ADMINISTRATIVE PLAN
FOR THE HOMEOWNERSHIP
PROGRAM

Housing Authority of the County of Riverside

Effective July 1, 2017

TABLE OF CONTENTS

GENERAL PROVISIONS

The Public Housing Reform Act of 1998 includes language that allows the United States Department of Housing and Urban Development (HUD) to assist Section 8 Housing Choice Voucher Program (HCVP) recipients to purchase a home. HUD published the Section 8 Homeownership Program Final Rule that implemented this option under Section 8(y) of the U.S. Housing Act of 1937 that authorized a public housing agency (PHA) to provide tenant-based assistance for an eligible family that purchases a home. The rule became effective on October 12, 2000. 24 CFR 982.625(c)(1)(i) enables the Housing Authority of the County of Riverside (HACR) to provide monthly homeownership assistance payments to eligible families.

The Housing Choice Voucher (HCV) Homeownership Program (HP) allows qualified participants the option to purchase a home and use the HCV Housing Assistance Payment (HAP) towards mortgage payments and other allowable housing costs.

The purpose of the Homeownership Program Administrative Plan is to establish policies for carrying out the program in a manner consistent with HUD requirements and local objectives. The Plan covers both admission and participation in the program. The HACR is responsible for complying with all changes in HUD regulations pertaining to these programs. If such changes conflict with this Plan, HUD regulations will have precedence.

The HACR's policies and practices are designed to provide assurances that all persons with disabilities will be provided reasonable accommodations so that they may fully access the housing program. Persons requiring special accommodations due to a disability must notify the HACR, in writing, of their needs. The reasonable accommodation request will be verified via a Licensed Professional and then reviewed by the HACR. The HACR will provide written notification of either the approval or denial of the reasonable accommodation request. In matters where the HACR has discretion, waivers to existing policy shall be determined by the Executive Director or designee.

A. FAMILY ELIGIBILITY REQUIREMENTS

The HCV Homeownership Program (HP) of the Housing Authority of the County of Riverside (HACR) is available to qualified Housing Choice Voucher participants. Participation in the Homeownership Program is voluntary. Applicants must meet the following criteria to be considered for the HACR HP.

1. First-Time Homeowner

An eligible Section 8 HCVP family must be considered a first-time home buyer. A first-time home buyer means that no member of the household has had any interest or ownership in any residence during the three years before applying for homeownership assistance or at the commencement of participation in the homeownership program. The purchaser must sign a sworn application attesting that they have not owned a home or have been included on a home loan. In addition, the last three years tax returns will be reviewed to ascertain that no mortgage interest or real estate tax deductions have been claimed.

Single parents or displaced homemakers who owned a home while married or resided in a home owned by a spouse also qualify as first time homebuyers provided that three years have passed since homeownership ended.

2. Minimum Income Requirements

Calculation of income-eligibility for the purpose of admission to the HCV Homeownership Program will be conducted under the guidelines for HCV rental assistance as noted in this Administrative Plan.

The head of household, spouse and/or other adult member(s) of the household that will hold title to the home must have a combined annual gross income of not less than 50% of the Area Median Income (AMI) adjusted for the family size.

A family whose income does not meet the 50% AMI requirement, but does meet all other HP requirements, may request admission provided the family can demonstrate that the annual income is not less than the HUD minimum requirement established below:

a. In the case of a disabled family, the monthly Federal Supplemental Security Income (SSI) benefit for an individual living alone (or paying his or her share of food and housing costs) multiplied by twelve; or
b. In the case of other families, the Federal minimum wage multiplied by 2,000.

In addition, a family that meets the applicable HUD minimum income requirement described above, but not the HACR minimum income limit of 50% AMI, shall be considered to satisfy the minimum income requirement only if:

a. The family demonstrates that it has been pre-qualified or pre-approved for financing;
b. The pre-qualified or pre-approved financing meets any HACR established requirements under 24 CFR 982.632 for financing the purchase of the home (including qualifications of lenders and terms of financing); and
c. The pre-qualified or pre-approved financing amount is sufficient to purchase housing that meets HQS in the HACR's jurisdiction.

Welfare assistance may not be included in the minimum gross annual income above, except for elderly or disabled families. Welfare assistance includes payments from Cal Works/TANF (Cash Aid for needy families), Supplementary Security Income (SSI) that is subject to an income eligibility test, food stamps, general assistance (GA); or other welfare assistance as specified by HUD.

3. Minimum Employment Requirements

One or more adult members of the household that will hold title to the home must be currently employed and working not less than an average of 30 hours per week and has been so continuously employed for one year prior to execution of the sales agreement.

Once escrow has closed, employment by the adult member of the household that holds title to the home must continue at least 30 hours per week. Should an event arise that the homeowner loses employment a 90 day grace period will be granted for them to regain fulltime employment.

Employment requirements do not apply to elderly or disabled families that otherwise qualify for HP. A family with a member with disabilities may request an exemption from the work requirements if needed as a reasonable accommodation for the disabled family member. HACR and HUD minimum income requirements still apply.

The HACR's Executive Director and/or designee may also consider whether and to what extent an employment interruption is considered permissible in satisfying the employment requirement. The Executive Director and/or designee may also consider successive employment during the one-year period and self-employment in a business.

The family must still meet the overall minimum income requirements outlined in Section 2.

4. Minimum Down Payment Requirements

a. The family must demonstrate the ability to provide a minimum of three percent **(3%)** down payment on the home.

b. At least three percent **(3%)** of the **down payment** must come from the family's personal resources. 24 CFR 982.625(g)(1)

c. FSS participants may use FSS escrows towards this requirement. Families with an Individual Development Account (IDA) may also count these funds towards the minimum down payment.

5. Other Program Requirements

a. The family must be under HCV rental assistance in Riverside County for the most recent 12 consecutive months prior to application for HCV Homeownership.
b. The family must have completed an initial HCV lease term and completed the family's first annual recertification in the HCV Program. The family must terminate a current lease agreement in compliance with the lease when transitioning into homeownership.
c. The family must verify that no family member has previously defaulted on a mortgage loan assisted under the HCV HP.
d. All families will be required to complete a series of 15 workshops through Community Action IDA Program and provide verification of workshop completion. Working families will be required to complete the application process to gain entry into the IDA Program so they may earn a 2:1 match of savings. Workshops may include the following:

- First Time Home Buyers Information
- Lenders Language and Procedures
- Home Safety: Fire and Earthquake
- Selecting a Realtor and the Right Home
- Basic Repair & Maintenance
- Budgeting
- Balancing Your Checkbook
- Understanding Credit & Credit Cards
- Credit Repair
- Debt Management
- Financial Planning
- Borrowing Basics (basic concepts of loans)

e. The head of household and any adult member that will hold title to the home must successfully complete a HUD approved 8 hour homeownership and housing counseling program. At a minimum, the counseling will cover the following:

- Home Maintenance
- Budgeting and money management
- Credit Counseling
- Financing
- Locating a home
- Fair housing, predatory lending
- Truth in lending, RESPA

f. Family members may not owe any debt to the HACR or other Housing Authority. EIV will be run to determine if the family has/had owed any debts to any Housing Authority. If it is found that the family owes money to any Housing Authority, they will be disqualified from utilizing this program.

g. The family must maintain good tenant standing with its landlord and the HACR. The family must provide a letter from their landlord when entering this program. The letter must certify that the family has paid rent on time for the past 12 months, is current with rent and has kept the rental unit in good repair (ie: no damage beyond normal wear and tear).

h. The designated Head of Household must actively participate in the Family Self-Sufficiency (FSS) program with homeownership as one of the established goals.

i. The family must also:

- Comply with HUD Family Obligations under the HCV Program. If the HA has mailed out one or more pre-termination appointments within the past 3 years for either failing to provide and/or other program violations, the family will be disqualified from utilizing the homeownership program until such time that this requirement is met;
- Adhere to the requirements of their lease agreement;
- Not have outstanding debts to the landlord or to any utility company;
- Report all Household Income;
- Pass the most recent Housing Quality Standards (HQS) inspection with no tenant-caused failure items.

6. Other Program Requirements After Admission

a. Supply any information, certification, release or other documentation required by the HACR. For homeownership families, this specifically includes information about any mortgages and/or defaults, and sale or transfer of the home, and refinance.

b. Comply with the HCV Administrative Plan, Administrative Plan for the

Homeownership Program and 24 CFR 982.551 Obligations of Participant. Any references to the Owner is replaced with the Lender, except for any reference listed under the inspection is replaced with the Homeowner.

c. Comply with any other requirements by the PHA, such as any requirements to attend and complete ongoing homeownership and housing counseling.

B. <u>Eligible Units</u>

HCV Homeownership assistance may be used to purchase units within the jurisdiction of the HACR that are under construction or already existing at the time the family is approved for homeownership. The family unit size will be determined as it is for the Housing Choice Voucher rental program.

1. <u>Unit Types</u>

a. One unit property (single family residence).
b. A single dwelling unit in a cooperative, condominium or planned use development.
c. A manufactured home with a permanent foundation, if the family has the right to occupy the same site for a period of at least forty (40) years.
d. The unit must be seller occupied or vacant for at least ninety (90) days; an exception is where the tenants are purchasing the unit in which they have been residing.
e. The unit must pass HQS.

Depending on the unit size selected by the family, the HACR may approve the purchase of a unit up to one bedroom size larger than the authorized payment standard the family qualifies for and the unit must be deemed affordable (the family's portion cannot be higher than 50% of gross income).

2. <u>HCV Housing Quality Standards</u>

The unit must be inspected by the HACR and satisfy the Housing Quality Standards (HQS) for the HCV Program before HP assistance can begin. The HQS inspection will be completed prior to the independent inspection to prevent the family from the added expense of an inspection in the event the home has major damage or necessary repairs that the Seller will not agree to repair and/or the buyer, made aware of the repairs, no longer wishes to purchase the home.

The HACR will conduct a HQS inspection once annually and reserves the right to inspect the unit more often if the subject property receives a public complaint after escrow closes or is visibly in disrepair. If the unit passes HQS inspection at the first visit by HACR staff (i.e. did not fail inspection at a prior visit that year) the unit may be inspected once every other year (biannually).

3. <u>Independent Inspection</u>

The unit must be inspected by a certified independent inspector designated and paid by the family, and pre-approved by the HACR. The inspector must be a member of the California Real Estate Inspectors Association, the American Society of Home Inspectors, or the International Conference of Building Officials. This inspection must cover, at a minimum, all major building systems and components including:

- Foundation and structure
- Housing interior and exterior
- Roofing
- Plumbing
- Electrical systems
- Heating systems

The HACR must receive and approve a copy of the inspection report before HP assistance will commence. The HACR may disapprove a unit for assistance under HP because of information obtained through the inspection report, even if the unit passes the HQS inspection. If the HACR or 3rd party (such as entity providing down payment assistance) calls out additional repairs, the buyer will be required to pay a re-inspection fee to the certified inspector who completed the original home inspection.

4. <u>Other Requirements for Eligible Units</u>

The seller of the home may not be on the HUD list of debarred and suspended contractors, or subject to a limited denial of participation under 24 CFR 24.1.

C. <u>Homeownership Confirmation Letter</u>

Once approved for participation in the HCV HP, the family will be issued a confirmation letter subject to the following requirements:

- The family must execute a statement in which the family agrees to comply with all family obligations under the Homeownership Option.
- **Selection Period:** The family will be given **90 calendar days** to locate a home to purchase. Within two weeks prior to the end of the selection period, if the family has not yet selected a home, the family may submit a written request to the HACR for **one 30 day extension**. The extension request must include the reason for the extension and outline the family's search efforts. The extension request will be reviewed and verified by the HACR and if an extension is granted, the family will receive a revised Confirmation Letter with the new Selection Period expiration date. Any extension granted is at the discretion of the HACR and the availability of funds to provide monthly mortgage assistance.
- After a home is chosen during the 90 day Selection Period, the family will be given **90 calendar days to open and close escrow**. The *opening* of escrow must occur no later than the last day of the Selection Period.
- It is the family's responsibility to find a home that meets the criteria for voucher homeownership assistance.
- The HACR may require families unable to locate a suitable unit during the Selection Period to wait for a period of one (1) year to re-apply for HP.
- The family must report its progress towards locating and purchasing a unit if requested by the HACR.

If the family is unable to locate an acceptable unit for purchase during the Selection Period, the HACR may, at its discretion, allow the family to remain leased up under the HCV rental voucher.

If the family submits a purchase contract to the HACR that is not approved due to reasons other than the family's lack of compliance, the family may request an extension using the process outlined above in this paragraph under Selection Period.

D. Purchase Agreement

Prior to execution of the offer to purchase, or the Purchase Agreement, the financing terms must be provided by the family to the HACR for approval.

The Purchase Agreement must include the following:

- Specify the price and other terms of the sale by the seller to the purchaser.
- Provide that the purchaser will arrange for a certified inspection of the unit by an independent certified inspector selected by the purchaser.
- State that the purchaser is not obligated to purchase the unit unless such inspections are satisfactory to both the HACR and purchaser.
- Provide that the purchaser is not obligated to pay for any necessary repairs.
- Provide that the purchaser is not obligated to purchase if the mortgage financing terms, or any other terms, are not approved by the HACR, and
- Contain a seller certification from the HACR that the seller has not been debarred, suspended, or subject to a limited denial of participation in accordance with 24 CFR 24.1

E. Affordability

The purchase price of the home must be affordable to the family, as determined by the HACR and the Lender. The price shall be considered affordable if the monthly homeownership expenses payable by the family do not exceed fifty percent (50%) of the family's total monthly gross income.

F. Financing

1. The family must allow the HACR to review the terms of the mortgage secured to purchase the property before close of escrow. The HACR may disapprove proposed financing, refinancing or other debt if the HACR determines that the debt is unaffordable to the family or if the HACR determines that the lender or the loan terms do not meet HACR or HUD qualifications. The family must locate and qualify for a mortgage that meets the following requirements:

a. The mortgage must be determined to be affordable by the HACR. The HACR may take into account expenses such as interest, taxes and insurance when determining affordability. The family's portion of the monthly homeownership expenses may not exceed (50%) of the family's total monthly gross income.
b. Short-term mortgages with large final "balloon payment" will not be allowed.
c. Interest only mortgages will not be allowed.
d. Only fully amortized, fixed rate mortgages will be allowed.
e. The family may not obtain private first mortgage financing from a family member or any other private source.
f. The mortgage must be provided, insured, or guaranteed by the State or Federal government and comply with secondary mortgage market underwriting requirements.

2. Refinancing

In addition to the requirements stated above under "Financing" the family must meet the following requirements:

a. The refinanced loan cannot exceed the original purchase price of the home.
b. There must be a minimum of a 1% reduction in the interest rate.
c. If you have additional loans on your home such as a second and/or a third, you are required to contact the lender to review the subordination guidelines. You must submit a written documentation from that lender that states what the subordination guidelines are to the HACR upon submission of the refinancing documents.
d. You do have the option to pay the second and/or the third loan off in full upon refinancing. This must be specified in the refinance documents.
e. Principal, interest, taxes and insurance (PITI) and mortgage insurance/private mortgage insurance (MI/PMI), if applicable on initial mortgage debt and any refinancing of such debt.
f. Real estate taxes may not exceed 2%.
g. A Home Equity loan may be considered by the HACR as long as the funds are used only for major home repairs. The amount of the home equity loan along with the first loan cannot exceed the original purchase price of the home. In addition the family's portion of both loans cannot exceed 50% of the family's total monthly gross income. The HACR must ensure that this will be a third loan and will not interfere with the first and/or second loan.

G. <u>Calculation of Homeownership Assistance Payment</u>

Calculation of income for the purpose of determining income eligibility for admission to the program and/or determining the family's total tenant payment will be conducted under the guidelines for the HCV rental assistance program except as otherwise noted in this section.

1. <u>Occupancy of Home</u>

The HAP will only be paid while the family resides in the home. If the family moves out of the home, the HACR will discontinue payment of the HAP commencing with the month after the family moves out.

a. Amount of monthly homeownership assistance payment. While the family is residing in the home, the HACR shall pay a monthly homeownership assistance payment on behalf of the family that is equal to the lower of the payment standard minus the total tenant payment; or the family's monthly homeownership expenses minus the total tenant payment.
b. Initial Payment Standard. The initial payment standard for a family is the <u>lower of</u> the payment standard for the family unit size (Voucher size); or the payment standard for the size of the home.
c. Payment Standard for subsequent reexaminations. Reexaminations (interims and annual reexaminations) will use a Payment Standard that is the greater of the payment standard as determined in accordance with the initial payment standard at the commencement of homeownership assistance; or the Payment Standard in effect at the time of the reexamination as determined using the requirements of Section G (1) (b) of this plan. At no time will the HACR use a Payment Standard less than the initial Payment Standard at the close of escrow.
d. The HACR will use the same Payment Standard schedule, Payment Standard amounts, and Subsidy Standards for the HP as for the rental voucher program.

e. Exception rent areas. If the home is located in an exception payment standard area, the HACR must use the appropriate payment standard for the exception payment standard area.

f. Affordability of housing costs. Total monthly homeownership expenses payable by the family, as defined in (g) below, must be less than (50%) of the family's total gross income.

g. Homeownership expenses. The HACR will use the following expenses to determine the total homeownership expense for calculation of the HAP:
   - Principal, interest, taxes and insurance (PITI) and mortgage insurance/private mortgage insurance (Mi/PMI), if applicable on initial mortgage debt and any refinancing of such debt,
   - Real estate taxes may not exceed 2%.
   - Utility allowance for the home as determined by the HACR.

h. 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 HACR has determined that allowance of such costs as homeownership expenses is needed as a reasonable accommodation for the disabled family.

2. <u>Cooperative and Condominiums</u>

For cooperative members only (owners of condos) the following cooperative charges will also be used toward the homeownership expense:

a. Charges included in the cooperative occupancy agreement including payment for real estate taxes and public assessments on the home;

b. Cooperative or condominium operating charges or maintenance fees assessed by the condominium or cooperative homeowner association.

3. <u>HAP Payment</u>

a. The HACR will pay the HAP according to the terms established in the agreement the HACR and Lender have entered into. If the assistance payment exceeds the amount due to the lender, the excess will be paid directly to the family.

b. The HACR will provide the lender with notice of the amount of the HAP and amount of the family's portion of the total homeownership expenses prior to close of escrow.

c. Procedure for termination of homeownership assistance.
   - The family shall be entitled to the same termination notice and informal hearing procedures set forth in this Administrative Plan for participants in the HCV rental assistance program.

d. Automatic termination of HAP.
   - Homeownership assistance for a family terminates automatically 180 calendar days after the last HAP paid on behalf of the family. The HACR has the discretion to grant relief from this requirement in those cases where automatic termination would result in extreme hardship for the family.

4. <u>Income Changes</u>

a. Changes in income must be reported in writing within 10 days of the occurrence. Changes for income *decreases* will be processed if they are anticipated to continue for sixty (60) or more days and is a monthly decrease of $100 or more. Changes for income *increases* will be processed if the increase of income is $100 monthly or more. Once these changes have been verified, the HACR will process an interim to be applied, the first of the following month the change was reported *for decreases* and the first of the next month *for increases* (giving a 30 day notice of the increase).

H. <u>Maximum Term of Homeownership Assistance</u>

The time limits below apply to all family members having an ownership interest in the unit during the time that homeownership payments are made; and, the spouse of any member of the household who has an ownership interest in the unit during the time that homeownership payment are made. Except in the case of a family that qualifies as an elderly or disabled family, all families, including families that become elderly during the term of the homeownership assistance are subject to the following maximum terms:

- Initial mortgage term of twenty (20) years or longer. The maximum term of homeownership assistance will be fifteen (15) years. In all other cases, the maximum term of homeownership assistance will be ten (10) years.

If, during the course of homeownership assistance, the family ceases to qualify as elderly or disabled, the maximum term as defined in 24 CFR 982.634(c) Section G will become applicable from the date homeownership assistance commenced. The HACR will provide a family at least six (6) months of homeownership assistance after the maximum term becomes applicable provided the family is otherwise eligible to receive homeownership assistance in accordance with 682.634.

The initial maximum term limit applies if the family receives assistance for more than one home purchase, even if received from another housing authority.

In accordance with PIH 2012-3 (HA), the value of the home will not be counted as an asset for the first 10 years after the purchase date of the home. After 10 years the value will be counted as an asset. The methodology the HACR will use is as follows: Equity – Expenses to Convert to Cash = Net Cash Value or, incorporating the Equity formula from above; Market Value – Loan (Mortgage) – Expenses to Convert to Cash = Net Cash Value. If the Net Cash Value is a negative number, the PHA should not make an adjustment to new family assets for this asset.

I. <u>Portability</u>

The HACR will permit portability of the homeownership assistance (the HACR's portion) to another jurisdiction, provided the receiving jurisdiction operates a similar homeownership program for which the applicant qualifies and for which the receiving PHA is accepting new homeownership families.

1. <u>Incoming Portable Families</u>

a. May purchase a unit within the jurisdiction of the HACR, provided the HACR is accepting new homeownership families at the time of the purchase.
b. Must be under HCV rental assistance in Riverside County for the most recent 12 consecutive months prior to application for HCV Homeownership.
c. Must meet the education, counseling, and all other HP requirements of the HACR.
d. Must be certified by initiating Housing Authority that the family is in good standing with that HA and Landlord.

The HACR must promptly notify the initial HA 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 HACR.

2. Outgoing Portable Families

Outgoing portable families need to adhere to the following:

a. Purchase a unit within the receiving jurisdiction, provided they operate a homeownership program and they are accepting new homeownership families at the time of the purchase.
b. Must meet the education, counseling, and all other HP requirements of the receiving Housing Authority.
c. Must be certified by the initiating HACR that the family is in good standing with the Housing Authority and Landlord.
d. The initiating HACR must promptly notify the HA, 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 HA.

J. Move with Continued Tenant-Based Assistance

A family receiving HACR homeownership assistance may purchase and move to a new unit with continued voucher homeownership assistance as long as no family member owns any title or other interest in the prior home. A family receiving homeownership assistance may move to a new unit with continued voucher homeownership assistance no more than once every five (5) years and the total of such assistance terms is subject to the maximum term described in this paragraph.

1.Purchase of a new unit

A family receiving homeownership assistance may purchase and move to a new unit with continued assistance, provided that the family fulfills all requirements of the HP at the time of the purchase of the new unit. The following applies to a family purchasing a new unit under the HP:

a. The family will not be eligible to move with continued assistance for a period of Five (5) years after the initial purchase.
b. The HACR may, at its discretion, require the family to complete a new housing counseling program or receive additional counseling prior to close of escrow.
c. The requirement that the family must be a first time homebuyer is not applicable.
d. The HACR may deny permission to move with continued assistance in the case of lack of funding or if the HACR has denied or terminated assistance to the family under section N below.

2.Sale of Original HP Unit and Return to Tenant-Based Rental Assistance

The HACR may, at its discretion, allow a family to return to tenant-based rental assistance. The following applies to a family returning to tenant-based rental assistance:

a. The HACR may deny permission to move with continued assistance in the case of lack of funding or if the HACR has denied or terminated assistance to the family as defined under Section K of this plan.
b. The HACR will not commence continued tenant-based assistance for occupancy of a

rental unit so long as any family member owns any title or other interest in the home previously assisted through the HP. In addition, Eighteen (18) months must have passed since the family's receipt of the down-payment assistance grant.

K. Denial or Termination of Assistance

The HACR shall deny or terminate homeownership assistance for the family in accordance with the following:

- Failure to report all household income.
- Failure to comply with Housing Authority County of Riverside HCV Homeownership Program requirements.
- Failure to comply with any HUD Family Obligations.
- Failure to meet the Housing Authority of the County of Riverside's Policy on Prohibited Criminal Activity
- The family defaults on the mortgage(s).

L. Recapture

The HACR will not recapture any Homeownership Voucher payments unless there was an act of fraud or misrepresentation of material facts in order to obtain a benefit. The HCV HP recapture provision does not apply to any other program funds that may be used in the transaction.

M. Program Size and Waiver or Modification of Homeownership Policies

The Executive Director (ED) of the HACR, and/or designee shall have the discretion to waive or modify any provision of the Homeownership Program or policies not governed by statute or regulation for good cause or to comply with changes in HUD regulations or directives. The ED and/or designee may limit homeownership assistance to families in accordance of 24 CFR 982.626 (b).

For fiscal year 2016-17, the HACR has established a homeownership assistance limit of no more than 8 families.