acceptable. The receiving housing authority must promptly notify the initial housing authority if the family has purchased an eligible unit under the program, or if the family is unable to purchase a home within the maximum time established by the housing authority.
5. Continued assistance under portability procedures is the next Section of this Administrative Plan.

160. MOVING WITH CONTINUED TENANT-BASED ASSISTANCE

1. A family receiving homeownership assistance may move to a new unit with continued tenant-based assistance. The family may move either with voucher rental assistance (in accordance with rental assistance program requirements) or with voucher homeownership assistance (in accordance with homeownership option program requirements). HACK will not commence continued tenant-based assistance for occupancy of the new unit so long as any family member owns any title or other interest in the prior home. No more than one move per year may occur in the program.
2. HACK must be able to determine that all initial requirements have been satisfied if a family that has received homeownership assistance wants to move to a new unit with continued homeownership assistance. However, the following requirements do not apply:
 - a. The requirement for pre-assisted counseling is not applicable.
 - b. The requirement that a family must be a first-time homeowner is not applicable.

3. HACK may deny permission to move with continued assistance in the following circumstances:
 - c. HACK may deny permission to move with continued rental or homeownership assistance if HACK determines that it does not have sufficient funding to provide continued assistance.
 - d. At any time, HACK may deny permission to move with continued rental or homeownership assistance, in accordance with the next Section.

16P. DENIAL OR TERMINATION OF ASSISTANCE FOR FAMILIES

1. At any time, HACK may deny or terminate homeownership assistance, in accordance with the same rules as it utilized for the rental program.
2. The same restrictions on admission or continued assistance regarding criminal activities shall apply to the Homeownership Program for the rental program.
3. HACK may deny or terminate assistance for violation of participant obligations, as previously described for the rental program.
4. HACK shall terminate voucher homeownership assistance for any member of family receiving homeownership assistance that is dispossessed from the home pursuant to a judgment or order of foreclosure on any mortgage (whether FHA-insured or non-FHA), securing debt incurred to purchase the home, or any refinancing of such debt. HACK, in its discretion, may permit the family to move to a new unit with continued voucher rental assistance if the family can show that the default was for reasons beyond its control. However, the housing authority will deny such permission, if:
 - a. The family defaulted on an FHA-insured mortgage; and
 - b. The family fails to demonstrate that:
 - I. The family has conveyed title to the home, as required by HUD, to HUD or HUD's designee; and
 - II. The family has moved from the home within the period established or approved by HUD.

16Q. RECAPTURE OF HOMEOWNERSHIP ASSISTANCE

1. HACK shall recapture a percentage of the homeownership assistance provided to the family upon the family's sale or refinancing of the home.

2. Upon purchase of the home, a family receiving homeownership assistance shall execute documentation as required by HUD, and consistent with State and local law, that secures HACK's right to recapture the homeownership assistance in accordance with this section. The lien securing the recapture of homeownership subsidy may be subordinated to a refinanced mortgage at the discretion of the housing authority.
3. In the case of the sale of the home, the recapture shall be in an amount equaling the lesser of:
 - a. The amount of homeownership assistance provided to the family, adjusted as described in Paragraph F of this section; or
 - b. The difference between the sales price and purchase price of the home, minus:
 - c. The costs of any capital expenditures;
 - d. The costs incurred by the family in the sale of the home (such as sales commission and closing costs);
 - e. The amount of the difference between the sales price and purchase price that is being used, upon sale, towards the purchase of a new home under the Section 8 home ownership option; and
 - f. Any amounts that have been previously recaptured, in accordance with this section.
4. In the case of a refinancing of the home, the recapture shall be in an amount equaling the lesser of:
 - a. The amount of homeownership assistance provided to the family, adjusted as described in Paragraph F of this section; or
 - b. The difference between the current mortgage debt and the new mortgage debt; minus:
 - I. The costs of any capital expenditures;
 - II. The costs incurred by the family in the refinancing of the home (such as closing costs); and

- III. Any amounts that have been previously recaptured as a result of refinancing.
5. The recapture amount shall be determined using the actual sales price of the home, unless the sale is to an identity-of-interest entity. In the case of identity-of-interest, transactions, HACK shall establish a sale price, based on fair market value.
6. The amount of homeownership assistance subject to recapture will automatically be reduced over a 10-year period, beginning one year from the purchase date, in annual increments of 10 percent. At the end of the 10-year period, the amount of homeownership assistance subject to recapture will be zero.