
Chapter 15

SPECIAL HOUSING TYPES
[24 CFR 982 Subpart M]

INTRODUCTION

The HAPGC may permit a family to use any of the special housing types. However, the HAPGC is not required to permit families receiving assistance in its jurisdiction to use these housing types, except that HAPGC must permit use of any special housing type if needed as a reasonable accommodation for a person with a disability. The HAPGC also may limit the number of families who receive HCV assistance in these housing types and cannot require families to use a particular housing type. No special funding is provided for special housing types.

HAPGC Policy

With the exception of the HCV Homeownership Program, families will not be permitted to use any special housing types, unless use is needed as a reasonable accommodation so the program is readily accessible to a person with disabilities.

This chapter consists of the following seven parts. Each part contains a description of the housing type and any special requirements associated with it. Except as modified by this chapter, the general requirements of the HCV program apply to special housing types.

Part I: Single Room Occupancy

Part II: Congregate Housing

Part III: Group Homes

Part IV: Shared Housing

Part V: Cooperative Housing

Part VI: Manufactured Homes (including manufactured home space rental)

Part VII: Homeownership

PART I. SINGLE ROOM OCCUPANCY

[24 CFR 982.602 through 982.605]

15-I.A. OVERVIEW

A single room occupancy (SRO) unit provides living and sleeping space for the exclusive use of the occupant but requires the occupant to share sanitary and/or food preparation facilities with others. More than one person may not occupy an SRO unit. HCV regulations do not limit the number of units in an SRO facility, but the size of a facility may be limited by local ordinances.

When providing HCV assistance in an SRO unit, a separate lease and HAP contract are executed for each assisted person, and the standard form of the HAP contract is used.

15-I.B. PAYMENT STANDARD, UTILITY ALLOWANCE, AND HAP CALCULATION

The payment standard for SRO housing is 75 percent of the 0-bedroom payment standard amount on the HAPGC payment standard schedule.

The utility allowance for an assisted person residing in SRO housing is 75 percent of the zero bedroom utility allowance.

The HAP for an assisted occupant in an SRO facility is the lower of the SRO payment standard amount minus the TTP or the gross rent for the unit minus the TTP.

15-I.C. HOUSING QUALITY STANDARDS (HQS)

HQS requirements described in Chapter 8 apply to SRO housing except as modified below.

- *Access:* Access doors to the SRO unit must have working locks for privacy. The occupant must be able to access the unit without going through any other unit. Each unit must have immediate access to two or more approved means of exit from the building, appropriately marked and leading to safe and open space at ground level. The SRO unit must also have any other means of exit required by State or local law.
- *Fire Safety:* All SRO facilities must have a sprinkler system that protects major spaces. "Major spaces" are defined as hallways, common areas, and any other areas specified in local fire, building, or safety codes. SROs must also have hard-wired smoke detectors, and any other fire and safety equipment required by state or local law.

Sanitary facilities and space and security standards must meet local code requirements for SRO housing. In the absence of local code standards the requirements discussed below apply [24 CFR 982.605].

- *Sanitary Facilities:* At least one flush toilet that can be used in privacy, a lavatory basin, and a bathtub or shower in proper operating condition must be provided for each six persons (or fewer) residing in the SRO facility. If the SRO units are leased only to men, flush urinals may be substituted for up to one half of the required number of toilets. Sanitary facilities must be reasonably accessible from a common hall or passageway, and may not be located more than one floor above or below the SRO unit. They may not be located below grade unless the SRO units are located on that level.
- *Space and Security:* An SRO unit must contain at least 110 square feet of floor space, and at least four square feet of closet space with an unobstructed height of at least five feet, for use by the occupant. If the closet space is less than four square feet, the habitable floor space in the SRO unit must be increased by the amount of the deficiency. Exterior doors and windows accessible from outside the SRO unit must be lockable.

Because no children live in SRO housing, the housing quality standards applicable to lead-based paint do not apply.

PART II. CONGREGATE HOUSING

[24 CFR 982.606 through 982.609]

15-II.A. OVERVIEW

Congregate housing is intended for use by elderly persons or persons with disabilities. A congregate housing facility contains a shared central kitchen and dining area and a private living area for the individual household that includes at least a living room, bedroom and bathroom. Food service for residents must be provided.

If approved by the HAPGC, a family member or live-in aide may reside with the elderly person or person with disabilities. The HAPGC must approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

When providing HCV assistance in congregate housing, a separate lease and HAP contract are executed for each assisted family, and the standard form of the HAP contract is used.

15-II.B. PAYMENT STANDARD, UTILITY ALLOWANCE, AND HAP CALCULATION

The payment standard for an individual unit in a congregate housing facility is based on the number of rooms in the private living area. If there is only one room in the unit (not including the bathroom or the kitchen, if a kitchen is provided), the HAPGC must use the payment standard for a 0-bedroom unit. If the unit has two or more rooms (other than the bathroom and the kitchen), the HAPGC must use the 1-bedroom payment standard.

The HAP for an assisted occupant in a congregate housing facility is the lower of the applicable payment standard minus the TTP or the gross rent for the unit minus the TTP.

The gross rent for the unit for the purpose of calculating HCV assistance is the shelter portion (including utilities) of the resident's monthly housing expense only. The residents' costs for food service should not be included in the rent for a congregate housing unit.

15-II.C. HOUSING QUALITY STANDARDS

HQS requirements as described in Chapter 8 apply to congregate housing except for the requirements stated below.

Congregate housing must have (1) a refrigerator of appropriate size in the private living area of each resident; (2) a central kitchen and dining facilities located within the

premises and accessible to the residents, and (3) food service for the residents, that is not provided by the residents themselves.

The housing quality standards applicable to lead-based paint do not apply.

PART III. GROUP HOME

[24 CFR 982.610 through 982.614 and HCV GB p. 7-4]

15-III.A. OVERVIEW

A group home is a state-licensed facility intended for occupancy by elderly persons and/or persons with disabilities. Except for live-in aides, all persons living in a group home, whether assisted or not, must be elderly persons or persons with disabilities. Persons living in a group home must not require continuous medical or nursing care.

A group home consists of bedrooms for residents, which can be shared by no more than two people, and a living room, kitchen, dining area, bathroom, and other appropriate social, recreational, or community space that may be shared with other residents.

No more than 12 persons may reside in a group home including assisted and unassisted residents and any live-in aides.

If approved by the HAPGC, a live-in aide may live in the group home with a person with disabilities. The HAPGC must approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

When providing HCV assistance in a group home, a separate lease and HAP contract is executed for each assisted family, and the standard form of the HAP contract is used.

15-III.B. PAYMENT STANDARD, UTILITY ALLOWANCE, AND HAP CALCULATION

Unless there is a live-in aide, the family unit size for an assisted occupant of a group home must be 0- or 1-bedroom, depending on the HAPGC subsidy standard. If there is a live-in aide, the aide must be counted in determining the household's unit size.

The payment standard used to calculate the HAP is the lower of the payment standard for the family unit size or the pro rata share of the payment standard for the group home size. The pro rata share is calculated by dividing the number of persons in the assisted household by the number of persons (assisted and unassisted) living in the group home.

The HAP for an assisted occupant in a group home is the lower of the payment standard minus the TTP or the gross rent minus the TTP.

The utility allowance for an assisted occupant in a group home is the pro rata share of the utility allowance for the group home.

The rents paid for participants residing in group homes are subject to generally applicable standards for rent reasonableness. The rent for an assisted person must not exceed the pro rata portion of the reasonable rent for the group home. In determining reasonable rent, the HAPGC should consider whether sanitary facilities and facilities for food preparation and service are common facilities or private facilities.

15-III.C. HOUSING QUALITY STANDARDS

HQS requirements described in Chapter 8 apply to group homes except for the requirements stated below.

- *Sanitary Facilities:* A group home must have at least one bathroom in the facility, with a flush toilet that can be used in privacy, a fixed basin with hot and cold running water, and a shower or bathtub with hot and cold running water. A group home may contain private or common bathrooms. However, no more than four residents can be required to share a bathroom.
- *Food Preparation and Service:* Group home units must contain a kitchen and dining area with adequate space to store, prepare, and serve food. The facilities for food preparation and service may be private or may be shared by the residents. The kitchen must contain a range, an oven, a refrigerator, and a sink with hot and cold running water. The sink must drain into an approvable public or private disposal system.
- *Space and Security:* Group homes must contain at least one bedroom of appropriate size for every two people, and a living room, kitchen, dining area, bathroom, and other appropriate social, recreational, or community space that may be shared with other residents.
- *Structure and Material:* To avoid any threat to the health and safety of the residents, group homes must be structurally sound. Elevators must be in good condition. Group homes must be accessible to and usable by residents with disabilities.
- *Site and Neighborhood:* Group homes must be located in a residential setting. The site and neighborhood should be reasonably free from hazards to the health, safety, and general welfare of the residents, and should not be subject to serious adverse conditions, such as:
 - Dangerous walks or steps
 - Instability
 - Flooding, poor drainage
 - Septic tank back-ups
 - Sewage hazards
 - Mud slides
 - Abnormal air pollution

- Smoke or dust
- Excessive noise
- Vibrations or vehicular traffic
- Excessive accumulations of trash
- Vermin or rodent infestation, and
- Fire hazards.

The housing quality standards applicable to lead-based paint do not apply.

PART IV. SHARED HOUSING

[24 CFR 982.615 through 982.618]

15-IV.I. OVERVIEW

Shared housing is a single housing unit occupied by an assisted family and another resident or residents. The shared unit consists of both common space for use by the occupants of the unit and separate private space for each assisted family.

An assisted family may share a unit with other persons assisted under the HCV program or with other unassisted persons. The owner of a shared housing unit may reside in the unit, but housing assistance may not be paid on behalf of the owner. The resident owner may not be related by blood or marriage to the assisted family.

If approved by the HAPGC, a live-in aide may reside with the family to care for a person with disabilities. The HAPGC must approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

When providing HCV assistance in shared housing, a separate lease and HAP contract are executed for each assisted family, and the standard form of the HAP contract is used.

15-IV.B. PAYMENT STANDARD, UTILITY ALLOWANCE AND HAP CALCULATION

The payment standard for a family in shared housing is the lower of the payment standard for the family unit size or the pro rata share of the payment standard for the shared housing unit size.

The pro rata share is calculated by dividing the number of bedrooms available for occupancy by the assisted family in the private space by the total number of bedrooms in the unit.

The HAP for a family in shared housing is the lower of the payment standard minus the TTP or the gross rent minus the TTP. The utility allowance for an assisted family living in shared housing is the pro rata share of the utility allowance for the shared housing unit.

The rents paid for families living in shared housing are subject to generally applicable standards for rent reasonableness. The rent paid to the owner for the assisted family must not exceed the pro-rata portion of the reasonable rent for the shared unit. In determining reasonable rent, the HAPGC should consider whether sanitary and food preparation areas are private or shared.

15-IV.C. HOUSING QUALITY STANDARDS

The HAPGC may not give approval to reside in shared housing unless the entire unit, including the portion of the unit available for use by the assisted family under its lease, meets the housing quality standards.

HQS requirements described in Chapter 8 apply to shared housing except for the requirements stated below.

- *Facilities Available for the Family:* Facilities available to the assisted family, whether shared or private, must include a living room, a bathroom, and food preparation and refuse disposal facilities.
- *Space and Security:* The entire unit must provide adequate space and security for all assisted and unassisted residents. The private space for each assisted family must contain at least one bedroom for each two persons in the family. The number of bedrooms in the private space of an assisted family must not be less than the family unit size. A 0-bedroom or 1-bedroom unit may not be used for shared housing.

PART V. COOPERATIVE HOUSING

[24 CFR 982.619]

15-V.A. OVERVIEW

This part applies to rental assistance for a cooperative member residing in cooperative housing. It does not apply to assistance for a cooperative member who has purchased membership under the HCV homeownership option, or to rental assistance for a family that leases a cooperative housing unit from a cooperative member.

A cooperative is a form of ownership (nonprofit corporation or association) in which the residents purchase memberships in the ownership entity. Rather than being charged “rent” a cooperative member is charged a “carrying charge.”

When providing HCV assistance in cooperative housing, the standard form of the HAP contract is used.

15-V.B. PAYMENT STANDARD, UTILITY ALLOWANCE AND HAP CALCULATION

The payment standard and utility allowance are determined according to regular HCV program requirements.

The HAP for a cooperative housing unit is the lower of the payment standard minus the TTP or the monthly carrying charge for the unit, plus any utility allowance, minus the TTP. The monthly carrying charge includes the member’s share of the cooperative debt service, operating expenses, and necessary payments to cooperative reserve funds. The carrying charge does not include down payments or other payments to purchase the cooperative unit or to amortize a loan made to the family for this purpose.

15-V.C. HOUSING QUALITY STANDARDS

All standard HQS requirements apply to cooperative housing units. There are no additional HQS requirements.

PART VI. MANUFACTURED HOMES

[24 CFR 982.620 through 982.624]

15-VI.A. OVERVIEW

A manufactured home is a manufactured structure, transportable in one or more parts, that is built on a permanent chassis, and designed for use as a principal place of residence. HCV-assisted families may occupy manufactured homes in two different ways.

(1) A family can choose to rent a manufactured home already installed on a space and the HAPGC must permit it. In this instance program rules are the same as when a family rents any other residential housing, except that there are special HQS requirements as provided in 15-VI.D below.

(2) HUD also permits an otherwise eligible family that owns a manufactured home to rent a space for the manufactured home and receive HCV assistance with the rent for the space. HAPGC may, but is not required to, provide assistance for such families.

15-VI.B. SPECIAL POLICIES FOR MANUFACTURED HOME OWNERS WHO LEASE A SPACE

Family Income

In determining the annual income of families leasing manufactured home spaces, the value of the family's equity in the manufactured home in which the family resides is not counted as a family asset.

Lease and HAP Contract

There is a separate Tenancy Addendum (Form 52642-a) and separate HAP Contract (Form 52642) for this special housing type.

15-VI.C. PAYMENT STANDARD, UTILITY ALLOWANCE AND HAP CALCULATION

Payment Standards

The FMR for a manufactured home space is generally 40 percent of the published FMR for a 2-bedroom unit or, where approved by HUD, the 40th percentile of the rental distribution of manufactured home spaces for the FMR area. The HAPGC may establish a payment standard for manufactured home spaces that is between 90-110 percent of the FMR for manufactured home spaces.

Utility Allowance

The HAPGC must establish utility allowances for manufactured home space rental. For the first 12 months of the initial lease term only, the allowance must include an amount for a utility hook-up charge if the family actually incurred a hook-up charge because of a move. This allowance will not be given to a family that leases in place. Utility allowances for manufactured home space must not include the costs of digging a well or installing a septic system.

Space Rent

The space rent is the sum of the rent to the owner for the manufactured home space, any charges for maintenance and management provided by the owner, and the utility allowance for tenant-paid utilities.

Housing Assistance Payment

The HAP for a manufactured home space under the housing choice voucher program is the lower of the payment standard minus the TTP or the (gross) manufactured home space rent minus the TTP.

Rent Reasonableness

Initially, and annually thereafter the HAPGC must determine that the rent for the manufactured home space is reasonable based on rents for comparable manufactured home spaces. The HAPGC must consider the location and size of the space, and any services and maintenance to be provided by the owner. By accepting the monthly HAP check, the owner certifies that the rent does not exceed rents charged by the owner for comparable unassisted spaces in the manufactured home park or elsewhere.

15-VI.D. HOUSING QUALITY STANDARDS

Under either type of occupancy described in 15-VI.A above, the manufactured home must meet all HQS performance requirements and acceptability criteria discussed in Chapter 8 of this plan. In addition, the following requirement applies:

Manufactured Home Tie-Down

A manufactured home must be placed on the site in a stable manner, and must be free from hazards such as sliding or wind damage. The home must be securely anchored by a tie-down device that distributes and transfers the loads imposed by the unit to appropriate ground anchors to resist overturning and sliding.

PART VII. HOMEOWNERSHIP (If Applicable)

[24 CFR 982.625 through 982.643]

15-VII.A. OVERVIEW [24 CFR 982.625]

The homeownership option is used to assist a family residing in a home purchased and owned by one or more members of the family. A family assisted under this option will be an existing participant in the HCV program for one year at HAPGC, and must be in good standing. The HAPGC has demonstrated the capacity to operate a successful HCV homeownership program as defined by the regulations and will use financial instruments that are recognized and accepted by governmental agencies or the secondary market of Fannie Mae, Freddie Mac or FHA.

There is only one form of homeownership assistance currently available that HAPGC may offer under this option and that is monthly homeownership assistance payments.

The HAPGC may offer homeownership assistance if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities. It is the sole responsibility of the HAPGC to determine whether it is reasonable to implement a homeownership program as a reasonable accommodation. The HAPGC must determine what is reasonable based on the specific circumstances and individual needs of the person with a disability.

The HAPGC will review request for reasonable accommodations and may approve a live-in aide if needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities.

Criteria to be used to demonstrate the HAPGC capacity:

- The HAPGC requires the financing for purchase of a home under its Section 8 homeownership program complies with secondary mortgage market requirements; or complies with generally accepted private sector underwriting standards.
- The HAPGC reserves the right to impose additional criteria on the financial instruments, depending on family circumstances or changes in the homeownership market.

The HAPGC will offer only the monthly homeownership assistance payments at this time since the down payment assistance portion of the regulation cannot be implemented until Congress provides an additional appropriation. No such appropriation has been made available to date.

The HAPGC Housing Choice Voucher Homeownership Program is designed to expand homeownership opportunities for voucher participants. This program will assist HCV participants to transition from rental assistance to homeownership using their voucher assistance.

The HCV Homeownership Program is now available to all voucher holders who meet the minimum qualifications set forth in this plan and who have the ability to independently secure a mortgage loan. The number of participants served through the HCV Homeownership program is currently limited to the parameters set forth in the HAPGC Housing Agency Plan.

Housing Choice Voucher Rules Apply

With the exception of unique eligibility and “family obligation” procedures identified elsewhere in the chapter, HAPGC will administer the HCV Homeownership program in accordance with all the policies and procedures contained in the HCV Administrative Plan and 24 CFR Part 982.

15-VII.B. FAMILY ELIGIBILITY [24 CFR 982.627]

The family must meet all of the requirements listed below before the commencement of homeownership assistance. .

- The family must be a current participant in the program and been a participant for at least one year.
- The family must qualify as a first-time homeowner, or may be a cooperative member.
- The non-disabled/non-elderly/elderly family must meet the Federal minimum income requirement of \$14,500. The family must have a gross annual income equal to the Federal minimum wage multiplied by 2000, based on the income of adult family members who will own the home. Welfare assistance cannot be used to determine the minimum income requirement for a non-elderly/non-disabled family.
- For disabled families, the minimum income requirement is equal to the current SSI monthly payment for an individual living alone, multiplied by 12.
- For elderly or disabled families, welfare assistance payments for adult family members who will own the home will be included in determining whether the family meets the minimum income requirement. It will not be included for other families.
- The family must satisfy the employment requirements by demonstrating that one or more adult members of the family who will own the home at commencement of homeownership assistance is currently employed on a full-time basis (not less than an average of 30 hours per week); and has been continuously so employed during the year before commencement of homeownership assistance for the family.
- The employment requirement does not apply to elderly and disabled families. In addition, if a family, other than an elderly or disabled family includes a person with disabilities, the HAPGC must grant an exemption from the employment requirement if the HAPGC determines that it is needed as a reasonable accommodation.

-
- The family has not previously defaulted on a mortgage securing debt to purchase a home under the homeownership option
 - Except for cooperative members who have acquired cooperative membership shares prior to commencement of homeownership assistance, no family member has a present ownership interest in a residence at the commencement of homeownership assistance for the purchase of any home.
 - Except for cooperative members who have acquired cooperative membership shares prior to the commencement of homeownership assistance, the family has entered a contract of sale in accordance with 24 CFR 982.631(c).
 - The family has had no family-caused violations of HUD's Housing Quality Standards within the past year.
 - The family does not owe money to the HAPGC.
 - The family has not committed any serious or repeated violations of a HAPGC-assisted lease within the past year.
 - The family is in good standing with all terms of the family obligations and has been so for at least one year.
 - An applicant must demonstrate a minimum down payment of at least three percent (3%) or more. One percent (1%) of the purchase price of the property must come from the family's personal resources.

General Requirements

- Only current participants in the HCV rental program who have received assistance for at least one full year may apply for the homeownership program.
- An applicant must be in good standing with their landlord and SHA with regard to their family obligations and contracts.

The family must satisfy the prerequisite of being in "good standing" prior to receiving a Certificate of Eligibility for the homeownership program. For the purposes of the homeownership program, "good standing" is defined as meeting all of the conditions prior to and during the homeownership shopping period, as outlined below.

A landlord reference(s) indicating that during the prior year the family has an uninterrupted record of paying monthly rent in full and on time, and satisfactorily meets all other lease obligations, as documented on the *Homeownership Landlord Reference* form. All verifications will be completed via third-party written or oral communication with the applicant's landlord.

- Within the past year, the family has met all the HUD and HAPGC family obligations under the HCV program.

-
- Within the past year and throughout the homeownership shopping period, the family may not owe HAPGC or any other housing authority any outstanding debt nor enter into a repayment agreement. A participant may become eligible to apply for the homeownership program on the first anniversary date of full payment of any debt, subject to meeting the other conditions of good standing.

An applicant must be a “first-time homeowner.”

To qualify as a “first-time homeowner,” the assisted family may not include any person with a “present ownership interest” in a residence during the three years before the commencement of homeownership assistance for the family. Cooperative membership shares acquired prior to the commencement of homeownership assistance are exempt from this rule. A single parent or displaced homemaker who, while married, owned a home with his or her spouse, or resided in a home owned by his or her spouse, is considered a “first-time homeowner.”

Other conditions also apply to “first-time homeowner” definition:

- No family member may have a present ownership interest in a second residence while receiving homeownership assistance.
- If HAPGC determines that a disabled family requires homeownership assistance as a reasonable accommodation, the first-time homeowner requirement does not apply.
- HAPGC will not commence homeownership assistance for a family if any family member has previously received assistance under the homeownership option, and has defaulted on a mortgage securing debt incurred to purchase the home.

An applicant must demonstrate a minimum down payment of at least three percent (3%) or more. One percent (1%) of the purchase price of the property must come from the family’s personal resources.

An applicant must meet the minimum income standards defined below:

- For a family whose head or co-head of household, spouse or sole member is an individual that experiences permanent disability, the standard is equal to the monthly Federal Supplemental Social Security Income (SSI) benefit for an individual (1-person) living alone (or paying his or her share of food and housing costs) multiplied by twelve.
- For non-disabled or elderly families, the minimum income standard is the state minimum wage multiplied by 2,000 hours ($\$7.50 \times 2000 = \$15,000.$) This standard as a HAPGC option is greater than the HUD minimum income requirement.

For purposes of program eligibility, welfare assistance may only be counted as income in cases where the applicant meets the definition of an elderly or disabled family.

If a family has a minimum income equal to or greater than the Federal minimum wage multiplied by 2,000 hours (\$14,500 as of July 24, 2009) but less than the state minimum wage multiplied by 2,000 hours, the family will meet the minimum income requirement if the family can demonstrate it has located a PHA approvable unit and has secured PHA approvable financing for that unit and meets all other program requirements.

An applicant shall be considered to have satisfied the lender requirement if the family can demonstrate that it has been pre-qualified or pre-approved for financing with an acceptable loan product. The pre-qualified or pre-approved financing amount must be sufficient to purchase housing that meets HUD Housing Quality Standards (HQS).

An applicant must attend and satisfactorily complete an HAPGC HomeChoice pre-assistance housing counseling program, and any other counseling prescribed by HAPGC.

Employment Obligations

Except for a disabled family or an elderly family, assistance under the homeownership program is limited to families who demonstrate a stable work history. The employment requirement is used to determine eligibility and is a requirement throughout the period of homeownership assistance.

Regular seasonal employees and self-employed workers, who have a demonstrated work history averaging thirty (30) hours per week on an annualized basis and an annualized income at or above the minimum income, will be considered continuously employed for purposes of HCV Homeownership program eligibility and subsequent employment requirements.

- The applicant head of household, spouse, or adult that will be on the mortgage document is required to document full-time (no less than 30 hours per week), continuous employment for a period of no less than 12 months prior to application.
- The head of household, spouse or co-head must document earned income of no less than the minimum wage times 1560 hours ($\$7.25 \times 1650 = \$11,963$) during the preceding 12 months.
- The applicant head of household, spouse or adult on the mortgage document must remain continuously employed (no less than 30 hours per week) while participating in the program.

For eligibility purposes, continuous employment is defined as: **“No gap in employment lasting more than four weeks total during the past year.”** Continuous employment for seasonal employees and self-employed workers is defined as two consecutive years of

regular seasonal employment where HAPGC 'annualizes' family income when determining family rent.

- Part-time employment by both parties, totaling over 30 hours per week, does not constitute full-time employment by either party.

HAPGC has the discretion to interpret small gaps in employment. Permissible gaps can only occur if loss of employment resulted from measures beyond the employee's control (layoff, medical emergency); and did not result in an employment gap of more than four consecutive weeks.

Documentation of the initial employment requirement for the HCV Homeownership program will be completed using the *Employment Verification* form. All verifications will be completed via EIV, third-party written or oral communication with the applicant's employer.

Annual documentation of the full-time employment requirement will be completed using the *Homeownership Voucher Work Certification* at annual reexamination.

Lenders may have separate requirements and further require participants to demonstrate a history of full-time, continuous employment of no less than 24 months at 40 hours per week.

The employment requirement is not applicable to elderly families or those whose head of household, spouse, or co-head are verified disabled in accordance with the occupancy definition of disabled.

15-VII.C. SELECTION OF FAMILIES [24 CFR 982.626]

Unless otherwise provided (under the homeownership option), the HAPGC will limit homeownership assistance to participant families or purposes defined by the HAPGC, and may prescribe additional requirements for commencement of homeownership assistance for a family.

If the HAPGC limits the number of families that may participate in the homeownership option, the HAPGC must establish a system by which to select families to participate.

HAPGC Policy

The HAPGC has not designated a specific amount of Vouchers to the HCV HO Program; however, the HAPGC will adjust the program to the number of vouchers available in the market, qualified families, need, and administrative resources.

Families who are on or near graduation in the HAPGC Family Self-Sufficiency program or have graduated from the FSS program will be given preference over other families.

Within preference and non-preference categories, families will be selected according to the date and time of their application for participating in the homeownership option approved by the HAPGC.

All families must meet eligibility requirements as defined in Section 15-VII.B of this plan.

APPLICATION PROCESS

Applicants may contact the HCV Program Administrator or a Housing Specialist to receive information about HCV Homeownership Program and a *Homeownership Application*.

Application Form

An applicant must complete and submit the *Homeownership Application* to the HCV Program Administrator for review. The application includes information on income, assets, obligations, and family composition.

Application Attachments

1. Documentation of attendance at an HAPGC HomeChoice Pre-Purchase Housing Seminar. City Neighborhood Housing Services and Town Neighborhood Housing Services are partner agencies and will be available to provide one-to-one counseling services specifically targeted for home buyers. A certificate of attendance for HomeChoice must be attached to the pre-qualification application.
2. A current bank statement verifying \$1,000 in savings designated toward the one percent (1%) of personal funds down payment requirement. Applicants must document a three percent (3%) down payment with the mortgage lender prior to closing.
3. An HAPGC *Employment Verification* form.
4. A signed *Homeownership Landlord Verification* form.
5. If applicable, a verification of disability, if not on file.
6. The applicant must document household composition for all individuals who will reside in the household.

APPLICATION REVIEW

Upon receipt of a HCV *Homeownership Application*, the HCV Program Administrator determines whether an applicant meets the eligibility criteria for the program. The application review will include:

1. Evaluation of family composition and HCV rental status.
2. Review of income, savings, and disability documentation.

-
3. Verification that the applicant is in compliance with all lease provisions using the HAPGC *Landlord Reference* form.
 4. Evaluation of employment history.

All documentation is subject to independent verification by HAPGC program staff. The Program Administrator will review the file for discrepancies or omissions. If, at any time throughout the process, the Program Administrator sees a discrepancy in reported income, assets, or family share, he/she shall report it to the Housing Program Specialist (HPS). The HPS shall perform an interim reexamination, resolve whether further action is necessary, and report the outcome to the Program Administrator.

- If, in the course of a loan application, a loan originator, or other third party, document income not previously reported to HAPGC, HAPGC will conduct an interim reexamination of income. Should the reexamination result in a debt or proposed repayment agreement, HAPGC shall retain sole discretion to withdraw the *Certificate of Eligibility* subject to the outcome of any grievance procedure related to the income discrepancy. The participant family must remain on the HCV program for an additional year, in good standing, before HAPGC may re-issue a *Certificate of Eligibility*.

DETERMINING “MORTGAGE READY” APPLICANTS

Applications for homeownership are date-stamped. Complete applications – those with all necessary attachments in place – are placed on a waiting list in order of date and time received.

A *Certificate of Eligibility* is awarded on a first-come, first-served, basis after a participant is determined eligible and “mortgage ready.”

The *Certificate* contains an estimate of the amount of HAP available to the family. This estimate is useful to the applicant and lender when determining the housing and debt ratios.

Incomplete Applications

Incomplete applications will not be reviewed and will be returned to applicants for completion. A checklist of application deficiencies will be attached to the incomplete application. Participants must correct all deficiencies noted on the checklist and resubmit the checklist, complete application, and attachments, for additional consideration.

Applications that are returned for incompleteness will be re-stamped and dated when they are returned complete.

Homeownership Counseling

HAPGC will provide homeownership counseling prior to application, after a *Certificate of Eligibility* is issued, and post-purchase counseling. An HCV applicant must attend and

satisfactorily complete the HAPGC *HomeChoice* counseling program. The counseling program covers the topics listed below. Applicants who HAPGC determines are not yet “mortgage ready” may be required to obtain additional information/counseling on any of the following issues:

1. Is homeownership right for you?
2. Special needs of disabled home buyers/fair housing issues;
3. Budgeting and money management;
4. Credit counseling;
5. How to negotiate the purchase price of a home;
6. How to obtain homeownership financing and loan pre- approvals, including a description of types of financing that may be available, and the pros and cons of different types of financing;
7. How to find a home, including information about homeownership opportunities, schools, and transportation services in the area;
8. Information about the Real Estate Procedures Act, State and Federal truth-in-lending laws, and how to identify and avoid loans with oppressive terms and conditions;
9. Home maintenance;
10. Taxes, proration of taxes if assisted by the program;
11. Inspection criteria, HQS requirements, special requirements in the contract for sale;
12. Voucher, eligibility, and continuous eligibility requirements;
13. Post purchase counseling.

CERTIFICATE OF ELIGIBILITY

HAPGC shall use a priority mechanism to ensure a fair and equitable selection of new applicants. Upon securing a sufficient number of applicants to ensure full utilization of the program, HAPGC shall resort to its traditional use of priority and then date and time of application.

- The priority is established with Board of Directors’ approval and is limited to the initial admissions process. A sufficient window of opportunity shall exist to ensure equal representation of eligible applicants within the priority pool.
- Priority will be given in the following order:

-
- Families that have graduated from the FSS program and meet the HCV HO eligibility requirements
 - Families that have verified that they meet the eligibility requirements and are acceptable for lender/loan requirements by a qualified lender with qualified loan products
 - All other eligible families
 - Other families that are participating to achieve eligibility

If the HCV Program Administrator determines that a family meets minimum eligibility criteria, he/she may issue a *Certificate of Eligibility* to enable the applicant to shop for a home purchase. The Program Administrator will deliver the *Certificate of Eligibility* and a copy of the *Homeownership Application* to the participant. These documents will assist the applicant in determining the maximum sales price and loan amount in the pre-qualification process in conjunction with their lender.

Whenever an opening occurs in the program, HAPGC will select the next available applicant for an intake interview. The Program Administrator will interview the applicant to ensure that all the information contained in their *Homeownership Application* is current and that the applicant is eligible for homeownership.

The issuance of a *Certificate of Eligibility* does not guarantee that a participant will have the ability to secure a homeownership loan. Other considerations such as the housing market, an applicant's credit history, total indebtedness, and current income will be factors that will determine a participant's ability to secure a home mortgage. All participants will qualify independently through a mortgage lender of their choice.

Changes in Family Size or Composition

All changes in family composition must be reported prior to the change to the Housing Program Specialist and the HCV Homeownership Program Administrator. The *Certificate of Eligibility* will reflect the applicable subsidy standard HAPGC assigns to the family based upon the family's size and composition.

Changes in the Payment Standards

The payment standard applicable on the date of closing establishes the baseline payment standard for the unit. If the payment standard changes after an offer to purchase has been made, but prior to closing, the payment standard applicable on the date of closing applies. HAPGC will reissue a revised *Certificate of Eligibility* effective on the effective date of the new Payment Standard.

Occasionally, a buyer and seller may execute an Earnest Money Agreement prior to a decrease in payment standard, with the closing taking place after the effective date of a decreased payment standard. For families whose head of household, spouse or co-tenant experiences permanent disability, HAPGC may request HUD approval to use the payment standard in effect on the date

the Earnest Money Agreement was fully executed if the new, decreased, payment standard would jeopardize the sales agreement. This may only occur as a reasonable accommodation to a disabled household.

15-VII.D. ELIGIBLE UNITS [24 CFR 982.628]

In order for a unit to be eligible, the HAPGC must determine that the unit satisfies all of the following requirements:

- The unit must meet HUD's "eligible housing" requirements. The unit may not be any of the following:
 - A current public housing or Indian housing rental unit;
 - A unit receiving Section 8 project-based assistance;
 - A nursing home, board and care home, or facility providing continual psychiatric, medical or nursing services;
 - A college or other school dormitory;
 - On the grounds of penal, reformatory, medical, mental, or similar public or private institutions.
- The unit must be under construction, already exist at the time the family enters into the contract of sale or a unit to be built for the family. Under construction requires that at least the footers are poured and in place. For a unit to be built, it must satisfy the conditions of the regulations.
- The unit must be a one-unit property or a single dwelling unit in a cooperative or condominium.
- The unit must have been inspected by the HAPGC for HQS and also by an independent inspector designated by the family for the systems, structure and other requirements for the independent inspection.
- The unit must meet Housing Quality Standards prior to the time of assistance.
- For a unit where the family will not own fee title to the real property (such as a manufactured home), the home must have a permanent foundation and the family must have the right to occupy the site for at least 40 years.

The HAPGC must not approve the unit if the HAPGC has been informed that the seller is debarred, suspended, or subject to a limited denial of participation.

If the family does not own fee title to the real property on which the home is located, the family must have the right to occupy the site for a period of at least forty (40) years and the home must have a permanent foundation.

A unit can be under construction at the time a family enters into the contract of sale. A unit is considered to be "under construction" if the footers have been poured. The PHA will not commence Housing Assistance Payments until the unit has satisfactorily passed an HQS and independent inspections and meet all other program requirements.

For HAPGC-owned units all of the following conditions must be satisfied:

- HAPGC informs the family, both orally and in writing, that the family has the right to purchase any eligible unit and a HAPGC-owned unit is freely selected by the family without PHA pressure or steering;
- The unit is not ineligible housing;
- The PHA obtains the services of an independent agency to inspect the unit for compliance with HQS, review the independent inspection report, review the contract of sale, determine the reasonableness of the sales price and any PHA provided financing. All of these actions must be completed in accordance with program requirements.

For units not yet under construction. Families may enter into contracts of sale for units not yet under construction at the time the family enters into the contract for sale. However, the PHA shall not commence homeownership assistance for the family for that unit, unless and until:

(1) Either:

(i) The responsible entity completed the environmental review procedures required by 24 CFR part 58, and HUD approved the environmental certification and request for release of funds prior to commencement of construction; or

(ii) HUD performed an environmental review under 24 CFR part 50 and notified the PHA in writing of environmental approval of the site prior to commencement of construction;

(2) Construction of the unit has been completed; and

(3) The unit has passed the required Housing Quality Standards (HQS) inspection and independent inspection.

**15-VII.E. ADDITIONAL HAPGC REQUIREMENTS FOR SEARCH AND PURCHASE
[24 CFR 982.629]**

It is the family's responsibility to find a home that meets the criteria for voucher homeownership assistance. The HAPGC has established the maximum time that will be allowed for a family to locate and purchase a home, and will require the family to report on their progress in finding and purchasing a home. If the family is unable to purchase a home within the maximum time established by the HAPGC, the HAPGC provide additional time for the family to search. Documentation requesting the additional time will be provided by the family.

At the time the *Certificate of Eligibility* is issued, the family is placed in "home shopping status." The family has 180 days to locate and make an offer on a home, and secure a prequalification letter from their lender. The Program Administrator may recommend three additional 30 day extensions not to exceed a total of 270 home shopping days. Additional 30-day extensions are available on a case-by-case basis, subject to approval by the Director of Housing or their designee.

During a participant's search for a home, their housing choice voucher rental assistance shall continue. The participant family remains subject to all applicable rules and regulations.

- Applicants must submit housing choice progress reports every 30 days to document progress toward homeownership.

Six progress reports will be included with the *Certificate*. If a participant family is unable to locate and purchase a home within the timeframe approved by HAPGC, the family may continue to receive rental assistance through their Housing Choice Voucher.

- The family may not re-apply for the Homeownership Program until they have completed an additional full year of participation in the rental program following the expiration date of the *Certificate of Eligibility*.

HAPGC may require additional homeownership counseling prior to issuance of a second *Certificate of Eligibility*. The participant must meet all other eligibility criteria of the program at the time of resubmission.

HAPGC POLICY

All requests for extensions must be submitted in writing to the HAPGC prior to the expiration of the period for which the extension is being requested. The HAPGC will approve or disapprove the extension request within 10 business days. The family will be notified of the HAPGC's decision in writing.

If the participant family cannot complete the purchase of a unit within the maximum required time frame, and is not receiving rental assistance under a HAP contract at the

time the search and purchase time period expires, the family will be allowed to lease a unit and remain in the rental program, so long as they are still in good standing with the program.

Following the purchase, HAPGC will conduct an HQS inspection to determine if reasonable accommodations still exist or if there is a complaint, or reason to believe that the unit is not HQS compliant or resident is compliance with the program.

15-VII.F. HOMEOWNERSHIP COUNSELING [24 CFR 982.630]

Before commencement of homeownership assistance for a family, the family must attend and satisfactorily complete the pre-assistance homeownership and housing counseling program required by the HAPGC. HAPGC or its counseling partner will required as a minimum the following pre-assistance counseling program:

- Home maintenance (including care of the grounds);
- Budgeting and money management;
- Credit counseling;
- How to negotiate the purchase price of a home;
- How to obtain homeownership financing and loan pre-approvals, including a description of types of financing that may be available, and the pros and cons of different types of financing;
- How to find a home, including information about homeownership opportunities, schools, and transportation in the HAPGC jurisdiction;
- Advantages of purchasing a home in an area that does not have a high concentration of low-income families and how to locate homes in such areas;
- Information on fair housing, including fair housing lending and local fair housing enforcement agencies; and
- Information about the Real Estate Settlement Procedures Act (12 U.S.C. 2601 et seq.) (RESPA), state and Federal truth-in-lending laws, and how to identify and avoid loans with oppressive terms and conditions.
- Proration of Taxes, other program obligations, etc.

The HAPGC will adapt the subjects covered in pre-assistance counseling (as listed) to local circumstances and the needs of individual families. The HAPGC will further require families to attend one-on-one counseling to make sure they understand the obligations and are fully prepared to become homeowners.

The HAPGC or its counseling partner will offer additional counseling after commencement of homeownership assistance (ongoing counseling). This is part of the program and attendance remains a participant's obligation in order to continue to be assisted by the HAPGC.

If the HAPGC does not use a HUD-approved housing counseling agency to provide the counseling, the HAPGC will ensure that its counseling program is consistent with the counseling provided under HUD's Housing Counseling program.

HAPGC POLICY

The HAPGC will require all families to attend and complete post-purchase ongoing homeownership counseling.

All families wishing to participate in the Homeownership Program must complete a minimum of the regular eight hours of pre-purchase homeownership counseling and any individually required counseling sessions.

15-VII.G. HOME INSPECTIONS, CONTRACT OF SALE, AND HAPGC DISAPPROVAL OF SELLER [24 CFR 982.631]

Home Inspections

HUD regulations require a home inspection by an approved independent, professional home inspector. The family is required to select and pay for a home inspector to identify any physical defects and determine the condition of the major building systems and components.

The buyer and HAPGC must receive a written report of this examination describing the observable major defects, required repairs and/or accessibility modification requirements.

The inspector shall also be acceptable to the local lending institutions. In all cases the inspection must cover major building systems and components, including foundation and structure, housing interior and exterior, and the roofing, plumbing, electrical and heating systems. The unit must pass a termite or wood destroying organism report and any other requirements as determined by the State.

The independent inspector may not be a HAPGC employee or contractor, or other person under control of HAPGC. However, HAPGC has established standards for qualification of inspectors selected by families under the homeownership program.

HAPGC and the family will discuss the results of the inspection and determine if any pre-purchase repairs are necessary. HAPGC may disapprove the unit for purchase based on the results of the independent or HQS inspection.

Housing Quality Standards (HQS) Inspection

A Housing Quality Standards (HQS) inspection is required whenever the home is 100% ready for occupancy. The condition of the home must satisfy HQS standards before a sale may occur. HAPGC will conduct a Housing Quality Standards (HQS) inspection first, and if satisfactory, then require the independent inspection.

No further HQS inspections are required. However, HAPGC reserves the right to conduct interim HQS inspections before continuing to provide yearly homeownership assistance. HAPGC may exercise this option if it has reason to believe the home would no longer meet HQS standards, or has reason to believe that unauthorized individuals are living in the household or for other program obligations.

A PHA inspection is required if the PHA has granted as a reasonable accommodation an additional bedroom size for medical equipment or for a live-in aide. The inspection is to verify that the additional bedroom is being used for its intended purpose. If the extra bedroom is not being used for the intended purpose, the PHA must reduce the subsidy standard and corresponding payment standard at the family's next annual recertification.

Non-compliance with HQS standards may jeopardize a family's housing assistance payment. If the home does not pass the initial HQS inspection, then the Program Administrator will discuss with the purchasing family whether it would be more feasible to locate another home to purchase, or to have the needed repairs completed prior to the sale.

The HAPGC may not commence monthly homeownership assistance payments for a family until the HAPGC has inspected the unit and has determined that the unit passes HQS.

HAPGC POLICY

When a family locates a home they wish to purchase and submits a copy of their purchase offer/contract, the HAPGC will conduct a housing quality standards (HQS) inspection within 10 business days. Any items found not to meet HQS must be repaired before the unit can be determined eligible for the homeownership program and before the closing date.

The HAPGC will also require a home inspection as required by HUD. The family must hire an independent professional inspector, whose report must be submitted to HAPGC for review. The inspector must be a member of the American Society of Home Inspectors (ASHI) or other recognized professional society, or a licensed engineer, or a standard that is readily accepted by the local lending community that is participating in the HCV Homeownership Program. The inspector may not be a HAPGC employee.

The HAPGC will review the professional report in 5 days and based on the presence of major physical problems, the HAPGC may disapprove the purchase of the home. If the

HAPGC disapproves the purchase of a home, the family will be notified in writing of the reasons for the disapproval.

Contract of Sale

Eligible homes must be located within the boundaries of the HCV Program. The seller cannot be an individual, company, or corporation who has been debarred, suspended, or is subject to a limited denial of participation by HUD or HAPGC. HAPGC may deny approval of a seller for any reason provided for disapproval of an owner under the voucher rental program regulations.

Before commencement of homeownership assistance, the homeownership applicant must enter into a contract of sale, or earnest money agreement, with the home seller.

- HAPGC will provide the buyer with an *Addendum to the Residential Purchase Agreement*. Both the buyer and seller must execute the earnest money agreement and *Addendum*.

The *Addendum to the Residential Purchase Agreement* shall contain the following provisions:

1. Specify price and other terms of sale by the seller to the purchaser.
2. Provide that the purchaser will arrange for a pre-purchase inspection of the dwelling unit by an independent inspector selected by the purchaser.
3. Provide that the purchaser is not obligated to purchase the unit unless the inspection is satisfactory to the purchaser and HAPGC.
4. Provide that the purchaser is not obligated to pay for any necessary repairs.
5. Specify that an HQS inspector be granted access to the property to perform an HQS inspection prior to closing. Homeownership assistance is contingent on satisfactory inspections by both inspectors and subject to approval by HAPGC.
6. Specify that the seller has not been debarred, suspended, or subject to a limited denial of participation in a HUD program under 24 CFR.
7. Specify that before Buyer is obligated under any contract to purchase Property, Seller shall permit Buyer a 10-day period (unless the parties mutually agree, in writing, upon a different period of time) to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards. Buyer may waive the opportunity to conduct the risk assessment or inspection by so indicating in writing.

The *Addendum to the Residential Purchase Agreement* shall contain the following provisions if the unit is not yet constructed:

1. The purchaser is not obligated to purchase the unit unless an environmental review has been performed and the site has received environmental approval prior to commencement of construction in accordance with 24 CFR 982.628.
2. The construction will not commence until the environmental review has been completed and the seller has received written notice from the PHA that environmental approval has been obtained. Conduct of the environmental review may not necessarily result in environmental approval, and environmental approval may be conditioned on the contracting parties' agreement to modifications to the unit design or to mitigation actions.

Commencement of construction in violation of either of the above two provisions voids the purchase contract and renders homeownership assistance under 24 CFR part 982 unavailable for purchase of the unit.

Disapproval of a Seller

In its administrative discretion, the HAPGC may deny approval of a seller for the same reasons a HAPGC may disapprove an owner under the regular HCV program [see 24 CFR 982.306(c)]. The seller cannot be limited denial process (LDP) or otherwise not capable of entering into contractual conditions as set forth by HUD.

15-VII.H. FINANCING [24 CFR 982.632]

It is the responsibility of the family to secure financing for the home purchase. The issuance of the *Certificate of Eligibility* does not guarantee that a family has the ability to secure financing for a home purchase. The Program Administrator and/or partner agencies will provide guidance to potential home buyers to ensure they avail themselves of various down payment assistance programs, optimum loan packages, mortgage interest rates, and ways to avoid predatory lending practices.

The HAPGC demonstrates its capacity to administer the HCV Homeownership program by requiring the financing to purchase a home either be provided, insured, or guaranteed by the state or Federal government; comply with secondary mortgage market underwriting requirements; or comply with generally accepted private sector underwriting standards.

Down Payment Requirement

The purchasing family is required to invest at least three percent (3%) of the purchase price of the home. This investment can take the form of a down payment, closing costs, or a combination of the two. Of this sum, at least one percent (1%) of the purchase price must come from the family's personal resources.

If the family is an FSS graduate, the FSS escrow may be used to meet 50% of the down payment and closing costs contribution requirements established by HAPGC.

The buyer may acquire financing through any HAPGC approved lender. If the home is purchased using FHA mortgage insurance, it is subject to FHA mortgage insurance requirements.

Qualified participants may use the value of rental assistance as a form of “income” to help them qualify for a mortgage. Their assistance may be applied directly against their mortgage payment, therefore enabling a borrower to qualify for a home purchase.

There is no prohibition against using local/state grants or other subsidized financing in conjunction with the Housing Choice Voucher Homeownership Program. The program can be combined with a variety of mortgage loan products and other HUD programs to assist a potential home buyer in achieving the most favorable interest rate and terms of purchase.

Lending Partners

HAPGC may not influence a family’s choice of lending options by limiting the use of homeownership assistance to particular units, neighborhoods, developers, lenders or require a family to use a set financing approach. However, HUD encourages HAPGC to develop partnerships with lenders to better serve the needs of families. HAPGC will counsel the family to avoid predatory lenders or lending practices. HAPGC will honor any financing package that arises from any lending product approved by the FHA.

Underwriting Options

The following underwriting options are suggested under this program. The lender will decide upon the option based upon income and borrower qualifications determined on a case-by-case basis by the lender, and dependent upon the specific loan products utilized.

Option One: Deduct HAP from Principal, Interest, Taxes & Insurance (PITI)

The borrower’s HAP is applied directly to the PITI, and the housing debt to income ratio is calculated on the “net housing obligation” of the borrower.

Option Two: Add HAP to Borrower’s Income

Calculate total income as a combination of the tax-exempt HAP (grossed up by 25%) and the borrower’s income from employment using underwriting ratios specific to the loan product being used.

Option Three: Two Mortgage Approach

Borrower qualifies for the first mortgage (PITI) using only earned income. The HAP is used to pay the full P&I for a second mortgage.

Loan Restrictions

Mortgages with balloon payments, interest only, or variable interest rates are not allowed under HAPGC's program. The buyer may not enter into a seller financing or lease-purchase agreement under this program.

HAPGC reserves the right to review lender qualifications and the loan terms before authorizing homeownership assistance. HAPGC may disapprove proposed financing of the debt if HAPGC determines that the debt is unaffordable. In making this determination, HAPGC will take into account family expenses such as child care, un-reimbursed medical expenses, homeownership expenses, and other family expenses, in addition to the participant's income.

Independent of the lender's requirements, HAPGC has established a criteria that the family cannot have a family share in excess of 45% of the monthly adjusted income at the time of the initial closing.

HAPGC must approve any proposed refinancing of the property. The HAPGC staff will review all requests for refinancing.

- Refinancing the property, without prior written approval from HAPGC, may result in termination of the HCV Homeownership assistance.

In making its determination, HAPGC will take into account the reason(s) for the request to refinance, as well as the current assets and liabilities of the family, and how the refinancing will impact the total tenant payment. Homeownership assistance may continue if refinancing is approved, but will be limited to the remaining term based on the initial mortgage loan.

The HAPGC has established requirements for financing purchase of a home under the homeownership option. This may include requirements concerning qualification of lenders, terms of financing, restrictions concerning debt secured by the home, lender qualifications, loan terms, and affordability of the debt. The HAPGC established policies describing these requirements are contained in the administrative plan.

HAPGC may not require that families acquire financing from one or more specified lenders, thereby restricting the family's ability to secure favorable financing terms.

HAPGC POLICY

As a check against predatory lending, the HAPGC will review the financing and refinancing of each purchase transaction, including estimated closing cost. The HAPGC will not approve loans for features, such as balloon payments, adjustable rate mortgages, and unusually high interest rates. The HAPGC will not approve any loans that contain predatory practices. The HAPGC also will not approve "seller financing" or "owner held" mortgages. Beyond these basic criteria, the HAPGC will rely on the lenders or the secondary market to determine the loan that will be affordable to program participants.

15-VII.I. CONTINUED ASSISTANCE REQUIREMENTS; FAMILY OBLIGATIONS [24 CFR 982.633]

After a home is located, but before homeownership assistance can begin, the family and HAPGC must execute a HUD prescribed "Statement of Homeowner Obligations." In the statement the family agrees to comply with all obligations under the homeownership option.

The initial "Statement of Homeowner Obligations, HUD-52649" will be reviewed and executed at the HCV homeownership orientation.

The family must also execute the *HAPGC Statement of Family Obligations* which details the additional HAPGC HCV Homeownership Program obligations.

Continuous Reporting Requirements

HAPGC will reexamine the family's income and composition on an annual basis. After purchase of the home, the family must continue to adhere to the "HUD Statement of Homeowner Obligations" and the *HAPGC Statement of Family Obligations* in order to continue to receive the monthly housing assistance payment. The *HAPGC Statement of Family Obligations* will be reviewed by the family and signed at each annual reexamination.

A new *Certificate of Housing Assistance Payment* must be issued prior to any change in the housing assistance payment. Non-elderly and non-disabled families are required to annually document continued compliance with the full-time work requirement of the program by annual completion of the *Homeownership Work Certification*.

A family must disclose all changes in income within ten (10) business days of the change and at the annual reexamination. Failure to disclose or accurately report changes will jeopardize a family's continued participation in this program. A family may not add an adult household member without prior HAPGC approval. HAPGC will deny admission to any individual who would otherwise not qualify for admission to the program due to criminal history, drug related history, or registry on a sex-offender list.

Participant must agree to attend post-purchase counseling sessions in conjunction with acceptance into this program to continue to receive assistance. HAPGC may require families who become delinquent on their mortgage payments to participate in additional homeownership and/or credit counseling classes.

HAPGC may deny or terminate assistance for violation of participant obligations as described in the "HUD Statement of Homeowner Obligations", the *HAPGC Statement of Family Obligations*, or other program obligations.

Continuous Employment Obligations

- The applicant head of household or spouse must remain continuously employed (no less than 30 hours per week) while participating in the program.

-
- Part-time employment by both parties, totaling over 30 hours per week, does not constitute full-time employment by either party.

For continued eligibility purposes, continuous employment is defined two ways. Continuous employment by the head, spouse or co-head defined as full time employment (average of 30 hours per week) with no gap in employment lasting more than four weeks total (30 hours x 48 weeks = 1,440 hours). Or, earned income received by the head, spouse or co-head during the past year greater than the minimum wage times 1560 hours ($\$7.25 \times 1560 = \$11,963$).

The employment requirement is not applicable to elderly families or those whose head or co-head of household, spouse or sole member experience permanent disability.

Mitigating Circumstances

If a working family is subsequently determined by HAPGC to now qualify as a “disabled family,” as defined by HUD, the full-time employment requirement is no longer applicable to that family.

HAPGC will consider mitigating circumstances where certain lapses in employment prohibit the family from meeting its continuous employment obligation. These include receipt of Unemployment Insurance Benefits due to layoff; absences defined under the Family Medical Leave Act; receipt of Workman’s Compensation benefits.

HAPGC will allow week-for-week substitutions whenever of any of these benefits are received.

The participant must return to full-time employment within 30 days after exhaustion of unemployment benefits. Failure to return to full-time employment (30 hours per week) within 30 days will generate a 60-day *Notice to Correct*. Failure to correct will result in a correctable 30-day *Notice of Termination*.

A participant who is employed but is on leave from work due to maternity leave, FMLA or is receiving Workman’s Compensation, is exempt from the full-time employment requirement during the period of approved leave from work. A participant must return to full-time employment within 30 days after exhaustion of applicable benefits. Willful failure to return to full-time employment (30 hours per week), after 30 days, will generate a 60-day *Notice to Correct*. Failure to correct will result in a correctable 30-day *Notice of Termination*.

Consideration of other mitigating circumstances is at the discretion of a local Area Coordinator recommendation to the HCV Program Administrator. The Program Administrator will review any additional mitigating circumstances that prevent a participant’s return to full-time employment within the time frames allotted. Determinations of the review are made on a case-by-case basis. The decisions are subject to final approval by the Director.

Guests and Changes in Family Composition

All changes in family composition must be reported to the Housing Program Specialist. All new family members must be approved as eligible residents before moving into the residence.

Family guests are permitted for a period not to exceed 30 days in any calendar year. HAPGC may consider persons who exceed the 30 day occupancy limit, or who use the residence as a personal mailing address, unauthorized family members. The family may be in violation of their family obligations and HAPGC may take appropriate action up to and including termination of assistance.

Other Continued Family Obligations

In addition to completing the HUD Statement of Homeowner Obligations and HAPGC's Statement of Family Obligations Addendum prior to the issuance of the homeownership voucher, agreeing to comply with all family obligations under the Homeownership Program, including but not limited to:

The family must comply with the terms of any mortgage securing debt incurred to purchase the home or any refinancing of such debt.

At any time the family is receiving homeownership assistance, the family may not sell or transfer any interest in the home to any entity or person other than a member of the assisted family residing in the home.

A home equity loan or any refinancing may not be acquired without the prior written consent of HAPGC.

The family must provide required information regarding income and family composition in order to correctly calculate the total tenant payment (TTP) and homeownership assistance, consistent with the HCV requirements and any other information requested by HAPGC concerning financing, the transfer of any interest in the home, or the family's homeownership expenses.

While receiving homeownership assistance, the family must notify HAPGC if the family defaults on a mortgage securing any debt incurred to purchase the home.

While receiving homeownership assistance, the family must notify HAPGC before the family moves out of the home.

The family must, at annual reexamination, document that the family is current on mortgage, insurance, escrow accounts, repair reserve account, and utility payments.

The family is prohibited from moving more than one time in a one (1) year period. The family may be required to participate in pre- and post-purchase homeownership counseling prior to re-housing.

While receiving homeownership assistance, no family member may have any ownership interest in any other residential property.

Sign a release allowing HAPGC, counselors, realtors, and participating lenders to exchange information on the borrower.

Agree to maintain the condition of the home to comply with minimum HUD Housing Quality Standards (HQS).

Acknowledge that the termination of assistance shall be in accordance with program requirements and the Administrative Plan.

Acknowledge that the family is obligated for the whole mortgage payment in the event of termination of assistance.

Disclose any and all changes of family composition and family income immediately to HAPGC.

Agree that the family must immediately notify HAPGC of any late payment, delinquency notices, or default notices and must agree to participate in default counseling with a designated agency to become current.

Agree to attend any identified financial, homeowner or post purchase counseling during time of assistance.

Agree to the continued employment requirement as stated in HAPGC's Administrative Plan.

HAPGC requires the family to maintain a minimum reserve for maintenance and major repairs. The minimum reserve shall be equal to the monthly reserve amounts times the number of months assisted as a homeowner less any HAPGC approved withdraws.

Agrees that should they itemize deductions for IRS taxing purposes, they shall deduct in accordance with the IRS opinion that provides for a prorate deduction of the interest on a homeownership mortgage and homeownership taxes.

Homeownership assistance may only be paid while the family is residing in the home. If the family moves out of the home, the HAPGC may not continue homeownership assistance after the month when the family moves out. The family or lender is not required to refund to the HAPGC the HCV homeownership assistance for the month when the family moves out.

15-VII.J. MAXIMUM TERM OF HOMEOWNER ASSISTANCE [24 CFR 982.634]

For non-elderly and non-disabled households, homeownership assistance is available for a maximum 15-year term for mortgages with a 20-year or longer term and a maximum 10-year term in all other cases. The term is calculated from the date of issuance of the first housing assistance payment on the initial mortgage loan.

Families that qualify as a disabled family at the commencement of homeownership assistance, or at any time during the provision of homeownership assistance, are not subject to the 15-year term limitation. Homeownership assistance is available for a disabled family as long as the family remains eligible for the program.

If, during the course of homeownership assistance, the family ceases to qualify as a disabled or elderly family, the family will continue to be eligible for the homeownership assistance, subject to eligibility requirements of the Housing Choice Voucher program. The term of assistance will change to a maximum of 15-years for mortgages with a 20 year or longer term and a maximum ten year term in all other cases. This term will be calculated from the date of issuance of the first housing assistance payment on the initial mortgage loan. If the family ceases to qualify as a disabled or elderly family and the 15 or 10 year term has expired then the family will receive 6 months of monthly HAP payments and then the homeownership assistance will terminate.

In the case of an elderly family, the maximum term is for as long as they are eligible, provided the family qualifies as an elderly family at the start of homeownership assistance and continues to qualify as an elderly family.

Upon the death of a family member who holds, in whole or in part, title to the home, homeownership assistance may continue, pending settlement of the decedent's estate. The home must be solely occupied by remaining family members in accordance with 24 CFR 982.551(h).

For a nonelderly/nondisabled family, the total homeownership assistance received by a family, whether on different homes or through different public housing agencies, cannot exceed the eligible term of assistance based on the of the initial mortgage loan.

If the family has received such assistance for different homes, or from different HAPGC, the total of such assistance terms is subject to the maximum term described in this part.

15-VII.K. HOMEOWNERSHIP ASSISTANCE PAYMENTS AND HOMEOWNERSHIP EXPENSES [24 CFR 982.635]

While the family is residing in a homeownership unit, the HAP is equal to the lower of: (1) the payment standard minus the total tenant payment, or (2) the monthly homeownership expenses minus the total tenant payment.

The family is responsible for all monthly homeownership expenses not reimbursed by the housing assistance payment. Homeownership expenses include:

- principal and interest on the initial mortgage debt and any refinancing of such debt;
- any mortgage insurance premium incurred to finance the purchase of the home;
- real estate taxes and public assessments on the home;
- home insurance;
- cooperative or condominium operating charges or maintenance fees assessed by the condominium or cooperative homeowner association;
- the land lease for land where the home is located;
- the HAPGC allowance for maintenance expenses;
- the HAPGC allowance for costs of major repairs and replacements;
- the HAPGC utility allowance for the home; and
- principal and interest on debt incurred to finance major repairs, replacements or improvements on the home.

For an individual with disabilities, such debt may include those costs incurred by the family to make the home accessible.

The monthly homeownership assistance payment is the lower of: the voucher payment standard minus the total tenant payment, or the monthly homeownership expenses minus the total tenant payment.

In determining the amount of the homeownership assistance payment, the HAPGC will use the same payment standard schedule, payment standard amounts, and subsidy standards as those described in elsewhere in this plan for the Housing Choice Voucher program.

The HAPGC may pay the homeownership assistance payments directly to the family, or at the HAPGC discretion, to a lender on behalf of the family. If the assistance payment exceeds the amount due to the lender, the HAPGC must pay the excess directly to the family.

Homeownership assistance for a family terminates automatically 90 calendar days after the last homeownership assistance payment on behalf of the family. However, a PHA may grant relief from this requirement in those cases where automatic termination would result in extreme hardship for the family.

Extreme Hardship Exemption Policy

HAPGC will consider an Extended Hardship Exemption in the following two instances:

1. Loss of Employment

When a participant establishes that a loss of employment and/or income was due to an economic recession and the loss exceeds 90 days, the participant may be eligible for the Extended Hardship Exemption, for a period not to exceed one (1) year. To be considered for the Extended Hardship Exemption, the participant will be required to:

Show proof of job search, interviews, and receipt of unemployment insurance benefits and/or other benefits upon request, at the initial grant of the Extended Hardship Exemption and at six (6) –month intervals.

2. Scarcity of Employment

When a participant claims the necessity to change careers because of scarce opportunities in his/her current trade and is returning to school or enrolled in an employment training program to prepare for a new career, HAPGC may grant increased homeownership assistance under the Extended Hardship Exemption policy for a period not to exceed two (2) years. To be considered for the Extended Hardship Exemption based upon a necessity of changing careers, the participant will be required to:

- Provide proof of enrollment and anticipated completion date of higher education or employment training program at the initial grant of the Extended Hardship Exemption and at six (6) – month intervals thereafter (participant will be required to stay enrolled in order to receive increased homeownership assistance payments; upon receiving a degree or certification the payments will end); and
- Remain employed for not less than twenty-five (25) hours a week

Extended Hardship Exemption assistance will only be granted one time during the homeowner's HCVHP term.

The HAPGC must adopt policies for determining the amount of homeownership expenses to be allowed by the HAPGC in accordance with HUD requirements.

HAPGC POLICY

The HAPGC housing assistance payment will be paid directly to the family or to the lender, if required by the lender. If paid to the family, it will be the family's

responsibility to make the entire payments to the lender. The HAPGC may make the exception if the family requests the payment to go directly to the lender, and this arrangement is acceptable to the mortgage company. If the assistance payment exceeds the amount due to the lender, the HAPGC must pay the excess directly to the family. The family, at its option, can also place these funds in an escrow account that can be used for repairs or other homeownership expenses.

Monthly maintenance allowance: The monthly maintenance allowance will be the annual maintenance allowance, divided by twelve. The annual maintenance allowance will be set at \$600 at this time, subject to future adjustments.

Monthly major repair/replacement allowance: The monthly major repair/replacement allowance will be the annual major repair/replacement allowance divided by 12. The annual major repair/replacement allowance will be set at \$600 at this time, subject to future adjustments.

Homeownership expenses for a cooperative member may only include amounts allowed by the HAPGC to cover:

- 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 HAPGC allowance for maintenance expenses;
- The HAPGC allowance for costs of major repairs and replacements;
- The HAPGC utility allowance for the home; and
- Principal and interest on debt incurred to finance major repairs, replacements or improvements for the home. 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 HAPGC determines that allowance of such costs as homeownership expenses is needed as a reasonable accommodation so that the homeownership option is readily accessible to and usable by such person.
- Cooperative operating charges or maintenance fees assessed by the cooperative homeowner association.

15-VII.L. PORTABILITY [24 CFR 982.636, 982.637, 982.353(b) and (c), 982.552, 982.553]

HAPGC will permit portability of HCV homeownership assistance to another jurisdiction subject to HAPGC policies governing portability. The receiving jurisdiction must operate a

HCV Homeownership Program for which the applicant qualifies and it must be willing to administer new homeownership families. In order to remain eligible for the program, the participant must sell the current home purchased under the HCV Homeownership Program and incur no mortgage default.

HAPGC will also accept families from another HCV Homeownership Program subject to HAPGC admission requirements for the homeownership program. It will administer the voucher if approved for homeownership.

Subject to the restrictions on portability included in HUD regulations and HAPGC policies, a family may exercise portability if the receiving PHA is administering a voucher homeownership program and accepting new homeownership families. The receiving PHA may absorb the family into its voucher program, or bill the initial PHA.

The family must attend the briefing and counseling sessions required by the receiving PHA. The receiving PHA will determine whether the financing, and the physical condition of the unit, are acceptable. The receiving PHA must promptly notify the initial PHA 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 PHA.

15-VII.M. MOVING WITH CONTINUED ASSISTANCE [24 CFR 982.637]

A family receiving homeownership assistance may move with continued tenant-based assistance. The family may move with voucher rental assistance or with voucher homeownership assistance. Continued tenant-based assistance for a new unit cannot begin so long as any family member holds title to the prior home.

The HAPGC will deny permission to move to a new unit with continued voucher assistance as follows:

- Lack of funding to provide continued assistance.
- At any time, the HAPGC may deny permission to move with continued rental or homeownership assistance in accordance with 24 CFR 982.638, regarding denial or termination of assistance.
- In accordance with the HAPGC policy regarding number of moves within a 12-month period.

The HAPGC must deny the family permission to move to a new unit with continued voucher rental assistance if:

- The family defaulted on an FHA-insured mortgage; and
- The family fails to demonstrate that the family has conveyed, or will convey, title to the home, as required by HUD, to HUD or HUD's designee; and the family has moved, or will move, from the home within the period established or approved by HUD.

HAPGC POLICY

For families participating in the homeownership option, requests to move will be approved and/or denied in accordance with the HAPGC policies stated in Chapter 10.

The HAPGC will not require additional counseling of any families who move with continued assistance.

15-VII.N. DENIAL OR TERMINATION OF ASSISTANCE [24 CFR 982.638]

A family's homeownership assistance may be terminated if a family fails to comply with its obligations under the HCV Homeownership Program or if the family defaults on the mortgage.

Failure to Comply with Homeowner Obligations

The family must comply with the terms of any mortgage incurred to purchase and/or refinance the home. The family must provide HAPGC 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; notification of the family's household composition and income and homeownership expenses on an annual basis; and any notice of mortgage default received by the family. Except as otherwise specified in this plan, the family may not convey or transfer the home to any entity or person.

Homeownership assistance may be denied or terminated in accordance with any of the provisions listed at 24CFR 982.638 and/or HAPGC requirements.

Occupancy of Home

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

Changes in Income Eligibility

HAPGC may adjust a family's homeownership assistance based upon changes in family income. The effective change shall occur 30 days after the month in which a reexamination of income occurred.

Participation in the HCV Homeownership Program shall continue until such time as the assistance payment amounts to zero for a period of 180 consecutive days. At that time the family will no longer be eligible and the HAP will be terminated. However, should the family go to zero HAP, for 180 consecutive days, the HAPGC reserves the right to extend the period past 180 days, should there be documented extenuating circumstances for an extension to the time period. Such documented extenuating circumstances include but is not limited to:

- Death in the family,
- Loss of employment or income due to no fault of the family,
- Documentation of a medical or financial hardship beyond the control of the family for a member of the assisted household.

After receipt of verification, the HAPGC shall reinstate the family into the program subject to available funding and other program requirements.

Refusal to Meet Continuous Work Requirement

HAPGC may terminate a working family's homeownership assistance based on a willful refusal to adhere to, or properly document, the full-time employment requirement.

Family Requests a Return to Rental Assistance

If a family requests to return to rental assistance, HAPGC may provide the family with a rental voucher, provided there is no mortgage loan default and the family has met all obligations under the HCV Program. The family must sell the home before HAPGC provides rental assistance.

At any time, the HAPGC may deny or terminate homeownership assistance in accordance with HCV program requirements in 24 CFR 982.552 (Grounds for denial or termination of assistance) or 24 CFR 982.553 (Crime by family members).

The HAPGC may also deny or terminate assistance for violation of participant obligations described in 24 CFR Parts 982.551 or 982.633.

The HAPGC must terminate voucher homeownership assistance for any member of family receiving homeownership assistance that is dispossessed from the home pursuant to a judgment or order of foreclosure on any mortgage (whether FHA insured or non-FHA) securing debt incurred to purchase the home, or any refinancing of such debt.

HAPGC POLICY

The HAPGC will terminate a family's homeownership assistance if the family violates any of the homeowner obligations, as well as for any of the reasons listed in the Statement of Homeownership Obligation Housing Choice Voucher Homeownership Program.

In making its decision to terminate homeownership assistance, the HAPGC will consider alternatives as described in Section 12-IIC and other factors described in Section 12-II D. Upon consideration of such alternatives and factors, the HAPGC may, on a case-by-case basis, choose not to terminate assistance.

Termination notices will be sent in accordance with the requirements and policies set forth in Section 12-IIE.

15-VII.O.DEFAULT

If a family defaults on a mortgage, HAPGC may permit the family to move with continued assistance. The family must demonstrate that it has conveyed title of the home to the lender, or its designee, and moved from the home within the period established and approved by the lender and HAPGC [CFR 24 982.638(d)]. Any decision to approve or deny rental assistance is based on HCV rental program policies and procedures addressed in the HAPGC Administrative Plan.

A family is ineligible for future homeownership assistance.

HAPGC Policy

If the family defaults on the home mortgage loan, the participant will not be able to use the homeownership voucher for rental housing but may reapply for the Section 8 waiting list, if the waiting list is open.

15-VII.P.RECAPTURE

HAPGC Policy

By regulation, HAPGC cannot recapture any of the HCV Homeownership assistance, unless there is an act of fraud or misrepresentation of a material fact. The HCV Homeownership recapture provision does not apply to any other program funds that may be used in the transaction.

15-VII.Q.INFORMAL HEARING [24 CFR 982.555]

An informal hearing will be provided for participants who are being terminated from the Program because of the family's action or failure to act as provided in 24 CFR 982.552. The rules and procedures set forth in the Administrative Plan, entitled "Informal Hearings," will apply.