

# **CHAPTER 27**

## **HOMEOWNERSHIP POLICY**

### **Introduction:**

The Kearney Housing Agency (hereinafter referred to as KHA) hereby establishes a Homeownership Program in accordance with US Department of Housing and Urban Development (HUD) final rule dated September 12, 2000. The establishment of this program is consistent with Kearney Housing Agency's annual and five-year plan. Our goal is to provide income-qualified families with an opportunity to become homeowners by allowing families to use Housing Choice Voucher assistance to purchase their own homes rather than rental assistance.

Under the Homeownership Program, Housing Assistance Payments can be used to supplement the participant's income when calculating their housing ratio for a home mortgage. It is the goal of the Kearney Housing Agency to provide this expanded choice of housing assistance that will promote homeownership.

### **Advisory Committee:**

The Homeownership Program will be developed with input from local 1) non-profit housing groups 2) homeownership counseling groups 3) lending institutions 4) economic development groups 5) service providers 6) real estate professionals and 7) income-qualified persons working cooperatively with KHA. The purpose of the Advisory Committee will be to educate, promote and provide annual assessment of the Homeownership Program.

## **I. OUTREACH**

Information regarding the Homeownership Program will be made available to all applicants during the initial interview and at briefing. Annually, at recertification time, families will receive information on the Homeownership Program. Information will be posted in the KHA Office and handouts regarding the program and its guidelines available and distributed to referral partners. The KHA will limit the number of Homeownership Vouchers issued to a maximum of ten (10) in any one fiscal year dependent upon the availability of vouchers. There will be no carryover of non-issued vouchers. Of the ten vouchers, seven are eligible for Buffalo County; three may be issued outside of Buffalo County, subject to availability. If there are no applicants from outside of Buffalo County, all may be issued in Buffalo County, subject to availability of vouchers.

## **II. ELIGIBILITY**

Qualified applicants/participants must meet the following guidelines:

- Must be a Housing Choice Voucher Participant or Public Housing Resident (income eligible and qualifies for Housing Choice Voucher assistance) for at least one year who is in good standing (i.e. has not violated any Housing Choice Voucher/Public Housing Program requirements) in the KHA programs.

- Must be an active participant of the KHA Family Self-Sufficiency participant or have graduated from the program no more than two years prior to application for homeownership assistance.
- Must meet the HUD definition of first-time homeowner (i.e. means that the participant has not had home ownership interest in a home in the past three years except for a displaced homemaker or person with a disability). A right to purchase title to a residence under a lease-purchase agreement is not considered an “ownership interest.” A lease-purchase agreement is not considered an “ownership interest.” A member of a cooperative also qualifies as a first time homeowner.”
- The participant or applicant must not have previously defaulted on a mortgage that was obtained through homeowner assistance program.
- One or more adults must have a gross annual income greater than or equal to at least 2,000 hours of work at the-state minimum wage (Not less than 30 hours per week). And has been continuously employed for one year prior to application. The KHA may allow for interruptions in employment for certain instances such as lay-offs or illnesses on a case-by-case basis.
  - An exception to this requirement is granted to families whose head of household or spouse is elderly or disabled. Families with a disabled member may also request an exception from KHA to this requirement. This requirement is applicable at the initial qualification for homeownership assistance and is not a requirement for continued assistance.
- The full family share may not exceed 50% of family budget. Total monthly homeownership expenses is defined as the combined total of principal and interest on mortgage debt, mortgage insurance, real estate taxes and assessments, home insurance, USDA’s allowances for maintenance and major repairs (1% of purchase price per year) and KHA’s utility allowance.

Public assistance may only be included as income when determining eligibility for a family with an elderly or disabled head of household or spouse. This requirement is applicable at the initial qualification for homeownership assistance and is not a requirement for continued assistance.

- The Participant must attend and successfully complete the pre-assistance homeownership counseling program offered through Community Action Partnership of Mid-Nebraska within one year prior to closing on the mortgage.
- Must have the minimum of \$500 for closing costs, repairs, and/or down payment from the participant’s own funds or KHA approved down payment assistance programs. Referral to down payment assistance programs will be provided as availability is announced to KHA.

- Must sign a “Statement of Homeowner Obligations” with KHA and agree to use the home as their sole residence.
- Must have fully repaid any outstanding debt owed the KHA or any other Housing Agency/Authority. Nothing in this provision will preclude Housing Choice Voucher participants that have fully repaid such debt(s) from participating in the Housing Choice Voucher program.

Eligibility will be determined through the application process. Minimum income requirements will be established for eligibility.

### **III. JURISDICTION/ELIGIBLE UNIT:**

The initial program will be offered to participants locating a home in Buffalo County or other communities which are in the KHA Housing Choice Voucher program jurisdiction. Portability will not be optional in the KHA Homeownership Program. KHA may deny a unit if the owner has been debarred or suspended under Section 24 CFR, Part 24.

Eligible units will be considered as the following:

- 1) Single family existing unit
- 2) Single family home new construction with prior approval.
- 3) Existing home available for purchase/ with qualified rehab of a minimum of \$3,000 with lender approval.
- 4) New Manufactured home on a privately owned lot on a permanent foundation from approved dealer/contractor with 1 year warranty.

### **IV. APPLICATION PROCESS:**

Applications for the homeownership program will be given to interested and preliminarily qualified applicants upon request. Completed applications will be reviewed for eligibility status. If the applicant is deemed eligible, they will be processed. If the applicant is deemed ineligible and is denied, they may reapply in the future. When the verification process is completed, a briefing is held, which participants must attend. Once eligible, the participant should begin Homeownership Counseling classes.

### **V. HOMEOWNERSHIP COUNSELING**

Participants in this program must attend and successfully complete the pre-assistance homeownership counseling program (Eight hours of classroom plus 1 hour budgeting one on one) approved by the KHA. The homeownership counseling program will cover topics such as:

- a) Home maintenance
- b) Budgeting and money management
- c) Aspects of Financing a Home
- d) Credit Counseling and Credit Repair
- e) Predatory lending prevention
- f) How to find a home and negotiate the price
- g) Fair Housing/Fair lending
- h) Foreclosure Prevention

- i) Real Estate Law

## **VI. TIMELINE**

The participant will have a maximum of six (6) months from the time of issuance of the voucher to find a home to purchase and enter into a contract of sale. If the participants are unable to locate a desirable home and enter into a contract of sale before the end of six months, the participants will be allowed to continue their assistance toward a rental unit. Extension of the six month time limit is at KHA discretion.

## **VII. PURCHASE AGREEMENT:**

Once the participants select the home they would like to purchase, they must enter into a Contract of Sale with the sellers of the property with a licensed realtor. The Contract of Sale must include the following:

- 1) The purchase price and terms of the sale.
- 2) State that pre-purchase inspections will be completed to the satisfaction of the participants and the KHA and that the sale is conditional upon the participants' and KHA's acceptance of the inspection reports.
- 3) State that the participants are not obligated to pay for repairs that are needed as a result of the findings of the inspection report unless qualifying for a purchase with rehab loan as a part of the sale contract.
- 4) Certification that the seller is not debarred, suspended, or subject to limited denial of participation by HUD.
- 5) Home warranty program for 1 year after the purchase.

## **VIII. EARNEST DEPOSIT**

The KHA requires a minimum of \$500 for closing costs, repairs, and/or earnest deposit from the participant's own funds or KHA approved down-payment assistance programs.

## **IX. INSPECTIONS**

Two inspections must be performed prior to purchase. An independent professional home inspection must be completed by a third party selected by participant and/or lender. Cost of this inspection is the buyers (participants). This inspection must cover major building systems and components. These include, but are not limited to, the structural integrity of the home and its foundation, the age and quality of the roof, the interior and exterior make-up, and an inspection of the plumbing, heating/cooling and electrical systems. On new construction, a Certificate of Occupancy will be required.

In addition, the Kearney Housing Agency will conduct a Housing Quality Standards Inspection and review the independent professional home inspection. The KHA or its designated party may disqualify a home from participating in the Homeownership Program based on either inspection.

## **X. FINANCING AND PURCHASING REQUIREMENTS:**

The participant family has the discretion to choose which lender they use, but the terms of the loan will be subject to approval of the KHA. KHA will provide referral assistance to available lenders who are informed about and willing to participate in the Homeownership Program. Housing Assistance Payments funds may not be used for the financing costs of purchasing a home.

The first mortgage lender should be a federally regulated financial institution. Loan fees should not exceed five (5) percent of the purchase price. Prepayment penalties, balloon payments and/or prepaid life insurance will not be allowed in any financing arrangement.

The family may not re-finance, apply for an equity loan or make any other loans against the home without KHA approval.

## **XI. AMOUNT ON MONTHLY HOMEOWNERSHIP ASSISTANCE PAYMENT**

While the family is residing in the home, the PHA shall pay a monthly homeownership assistance payment on behalf of the family that is equal to the lower of:

- 1) The payment standard minus the total tenant payment; ~~or~~
- 2) The family's monthly homeownership expenses minus the total tenant payment.
- 3) The payment standard never goes below initial calculation.

Monthly homeownership expenses used to calculate the Housing Assistance payments will include: 1) principal and interest on mortgage debt, 2) mortgage insurance, 3) real estate taxes and assessments, 4) home insurance, 5) USDA's allowances for maintenance and major repairs (1% of purchase price per year) and KHA's utility allowance.

As the fair market rent payment standard changes, adjustments will be made to the Housing Assistance Payments (HAP) by KHA. If the annual reexamination results in a zero HAP, the family may continue as a program participant for six months (180 days) from the date of the reexamination effective date. During that period, the HAP contract between KHA and owner remains in effect. If the family circumstances change during the six-month period and the family again needs assistance, the KHA will conduct an interim reexamination and reinstate assistance. At the end of six months, if the subsidy has not been restored, the HAP contract will terminate. The KHA will provide the family advanced notification of the proposed termination.

Housing Assistance Payments will be provided only when the participants remain in their home and will be in effect for fifteen (15) years if the initial mortgage is twenty (20) years or longer. In all other cases, the term of the HAP will be provided for ten (10) years. These terms DO NOT apply to elderly and disabled families. However, if an elderly or disabled family ceases to be qualified as such while receiving HAP for homeownership, the maximum term shall be determined from the date of initial commencement of homeownership assistance. The family will receive a minimum of six (6) months of HAP after the maximum term, provided the family continues to be eligible and is complying with family obligations.

The term of the assistance is applied from the time of the initial purchase, regardless if the participants move to a new unit under the Homeownership Program. Participants can choose to sell their home and stay in the program by purchasing another home, provided that a default on their mortgage has not occurred and they are in compliance with the "Statement of Homeowner

Obligations.” If this happens, the initial eligibility requirements apply, with the exception of the first-time homebuyer and the pre-assistance homeownership counseling.

KHA will provide the lender with the amount of the Housing Assistance Payments prior to closing. Housing Assistance Payments will be made directly to the lender or to an escrow account established by the lender for payments each month.

## **XII. CONTINUED PARTICIPATION**

Families participating in the Homeownership Program must still abide by the Rules and Regulations of the Housing Choice Voucher Program. The family is *STILL* a Kearney Housing Agency participant, being a homeowner rather than a renter. If the family violates any of the rules and regulations of the Homeownership Program, they will be terminated and be responsible for the entire mortgage payment.

Recertification’s and HQS inspection’s will continue according to KHA policy to ensure the family is still eligible for assistance. If the family is determined ineligible for Housing Choice Voucher assistance, they will be terminated and responsible for the entire mortgage. The family must also comply with the Statement of Homeownership Obligations and sign it annually at recertification.

If a Homeownership participant is at zero TTP or does not meet KHA’s definition of a working adult for longer than 6 months they will be terminated and responsible for the entire mortgage. A working adult is defined as one or more adults having a gross annual income greater than or equal to at least 2,000 hours of work at the state minimum wage (Not less than 30 hours per week).

## **XIV. DEFAULT**

KHA will file Notice of Default and Release of Information with Lien holders to receive copies of late payment/default notices to utilize in post homeownership counseling with the family. The family must notify KHA immediately if the mortgage goes into default within two days of receipt of default letter.

In the event of a default, the participant is not eligible for future participation in KHA Homeownership Programs.

It is the Agency’s discretion whether or not to allow the family to revert to the Housing Choice Voucher Rental Assistance Program after a mortgage default through the KHA’s Homeownership Program.

## **XV. MAXIMUM TERM OF ASSISTANCE**

Families can receive homeownership assistance for a maximum of 15 years if using a mortgage with a term of 20 years or more. If the family is elderly or disabled, there is no time limit. If the mortgage term is less than 20 years, participants are eligible for up to 10 years of Housing Assistance Payments based on their continued eligibility.

## **XVI. GROUNDS FOR TERMINATION OF HOME OWNERSHIP ASSISTANCE**

- (1) Failure to Comply with Family Obligations under Housing Choice Voucher or KHA's Home Ownership Policies.

A family's home ownership assistance may be terminated if the family fails to comply with its obligations under the Homeownership Program, KHA home ownership policies, fails to attend the homeownership counseling classes as required or if the family defaults on the mortgage. The family must comply with the terms of any mortgage incurred to purchase the home. The family must provide KHA with advance notice of any sale, plans to transfer any interest in the home; any plan to move out of the home prior to the move; the family's household income and home ownership expenses on an annual basis; and any other notices which may be required pursuant to KHA homeownership policies. 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.

- (2) Occupancy of Home:

Home ownership assistance will only be provided while the family resides in the home. If the family moves out of the home, KHA will not continue home ownership assistance commencing with the month after the family moves out.

**The initial family purchasing the home is the only family allowed to reside in the unit.**

- (3) Changes in Income Eligibility:

A family's home ownership assistance may be changed at interim and annual recertification of the household income, but participation in the Home Ownership program shall continue until such time as the assistance payment amounts to \$0 for a period of six (6) consecutive months.

- (4) Maximum Term of Home Ownership Assistance

Homeownership Assistance Payments will be provided only if the participants remain in their home for a period of fifteen (15) years and the initial mortgage is twenty (20) years or longer. In all other cases, the term of the HAP payments will be provided for ten (10) years. These terms DO NOT apply to elderly and disabled families. However, if an elderly or disabled family ceases to be qualified as such while receiving HAP for homeownership, the maximum term shall be determined from the date of the initial commencement of homeownership assistance. The family will receive a minimum of six (6) months of Housing Assistance payments after the maximum term, provided the family continues to be eligible and is complying with family obligations.

## **XVIII. PROCEDURE FOR TERMINATION OF HOMEOWNERSHIP ASSISTANCE**

A participant in the Homeownership program shall be entitled to the same termination notice and informal hearing procedures as set forth in the Administrative Plan of the KHA for the Housing Choice Voucher Program.

**XIX ADMINISTRATIVE FEE:**

The Kearney Housing Agency will receive the same ongoing administrative fee as in the Housing Choice Voucher rental program as outlined in Section 24 CFR 982.152 9b).

**XX. FAIR HOUSING:**

In compliance with the Fair Housing Act (title VIII of the Civil Rights Act, 1988) the Homeownership program will not discriminate based on race, color, national origin, religion, sex, disability, familial status, sexual orientation, or gender identity.



**XIII. STATEMENT OF HOMEOWNER OBLIGATIONS**

**KEARNEY HOUSING AGENCY**  
**Housing Choice Voucher Homeownership Program**

**STATEMENT OF HOMEOWNER OBLIGATIONS**

I/We, \_\_\_\_\_,  
Participant(s) in the Kearney Housing Agency Housing Choice Voucher Homeownership  
Program, fully understand the following conditions regarding my/our continued eligibility for  
housing assistance payments in conjunction with my/our ownership of a  
\_\_\_\_\_ located at \_\_\_\_\_ and agree that:

1. Our home will be occupied by the following family members:

_____	_____
_____	_____
_____	_____
_____	_____

2. The initial monthly Housing Assistance Payment will be \$\_\_\_\_\_ and will  
begin on \_\_\_\_\_. The Housing Assistance  
Program Payment amount will be adjusted, at least annually, based on any changes in  
payment standards, homeownership costs, household income and/or household  
composition, in accordance with U.S. Department of Housing and Urban Development  
(HUD) requirements.

3. The initial monthly Housing Assistance Payment will be made as follows:  
\$\_\_\_\_\_ will be paid directly to \_\_\_\_\_  
\_\_\_\_\_.

4. Housing Assistance Payments will be available for a maximum of \_\_\_\_\_ years, unless  
the head of household or spouse is disabled or elderly. Housing Assistance Payments are  
contingent on my/our compliance with the requirements of the Statement of Homeowner  
Obligations, the policies of the Kearney Housing Agency Housing Choice Voucher  
Homeownership Program, HUD program requirements and upon continued  
appropriations to the Kearney Housing Agency by HUD.

5. I/We must report all family income from all sources and the names of all persons living  
in our household.

6. If, at any time, any member of my household has a change in income greater than 2,000.00/annually, I must report it to the Kearney Housing Agency no later than 10 days after the change occurs.
7. I understand that if my family is at zero TTP or does not meet KHA's definition of a working adult for longer than 6 months KHA will stop mortgage assistance. A working adult is defined as one or more adults having a gross annual income greater than or equal to at least 2,000 hours of work at the state minimum wage (Not less than 30 hours per week).
8. If, at any time, anyone in my household moves in or out, I must report it, within 10 days of the occurrence, to the Kearney Housing Agency
9. Housing Assistance Payments will be made only for the months my household is in residence in the home. I/We must immediately report to the Kearney Housing Agency if we move from our home.
10. My/Our family (including each family member) must not commit fraud, bribery or any other corrupt or criminal act in connection with the program.
11. My/Our family (including each family member) must not participate in illegal drug or violent criminal activity.
12. I/We may not sell, convey or transfer any interest in the home to any entity or person prior to informing the Kearney Housing Agency. Housing assistance payments will terminate with any sale, conveyance or transfer other than to a household member residing in the home.
13. I/We must provide information to the Kearney Housing Agency on any mortgage or other debt incurred to purchase the home, and any refinancing of such debt.
14. I/We must comply with the terms of any mortgage security debt incurred to purchase our home and any refinancing of such debt. I/We must immediately notify the Kearney Housing Agency of any defaults on mortgage debt incurred to purchase the home.
15. I/We must promptly pay utility bills.
16. I/We must keep the Premises in good repair and in safe and sanitary condition.
17. I/We must document, in conjunction with our annual re-examination of income, that I/We are current on mortgage, insurance and utility payments.
18. If I/We default on my/our mortgage debt and lose my/our home, I/we will not be able to use my/our Housing Choice Voucher for rental housing but may reapply for the Housing Choice Voucher waiting list.

**I/WE UNDERSTAND THAT MY/OUR HOUSING ASSISTANCE MAY BE WITHHELD, RECOVERED OR TERMINATED FOR ANY VIOLATION OF THE TERMS AND CONDITIONS OF THIS STATEMENT OF HOMEOWNER RESPONSIBILITIES.**

\_\_\_\_\_

Homeowner

\_\_\_\_\_

Date

\_\_\_\_\_

Homeowner

\_\_\_\_\_

Date

\_\_\_\_\_

KHA Staff

\_\_\_\_\_

Date