

Chapter 21

HOUSING CHOICE VOUCHER HOMEOWNERSHIP OPTION **A.**

GENERAL PROVISIONS

The Housing Choice Voucher Homeownership Program of the Housing Opportunities Commission of Montgomery County, Maryland ("HOC") offers eligible participants in the Housing Choice Voucher program, including participants with portable vouchers, the option of purchasing a home with their Housing Choice Voucher assistance rather than renting. This is a program, which is limited to up to twenty-five (25). As many as three (3) slots are designated for households meeting HUD definition of disabled.

Participants will be chosen through the Commission-approved random selection and screening process.

Eligible applicants for the Housing Choice Voucher homeownership program must be participants in the Housing Choice Voucher rental program, may not owe HOC or any other Housing Authority an outstanding debt (unless they are making regular payments on the debt), and must meet the eligibility criteria set forth herein.

Housing Choice Voucher homeownership assistance may be used to purchase a home within Montgomery County (excluding the city of Rockville). HOC also will permit portability of Housing Choice Voucher homeownership assistance to another jurisdiction, provided the receiving jurisdiction operates and has an opening in Housing Choice Voucher homeownership program for which the Housing Choice Voucher homeownership applicant qualifies.

B. FAMILY ELIGIBILITY REQUIREMENTS

Participation in the Housing Choice Voucher homeownership program is voluntary. Each Housing Choice Voucher homeownership applicant must meet the general requirements for admission to the Housing Choice Voucher program as set forth in HOC's Administrative Plan. Such Housing Choice Voucher family also must be "eligible" to participate in the homeownership program. The additional eligibility requirements for participation in HOC's Housing Choice Voucher homeownership program include that the family must: (1) be a first-time homeowner or have a member who is a person with disabilities; (2) with the exception of elderly and disabled households, meet a minimum income requirement without counting income from "welfare assistance" sources; (3) with the exception of elderly and disabled households, meet the requisite employment criteria; (4) be a current participant in the Housing Choice Voucher program; (5) have fully repaid any outstanding debt owed to HOC or any other Housing Authority (unless they are making regular payments); (6) not defaulted on a mortgage securing debt to purchase a home under the homeownership option; and (7) not have any member who has a present ownership interest in a residence at the commencement of home-ownership assistance.

1. First-Time Homeowner.

Each Housing Choice Voucher family, except families with a disabled member, must be a first-time homeowner. A "first-time homeowner" means that no member of the household has had an ownership interest in any residence during the three years preceding commencement of home- ownership 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), and no longer owns the home, is considered a "first-time homeowner" for purposes of the Housing Choice Voucher homeownership option; and the right to purchase title to a residence under a lease-purchase agreement is not considered an "ownership interest."

2. Minimum Income Requirement.

(a) Amount of Income.

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 of \$40,000.

(b) Exclusion of Welfare Assistance Income.

With the exception of elderly and disabled families, HOC will disregard any "welfare assistance" income in determining whether the family meets the minimum income requirement. Welfare assistance includes assistance from 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. 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 admission to the Housing Choice Voucher program, calculation of the family's total tenant payment, or calculation of the amount of homeownership assistance payments.

3. Employment History.

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 execution of the sales agreement. In order to reasonably accommodate a family's enrollment in the program, HOC will exempt families that include a person with disabilities from this requirement. HOC's Executive Director may also consider whether and to

what extent an employment interruption is considered permissible in satisfying the employment requirement. The Executive Director may also consider successive employment during the one-year period and self-employment in a business.

4. Current Participant in Housing Choice Voucher Program.

Applicants for and new applicants and participants in the Housing Choice Voucher homeownership program must be current participants in the rental program and be in good standing with HOC.

5. Repayment of any Housing Authority Debts.

Applicants in the Housing Choice Voucher program shall be ineligible for participation in the Housing Choice Voucher homeownership program in the event any debt or portion of a debt remains owed to HOC or any other Housing Authority. Nothing in this provision will preclude Housing Choice Voucher participants that have fully repaid such debt(s) from applying for and participating in the Housing Choice Voucher homeownership program (unless they are making regular payments on the debt).

6. Additional Eligibility Factors.

(a) Elderly and Disabled Households.

Elderly and disabled families are exempt from the employment requirements set forth in Section B (3) above. In the case of an elderly or disabled family, HOC will consider income from all sources, including welfare assistance, in evaluating whether the household meets the minimum income required to purchase a home through the Housing Choice Voucher homeownership program.

(b) Participation in FSS Program.

In order to be selected for the homeownership program, all applicants, excluding those with disabilities, must have either successfully graduated from HOC's Family Self-Sufficiency (FSS) Program or be currently enrolled in HOC's FSS Program and completed two years of participation in HOC's Family Self Sufficiency ("FSS") Program prior to completion of homeownership counseling, and be in good standing with the FSS Program, in order to apply for and participate in

the homeownership program. Persons with disabilities must have completed one year of participation in HOC's Family Self Sufficiency ("FSS") Program.

(c) Prior Mortgage Defaults.

If a head of household, spouse, or other adult household member who will execute the contract of sale, mortgage and loan documents has previously defaulted on a mortgage obtained through the Housing Choice Voucher home- ownership program, the family will be ineligible to participate in the homeownership program.

C. FAMILY PARTICIPATION REQUIREMENTS

Once a family is determined to be eligible to enroll in the program, it must comply with the following additional requirements: (1) complete a home- ownership counseling program approved by HOC prior to commencement of homeownership assistance; (2) within three years of completion of counseling, locate and contract for the home it proposes to purchase; (3) submit a sales agreement containing specific components to HOC for approval; (4) allow HOC to inspect the proposed homeownership dwelling to assure that the dwelling meets appropriate housing quality standards; (5) obtain an independent inspection covering major building systems; (6) obtain HOC approval of the proposed mortgage (which must comply with generally accepted mortgage underwriting requirements); and (7) enter into a written agreement with HOC to comply with all of its obligations under the Housing Choice Voucher program.

1. Homeownership Counseling Program.

A family's participation in the homeownership program is conditioned on the family attending and successfully completing a homeownership counseling program provided or approved by HOC prior to commencement of homeownership assistance. The homeownership and counseling program will include home 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.

The counseling agency providing the counseling program shall be approved either by HUD and/or HOC, or the program shall be consistent with the homeownership counseling provided under HUD's Housing Counseling program. HOC may require families to participate in a HOC-approved homeownership counseling program on a continuing basis.

2. Locating and Purchasing a Home.

(a) Locating a Home.

Upon approval for the Housing Choice Voucher home- ownership program and completion of counseling, a family shall have three years to settle on a home to purchase. A home shall be considered located if the family submits a signed sales agreement with the requisite components to HOC. During a Housing Choice Voucher participant's search for a home to purchase, the Housing Choice Voucher rental assistance shall continue pursuant to the Administrative Plan. If a Housing Choice Voucher participant family is unable to locate a home within the time approved by HOC, their Housing Choice Voucher rental assistance through the Housing Choice Voucher program shall continue.

(b) Type of Home.

A family approved for Housing Choice Voucher homeownership assistance may purchase the following type of homes within Montgomery County: a new or existing home with a purchase price at or below the FNMA/FHLMC Single Family Loan Limits, a single-family home, a condominium, a home in a planned use development, a cooperative, a loft or live/work unit, 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 be under construction at the time HOC determines the family eligible for homeownership assistance to purchase the unit. The family also may purchase a home in a jurisdiction other than Montgomery County, provided the Housing Authority in the receiving jurisdiction operates a Housing Choice Voucher homeownership program for which the Housing Choice Voucher homeownership applicant qualifies. In such a case, a family's participation in the Housing Choice Voucher home- ownership program will be subject to the Housing Choice Voucher homeownership program and policies of the receiving jurisdiction.

(c) Purchasing a Home.

Once a home is located and a sales agreement approved by HOC is signed by the family, the family shall have up to three (3) months, or such other time as is approved by HOC's Executive Director or set forth in the HOC- approved sales agreement, to purchase the home.

(d) Failure to Complete Purchase.

If a Housing Choice Voucher participant is unable to purchase the home within the maximum time permitted by HOC, HOC shall terminate the participant's enrollment in the home- ownership program. The family may

not re-apply for the Housing Choice Voucher homeownership program until they have completed two additional years of participation in the Housing Choice Voucher program following the initial determination of their eligibility for the homeownership option.

(e) Lease-Purchase

Lease-purchase agreements are not permitted.

(f) Down Payment

The family must meet a minimum homeowner down payment requirement of at least three percent of the purchase price for participation in the Voucher homeownership program. At least one percent of the purchase price must come from the family's personal resources.

3. Sales Agreement.

Prior to execution of the offer to purchase or sales agreement, the financing terms must be provided by the family to HOC for approval. The sales agreement must provide for inspection by HOC and the independent inspection referred to in Section C (4) and must state that the purchaser is not obligated to purchase unless such inspections are satisfactory to HOC. The contract also must provide that the purchaser is not obligated to pay for any necessary repairs. The sales agreement must provide that the purchaser is not obligated to purchase if the mortgage financing terms are not approved by HOC pursuant to Section C (6). 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.

4. Independent Initial Inspection Conducted.

To assure the home complies with the housing quality standards of the Housing Choice Voucher program, homeownership assistance payments may not commence until HOC first inspects the home. An independent inspection of existing homes covering major building systems also must be completed by a professional selected by the family and approved by HOC. HOC will not pay for the independent inspection. The independent inspection report must be provided to HOC. HOC may disapprove the unit due to information contained in the report or for failure to meet federal housing quality standards.

5. Financing Requirements.

The proposed financing terms must be submitted to and approved by HOC prior to close of escrow. HOC will approve or disapprove the financing terms within five (5) business days. HOC shall determine the affordability of the family's proposed financing. In making such determination, HOC may take into account

other family expenses, including but not limited to child care, unreimbursed medical expenses, education and training expenses and the like. Certain types of financing, including but not limited to, balloon payment mortgages and adjustable rate mortgages, are prohibited and will not be approved by HOC. Seller-financing mortgages shall be considered by HOC on a case by case basis. If a mortgage is not FHA-insured, HOC will require the lender to comply with generally accepted mortgage underwriting standards consistent with those of HUD/ FHA, Ginnie Mae, Fannie Mae, Freddie Mac, the Federal Home Loan Bank of Atlanta, or other private lending institution.

A second trust for closing costs is permitted.

6. Family Compliance with Program Policies.

A family must agree, in writing, to comply with all family obligations under the Housing Choice Voucher program and HOC's homeownership policies. These obligations include (1) attending ongoing home- ownership counseling, if required by HOC; (2) complying with the mortgage terms; (3) not selling or transferring the home to anyone other than a member of the assisted family who resides in the home while receiving homeownership assistance; (4) not refinancing or adding debt secured by the home without prior approval by HOC; (5) not obtaining a present ownership interest in another residence while receiving homeownership assistance; and (6) supplying all required information to HOC 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. HOC's Homeownership Family Obligation policies are set forth in Appendix A. Once the home purchase is complete, the family becomes a participant in the HCV homeownership program.

D. AMOUNT OF ASSISTANCE

The amount of the monthly assistance payment will be based on three factors: the voucher payment standard for which the family is eligible, the monthly home- ownership expenses, and the family's household income. HOC will pay the lower of either the payment standard minus the total family contribution ("TFC") or the family's monthly homeownership expenses minus the TFC. The Housing Choice Voucher family will pay the difference.

1. Determining the Payment Standard.

The voucher payment standard is the fixed dollar amount the HOC annually establishes for a unit of a particular size located within the HOC jurisdiction. In the homeownership program, the initial payment standard will be the lower of either (1) the payment standard for which the family is eligible based on family size, or (2) 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 based on the higher of: (1) the payment standard in effect at commencement of the homeownership assistance, or (2) the payment standard in effect at the most recent regular reexamination of the family's income and size. The initial payment standard, for purposes of this comparison, shall not be adjusted even if there is a subsequent decrease in family size.

Exception rents, if in effect for the Housing Choice Voucher rental program, will also apply to the homeownership program.

2. Determining the Monthly Homeownership Expense.

Monthly homeownership expense includes all of the following: principal and interest on the initial mortgage and any mortgage insurance premium (MIP) incurred to finance the purchase and any refinancing of such debt; real estate taxes and public assessments; homeowner's insurance; maintenance expenses per HOC allowance; costs of major repairs and replacements per HOC allowance (replacement reserves); utility allowance per HOC's schedule of utility allowances; principal and interest on mortgage debt incurred to finance major repairs, replacements or improvements for the home including changes needed to make the home accessible; and homeowner association dues, fees or regular charges assessed, if any. Homeownership expenses for a cooperative member may only include HOC approved amounts for the cooperative charge under the cooperative occupancy agreement including payment for real estate taxes and public assessments on the home; principal and interest on initial debt incurred to finance purchase of cooperative membership shares and any refinancing of such debt; home insurance; the allowances for maintenance expenses, major repairs and replacements and utilities; and principal and interest on debt incurred to finance major repairs, replacements, or improvements, including changes needed to make the home accessible.

3. Determining the Total Family Contribution

The TFC is that portion of the homeownership expense that the family must pay. It is generally 30% of the family's adjusted income plus any gap between the payment standard and the actual housing cost. All family income (including public assistance) will be counted to determine the family's adjusted monthly income for purposes of determining the amount of assistance.

4. Payment to Family or Lender.

HOC will provide the lender with notice of the amount of the housing assistance payment prior to close of escrow and will pay HOC's contribution towards the family's homeowner expense directly to the family unless otherwise required by the lender. The family will be responsible to submit the entire mortgage payment to the lender unless the lender requires direct payment of HOC's contribution.

E. TERMINATION OF HOUSING CHOICE VOUCHER HOMEOWNERSHIP ASSISTANCE

1. Grounds for Termination of Homeownership Assistance.

- (a) Failure to Comply with Family Obligations under Housing Choice Voucher Program or HOC's Homeownership Policies.

A family's homeownership assistance may be terminated if the family fails to comply with its obligations under the Housing Choice Voucher program, HOC homeownership policies, or if the family defaults on the mortgage. If required, the family must attend and complete ongoing homeownership and housing counseling classes. The family must comply with the terms of any mortgage incurred to purchase and/or refinance the home. The family must provide HOC 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 HOC 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.

- (b) Occupancy of Home.

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

- (c) Changes in Income Eligibility.

A family's homeownership assistance may be changed in the month following annual recertification of the household income, but participation in the Housing Choice Voucher Homeownership program shall continue until such time as the assistance payment amounts to \$0 for a period of six (6) consecutive months.

- (d) Maximum Term of Homeownership Assistance.

Notwithstanding the provisions of Section E (1), subparagraphs (a) through (c), except for disabled and elderly families, a family may receive Housing Choice Voucher 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 families 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 are made or is a spouse of any member of the household who has an ownership interest.

2. Procedure for Termination of Homeownership Assistance.

A participant in the Housing Choice Voucher Homeownership program is a family who has purchased a home in this program. Participants shall be entitled to the same termination notice and informal hearing procedures as set forth in the Administrative Plan of the HOC for the Housing Choice Voucher program.

F. CONTINUED PARTICIPATION IN HOUSING CHOICE VOUCHER PROGRAM

1. Default on FHA-Insured Mortgage.

If the family defaults on an FHA-insured mortgage, HOC may permit the family to move with continued Housing Choice Voucher rental assistance if the family demonstrates that it has (a) conveyed title to the home to HUD or its designee as required by HUD, and (b) moved from the home within the period established or approved by HUD.

2. Default on non-FHA-Insured Mortgage.

If the family defaults on a mortgage that is not FHA-insured, HOC may permit the family to move with continued Housing Choice Voucher rental assistance if the family demonstrates that it has (a) conveyed title to the home to the lender, to HOC or to its designee, as may be permitted or required by the lender; and (b)

moved from the home within the period established or approved by the lender and/or HOC.

3. Continued Housing Choice Voucher Rental Assistance

HOC will determine on a case-by-case basis, in compliance with federal law and regulations, if a family terminated from the home- ownership program will remain eligible Housing Choice Voucher rental assistance.

G. HOC ADMINISTRATIVE FEE

For each month that homeownership assistance is paid by HOC on behalf of the family, HOC shall be paid the ongoing administrative fee described in 24 C.F.R. §982.152(b).

H. WAIVER OR MODIFICATION OF HOMEOWNERSHIP POLICIES

The Executive Director of HOC shall have the discretion to waive or modify any provision of the Housing Choice Voucher homeownership program or policies not governed by statute or regulation for good cause or to comply with changes in HUD regulations or directives.

APPENDIX A: HOUSING CHOICE VOUCHER HOMEOWNERSHIP OBLIGATIONS

This form is to be signed by the home buyer(s) in the presence of the Housing Opportunities Commission's (HOC) Homeownership Program Coordinator. The Coordinator will explain any and all clauses which you, the home buyer(s), may not understand.

The following paragraphs describe your responsibilities under the Housing Choice Voucher Homeownership Program. If you or members of your household do not meet these responsibilities through your actions or your failure to act, you may be determined ineligible for or terminated from the Housing Choice Voucher Homeownership Program.

1. Family Obligations: You must comply with all Family Obligations of the Housing Choice Voucher Program, excepting only the prohibition against owning or having an interest in the unit. Family Obligations §§ 982.551(c), (d), (e), (f), (g) and (j) do not apply to the Housing Choice Voucher Homeownership Program.

2. Housing Counseling: All applicant family members (i.e. those who will be signing the purchase offer and loan documents) must satisfactorily complete a HOC provided or approved counseling program prior to commencement of homeownership assistance. HOC may require any or all applicant family members to attend additional housing counseling classes as a condition of continued assistance.

3. **Employment History:** 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 execution of the sales agreement. In order to reasonably accommodate a family enrollment in the program, HOC will exempt families that include a person with disabilities from this requirement. HOC's Executive Director may also consider whether and to what extent an employment interruption is considered permissible in satisfying the employment requirement. The Executive Director may also consider successive employment during the one-year period and self-employment in a business.

4. **Purchase Contract:** You must include contract conditions in any Offer to Purchase that give HOC a reasonable time (a) to inspect the home for compliance with HUD's Housing Quality Standards, (b) to review and approve a professional home inspection report obtained by you from a HOC approved inspector, and (c) approve the terms of your proposed financing. Advise your real estate broker, agent or Realtor of these requirements. You must settle on a home within three years of completion of home ownership counseling.

5. **Mortgage Obligations:** You must comply with the terms of any mortgage incurred in the purchase of the property and must notify HOC's Homeownership Program Counselor within five (5) days of receipt of any late payment notice or default notice.

6. **Occupancy:** You must occupy the unit as your principal residence. You may not transfer, sell, or assign any interest in the property without HOC's prior written consent. You may not rent or lease any part of the premises without HOC's prior written consent. You must notify HOC in writing at least 30 days prior to moving out of the house for a period of 30 days or longer or prior to any sale, transfer, assignment, lease or other form of alienation of the assisted property.

7. **Maintenance:** You must maintain the property in a decent, safe and sanitary manner in compliance with County codes and other prevailing standards. You must allow HOC to inspect the property within one-week of a demand by HOC to conduct an inspection. You must correct any notice of deficiency issued by HOC within the time limit specified in the notice. If you fail to adequately maintain the property, HOC may divert the maintenance and replacement reserves portions, if applicable, of the Homeownership Assistance Payment to an escrow account to be used to pay for reasonable and necessary maintenance expenses.

8. **Annual Re-examination:** You must annually provide HOC with current information regarding family income and composition in a format required by HOC.

9. **Refinancing:** You must notify HOC in writing of any proposal to refinance the original purchase mortgage or of any proposal to encumber the property with secondary financing and obtain HOC's written approval of such financing prior to executing any loan documents.

10. **Default:** In the event of a default on your mortgage obligation, you must cooperate with HOC and the lender to minimize any loss to the lender in order to maintain your eligibility to continue as a participant in the Housing Choice Voucher Program.

By signing below, I attest that I have read and understand my obligations as an applicant and a participant in the Housing Choice Voucher Homeownership Program and I agree to abide by these responsibilities. I understand that HOC may determine me ineligible for homeownership assistance if I violate my obligations after the purchase of a home, but that I may request an informal hearing of any notice of termination prior to it becoming effective.