

Section 8 Housing Choice Voucher Homeownership Program

A step by step guide to the Section 8 Homeownership Program for Section 8 rental assistance recipients, real estate agents and lending institutions.

- HUD has allowed Housing Authorities the option of participating in a Section 8 Housing Choice Voucher Homeownership Program.
- OHFA has decided to participate in this program.

A Step By Step Guide

- There are several steps for a low income family to take to participate in the homeownership program.

Receive Rental Assistance

- A family must be receiving rental assistance through OHFA's Section 8 rental assistance program.

Eligibility Assessment

- An eligibility assessment form must be filled out by the applicant.
- You may obtain an eligibility assessment form by contacting OHFA.

Credit

- An applicant for the homeownership program must clear up any blemishes on their credit.
- Consumer Credit Counseling Services of Oklahoma is one of the agencies available to assist in clearing up any credit issues.

Consumer Credit Counseling

- CCCS may be contacted at 405-789-1687 ext. 6020 or 1-800-364-2227 ext. 6020.
- There will be a \$25 charge for a merged credit report which will include all three of the major credit reporting agencies in the nation.

Credit Counseling

- If a family has information on their credit report which should not be there, assistance will be provided in sending dispute letters.
- If a family has multiple debts that can more easily be paid with one monthly payment, an option to participate in a debt repayment plan will be offered by the CCCS counselor.

Neighborhood Housing Services

- Another credit counseling agency available in the Oklahoma City area is Neighborhood Housing Services.
- You may contact them at 231-4663.

Family Self Sufficiency Program

- The family must participate in the Family Self- Sufficiency program (FSS). The FSS program is designed to assist families in getting off State and Federal welfare.
- Participants sign a 5-year contract and set goals they would like to reach over the 5-year period.

Escrow

- As the family's earned income increases it will cause the family's rent to go up.
- An amount equal to the increase in rent is placed in an escrow (or savings) account each month.

Graduation from FSS

- If the family reaches the goals set and the Head of Household has maintained employment adequate to support the family without assistance from State or Federal welfare for 12 consecutive months, the money that has accumulated in the escrow account will belong to the family.

FSS as a Requirement for Homeownership

- A family may apply for the Homeownership Program after they have signed the Contract of Participations for the Family Self Sufficiency program.
- A family does not have to wait five years and complete the FSS program before applying for the Homeownership Program.

Full Time Employment

- An individual must have worked full time for a least one year in order to participate in the Homeownership Program.
- Full time means at least 30 hours per week.
- Two part time jobs may meet this requirement.
- Their earned annual income must be at least \$10,300.

Exceptions

- If the head of household or spouse is over 62 years old or if anyone in the family is receiving disability income, the requirement for participating in the FSS program and the requirement for working are not applicable.
- The disability income must be at least \$6,540 per year.

Homebuyer Education Class

- An applicant must attend a Homebuyer Education class. Consumer Credit Counseling and Community Action are two of the agencies that provide this class.
- If an applicant does not live close to an agency that provides this class, the class may be taken on line at ["mirage.towerauction.net/homebuyer/coursehud.html"](http://mirage.towerauction.net/homebuyer/coursehud.html).

Certificate of Participation

- When the class is completed the instructor will provide a Certificate of Participation.
- This Certificate must be submitted to OHFA: Attn. Homeownership Program at Box 26720, OKC, OK 73126.

Homeownership Voucher Issued

- When the Certificate is received in the office the applicant will be scheduled to meet with an OHFA representative, receive a Homeownership Voucher and further information about the program.

Loan Approval

- It is then time to get pre-qualified for a loan.
- A Homeownership Voucher holder may select any lender.
- We currently have loans with Community Mortgage, USDA, Bank One, Bank of Oklahoma and MidFirst Bank.

USDA

- In order to get a loan through USDA a Voucher holder must meet 2 criteria.
- 1. A unit must be selected in a rural area.
- 2. An applicant must meet the income requirements without assistance from OHFA.

Rural Area

- A rural area in Sequoyah or Comanche counties or in a county that touches Oklahoma county or Tulsa county is a town that has fewer than 10,000 residents.
- In rural counties the town must have fewer than 20,000 residents.

Bank One

- Bank One has a contract with Fannie Mae for Fannie Mae to purchase the loans through the Section 8 program. OHFA's monthly payment reduces the monthly mortgage payment for which the participant must qualify. You may contact Sherri Teel at 405-688-3038.

Additional Lenders

- Two other lenders also have contracts with Fannie Mae to purchase Home Choice Voucher loans.
- MidFirst Bank (call Cindy Motil at 405-767-7324) and Community Mortgage (call James Bright at 948-4455).
- Many loans products are available. You may shop around and select the product that is best for you.

Lenders

- With some lenders, the family must qualify for the loan without assistance. We may then make the monthly payment directly to the homeowner.

Lenders

- OHFA must receive a copy of the Appraisal.
- OHFA must receive a copy of the HUD 1 24 hours prior to closing.
- OHFA must attend the closing.

Lender's Participation

- Lender's interested in participating in the Section 8 Homeownership program may contact OHFA for further information.

Real Estate Agents

- After a Voucher holder knows how high the loan can be, contacting a real estate agent is the next step.
- Applicants will be provided a list of real estate agents who are interested in participating in the program.

Real Estate Agent's Responsibilities

- Real estate agents have a few extra steps to follow to assist the family through the home buying process.

After the Home is Selected

- When a family selects a home, OHFA needs three documents:
 - 1. A copy of the Contract
 - 2. A copy of an independent inspection
 - 3. The Addendum to the Contract of Sale signed by the buyer and the seller.

Contract of Sale

- OHFA will review the contract to make sure the family has a reasonable, fixed interest rate, without excessive points or fees charged to the family.
- OHFA will ensure the contract is on a unit that is already existing or already under construction.

Independent Inspection

Deficiencies noted by the independent inspector must be corrected by the seller.

Addendum

- The Addendum to the Contract of sale is the acknowledgement by the buyer and seller that OHFA will do a Housing Quality Standards inspection and that the seller will make all repairs prior to closing.

OHFA's Inspection

- OHFA will conduct an inspection the same as the inspections done for rental assistance property.
- OHFA will work with the real estate agent to coordinate these inspections.

Down Payment and Closing Cost

- The family must put down at least 3%.
- If down payment and closing cost assistance is available in the area, the family may pay for assistance with part of the closing cost but must put down at least 1% from personal finances.

Early Withdrawal of FSS Escrow

- If a Voucher holder is a participant in the Family Self Sufficiency program and has money in the escrow account, the participant may request early withdrawal of some of the escrow money to cover the 1% they must put down.

The Closing

- An OHFA representative will attend the closing and have the paperwork signed indicating a portion of the mortgage will be paid each month by OHFA.

OHFA's Payment

- OHFA's payment will go to the lending institutions or to the homebuyer as requested by the lender.

Calculating the Assistance

- Assistance on the mortgage payment is calculated the same way rental assistance payments are calculated.
- A payment standard for the county and the bedroom size is compared to the actual monthly housing expense.

Monthly Calculations

- The lower of the payment standard and the monthly expense is selected.
- 30 % of the family's monthly income is deducted from this amount.
- The difference is the amount of subsidy OHFA will provide.

Duration of Assistance

- The family can receive assistance for up to 15 years.
- If the loan is for 20 years or more, the assistance can be received for up to 15 years.
- If the loan is for less than 20 years, the assistance may be received for up to 10 years.

Elderly/Disabled Families

- There is no limit to the length of assistance for elderly or disabled families.
- The assistance will last the length of the loan.

Change in Assistance

- The assistance received each month is based on the amount of the family's income.
- OHFA will continue to review the family's income each year.
- If the amount of income changes, the amount of assistance will also change.

Loss of Income

- If a family should lose income during the year, this should be reported to OHFA.
- The income will be re-verified and the payment adjusted accordingly.
- If a participant lost a job, the amount of assistance would be increased to reflect this change.

Yearly Inspections

- With the rental assistance program, a unit is inspected at least annually to insure the unit continues to meet Housing Quality Standards.
- With the Homeownership Program, these inspections will not be scheduled annually.
- If OHFA receives information there is a problem, an inspection will be scheduled.

Family Obligations

- The family must follow all of the family obligations as with the rental assistance program.
- The family must live in the unit.
- The family cannot own any other residential property.