

FREQUENTLY ASKED QUESTIONS ON USING MHA'S SECTION 8 HOUSING CHOICE VOUCHERS FOR HOMEOWNERSHIP



1. What is the Section 8 homeownership program?

The Section 8 homeownership program is a program initiated in February 2001 by the Missoula Housing Authority (MHA). The program allows a person or family who is receiving HUD Section 8 assistance or public housing from MHA to get a special Section 8 voucher that can be used towards the purchase of a home.

2. What are the eligibility requirements?

An individual or family must:

- have a Section 8 voucher or be in public housing operated by MHA
- have received the rental assistance from MHA for one year
- be a participant in good standing (i.e., has not violated any program or lease requirements)
- Meet the HUD definition of first time homebuyer (i.e., means the participant has not had ownership interest in a home in the past 3 years)
- have at least \$11,700 in income from non-welfare sources. Elderly and disabled can include welfare income in meeting this requirement. (The wage requirement will become \$13,100 July, 24, 2008, \$14,500 July 24, 2009.)
- provide a cash down payment of at least 1% of the purchase price from their own resources
- have worked a minimum of 30 hours per week for at least 12 months before date of application. Elderly and disabled do not need to meet this requirement
- Sign a Statement of Homeowner Obligations
- Satisfactorily complete pre-purchase homeowner counseling and classes before entering into a sales contract
- provide the lender and real estate professionals with all pertinent documentation
- be able to comply with any additional special requirements for homeownership assistance as specified in MHA's Section 8 Homeownership Handbook and Administrative Plan.

3. How do I know if I'm ready for homeownership?

Owning a home is a big responsibility. It's important that you understand those responsibilities before you look at being a homebuyer. It is mandatory that you take an approved homeownership class prior to purchasing a home. You should also first clear up any credit problems and save enough money so you can make a down payment. MHA has a homeownership information packet available if you want to read more about the homeownership process.

4. What kind of paperwork must I fill out?

When you purchase a home there is a lot of paperwork that must be filled out. Some of the paperwork provides MHA, the lender and real estate professional information they need to make sure you're able to financially purchase a home. Other paperwork ensures you are treated professionally and are protected. It is very important that what you provide is accurate, complete and submitted quickly. Some of the information you will need to provide: evidence of your eligibility for this program; documentation of income; credit or alternate credit information. Make sure you understand what you are signing. Don't be afraid to ask the lender, real estate professional and others questions to help you understand the process.

5. What bankers and real estate professionals can I use?

You may use any lender or real estate agent you wish. However, some lenders and real estate agents are more familiar with first-time homebuyer financing programs than others. It is helpful to contact a person who is familiar with these programs. You can ask lenders about their experience before you choose one with whom to work.

6. Do I have to have good credit?

You can't have bad credit! If you do, the homeownership counselor can instruct you on how to clean up your credit record. However, you may have never established a traditional credit record and that's okay, but the lender needs to know if you pay your bills on time. The lender will review your record of making timely rent, utility and other payments. This is called alternate credit.

7. What other costs are there?

You'll need to make a minimum down payment of 1% of the purchase price of the home. This will likely be in the range of \$2000-\$2500, depending on the cost of the home. You'll also have to pay for an appraisal, which may cost \$300 - \$400, and a professional inspection, which may be \$150. There may be other incidental expenses prior to your purchase as well.

8. Can my family help me buy the home?

In most cases, your family can help you purchase a home. Assisting with a down payment or other expenses or co-signing/co-borrowing on the loan might provide help. However, it's important to understand that under Section 8 regulations, a non-occupying co-borrower cannot own an interest in the home.

9. Can I have a roommate?

No. Under the standard family obligations for use and occupancy for the voucher program, no other person except members of the assisted family may reside in the unit except for a foster child or live-in aide. The individual or family may not sublease or have any rent income from the home under the family obligations.

10. Am I limited as to how much I may pay for a home?

The amount you are able to pay for a home depends on your total income and resources. The mortgage lender will consider your total income, your Section 8 assistance, and any other assistance you are receiving from a family member or agency. The lender will pre-qualify you for a loan based on income and other financial information. In addition, you may qualify for special first-time homebuyer financing programs. Each of these programs also requires that you apply and be approved for assistance. It is important to be pre-qualified for all loans and assistance with pre-qualification letters from each before you begin shopping for a home.

11. How long will I continue to receive Section 8 assistance if I use it for homeownership?

Homebuyers who receive 30-year mortgages for their home purchase are eligible for up to 15 years of Section 8 assistance. Those who receive mortgages for 20 years or less are eligible for up to 10 years of Section 8 assistance. Continued assistance depends on continued compliance with Section 8 regulations, including income limits. Even if the homebuyer still meets all requirements at the end of the time limit, Section 8 voucher assistance will be terminated. At the end of the 10 or 15 years, responsibility for payment of the mortgage will fall completely on the homebuyer with no further assistance from the MHA.

Elderly or people with disabilities are exempt by HUD from Section 8 subsidy time limits in this homeownership program. However, the length of time you receive Section 8 is dependent on many factors. Congress must approve funding for Section 8 renewals each year. You must remain eligible for Section 8 assistance. For example, you must be compliant with the rules and regulations, and be income-eligible to receive housing assistance payments.

It's important to understand that you are responsible for the full mortgage payment if your Section 8 payment is withheld or terminated for any reason.

12. Once I have purchased a home under this program, must I still have a Section 8 recertification each year?

Yes. You will still need to submit all the paperwork for recertification each year and you will have to continue to conform to all the statements in the Statement of Homebuyer Obligations which you sign prior to purchasing a home. MHA policy also requires that you continue to report all changes in income or household composition within 10 days of the change, as these changes may affect the amount of your HAP subsidy.

13. Do I need to get my new home inspected?

Yes. There are actually two types of inspections that are needed. You will need to hire a professional inspector to inspect the home to identify physical defects and the condition of the major building systems and components. You will also need a HUD Housing Quality Standards (HQS) inspection, which is the same inspection made for the tenant-based Section 8 rental assistance program. MHA will provide this inspection, but you must request the inspection at least three weeks before the closing date for the home, to ensure that the inspection is completed and any problems with the home are corrected before closing. You may not close on a home that has not passed HQS inspection.

14. What happens to my home if I die?

This is a complicated question because so much depends on individual circumstances. The HUD Section 8 homeownership rule states: " Upon death of a family member who holds, in whole or in part, title to the home or ownership of cooperative membership shares for the home, homeownership assistance may continue pending settlement of the decedent's estate notwithstanding transfer of title by operation of law to the decedent's executor or legal representative, so long as the home is solely occupied by remaining members of the family in accordance with Section 8 regulations."

In other words, questions need to be asked: Is there a will? Are there remaining members of the family? Are there additional owners listed on the deed? Depending on the answers, the home may revert to those remaining members (as defined by Section 8 regulations) of the family who were residing in the home. The home may have to be sold: if no one is able to take title and payments are not made, the home may fall into foreclosure. The bottom line: if the homebuyer dies, MHA must be notified immediately by remaining members of the family.

15. Am I responsible for other expenses incurred as a result of purchasing a home?

Yes. You are responsible for all monthly homeownership expenses (for example: homeowner association dues) and for any expenses (for example: a new water heater, structural repairs, etc.) that you may have as a homeowner. You are also required to pay all utility costs for the home, such as gas, electricity, garbage, water, street lighting, or other ongoing costs.

16. What can I do if I have trouble paying my mortgage or maintaining my home?

You may be required to attend ongoing homeownership counseling. In your community there are experienced homeownership counselors who can help you save towards repairs and general maintenance of your home. In addition, there are some special financing programs at lower interest rates available to help with

home repair/maintenance costs. There is also a foreclosure prevention counselor who can assist you in getting financial advice so you can avoid defaulting on your payments. It's important to understand that you are responsible for the debt incurred to purchase your home.

17. How do I make my mortgage payments to the lender?

You must make your payment to the lender servicing your first mortgage, and second mortgage if you have one, by the date specified in your mortgage agreement. Payments can be mailed, or delivered in person, or taken out of your checking account automatically. Automatic withdrawal requires you to place your portion of the mortgage payment in a bank that has automatic withdrawal capability. This allows the lender to withdraw your part of the payment each month electronically. You must ensure the funds are available for transfer to the lender prior to the date the lender will withdraw the funds. Typically, this is the same date every month.

18. Can I sell my home?

Yes.

19. Will purchasing a home makes me ineligible for other assistance programs such as food stamps, Medicaid or Medicare?

Not necessarily. You need to check with your service provider, who can determine whether homeownership will affect the other kinds of assistance you receive.

20. I've owned a very old trailer home for several years; does this make me ineligible as a first time homebuyer?

That depends on whether or not the trailer was ever permanently attached to a foundation. If it was attached, you're not a first-time homebuyer as lenders consider this a home. If it is not permanently attached, lenders consider it a motor vehicle, not a home.

21. Can I purchase a manufactured home?

Yes. However the home must meet certain standards and being permanently attached to a foundation is one of them. Lenders will also consider the age and condition of the home.

22. Can I continue to receive rental housing assistance while I search for a home? If I am not successful in buying a home, can I automatically and immediately return to a rental voucher?

The answer to both questions is Yes, provided you are still in compliance with all MHA and HUD regulations and policies. Your voucher rental assistance will continue until your home purchase closes. If you cannot find a home to purchase, your rental assistance will continue without interruption.