

**Omaha Housing Authority**  
**Section 8 Homeownership Program**  
**Addendum to Section 8 Administrative Plan, Chapter 15**

**Introduction:**

In addition to an existing homeownership program under public housing that was approved by HUD in September, 1998, and subsequently expanded under QHWRA, Section 32 in the Agency Plan of 2002, the Omaha Housing Authority hereby establishes a Section 8 Homeownership Program under Section 8Y and in accordance with the US Department of Housing and Urban Development (HUD) final rule dated September 12, 2000. The establishment of this program is consistent with Omaha Housing Authority's annual and five-year plan.

Under the Section 8 Homeownership Program, Housing Assistance Payments can be used to supplement the participant's income when calculating their housing ratio for a home mortgage. It is the goal of Omaha Housing Authority to place at least ten (10) to fifteen (15) families in their own home every year through the Section 8 Homeownership Program.

**Advisory Committee:**

Omaha Housing Authority will create an Advisory Committee made up of representatives from various organizations that will provide input regarding the coordination and implementation of the Section 8 Homeownership Program.

The representatives will be from organizations such as: 1) non-profit housing groups, 2) homeownership counseling groups, 3) lending consortiums or institutions, 4) economic development groups, and 5) service providers. The Advisory Committee will create a link between organizations that play a role in the steps a participant takes to become a homeowner. In addition, this Committee can educate other members of their organizations and promote the Section 8 Homeownership Program.

**Program Coordination:**

Under Omaha Housing Authority's Family Self Sufficiency Program, funds from the Ross Grant have been awarded to create a 'Homeownership Manager/Specialist' position. This position will coordinate all homeownership activities of Omaha Housing Authority.

The person selected for the 'Homeownership Manager/Specialist' position will be the initial point of contact for potential participants in the Section 8 Homeownership Program and will also monitor the ongoing progress of participants. Additional assistance will be available from one (1) Section 8 Family Self Sufficiency staff assigned to the Homeownership Program.

The responsibilities of this position include, but are not limited to:

1. Assisting potential participants with developing and understanding a budget.
2. Performing and reviewing credit checks with potential participants.
3. Developing relationships with local lenders.
4. General homeowner education and training.
5. Developing and implementing Homebuyer & Homeowner Clubs.
6. Oversight of existing participants in the Homeownership Program.

It is anticipated that by having this position in place, Omaha Housing Authority can facilitate homeownership in the early stages of the process and prepare potential participants to eventually enter into the Section 8 Homeownership Program. Once established, the Homebuyer Club will generate a pool of future homebuyers and provide opportunities for sharing and mentoring among participants. After participants have purchased a home, the Homeowner Manager can provide ongoing assistance to the participants to ensure their success as a homeowner.

### **Omaha Housing Authority Homes:**

Omaha Housing Authority plans to place homes from our single family units of public housing for sale as vacancies occur to Section 8 Homeownership Program participants. As outlined in Omaha Housing Authority's five-year plan, all of these units will be available for purchase by Public Housing tenants through the previously revised homeownership program under 5h, and this would expand the opportunity to Section 8 Homeownership Program participants. It is anticipated that these homes will be available in February 2002 once the five-year plan is approved.

When participants purchase these homes, they are eligible for up to \$20,000 in down payment assistance from Omaha Housing Authority.

### **Participant Eligibility:**

- 1) The option of participating in the Section 8 Homeownership program will be open to current eligible Housing Choice Voucher participants or applicants who are eligible for admission to the Housing Choice Voucher program.
- 2) The participants must be first-time homebuyer, with no family member having an ownership interest in a residence for the last three (3) years. Exceptions to this requirement include family members who acquired shares in a cooperative prior to homeownership assistance and families who include a person with a disability. 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 also considered eligible.

- 3) The participant or applicant must not have previously defaulted on a mortgage that was obtained through a homeowner assistance program.
- 4) The participant or applicant must meet the following income and employment requirements:

- a) One or more of the adult family members who will own the home at the time of commencement of the homeownership assistance must be employed full-time (not less than an average of 30 hours per week) and has been so employed continuously for at least one (1) year. Omaha Housing Authority may allow interruptions in employment for certain instances such as lay-offs or illnesses on a case-by-case basis.

An exception to this requirement is granted to families whose head of household or spouse is elderly or disabled. Families with a disabled member may also request an exception from Omaha Housing Authority to this requirement. This requirement is applicable at the initial qualification for homeowner assistance and is not a requirement for continued assistance.

- b) Adult family members who will own the home at the time of commencement of the homeownership assistance must have a gross annual income equal to or greater than 2,000 hours of work at the Federal minimum wage.

- 5) The participants must attend and successfully complete the pre-assistance homeownership counseling program offered by Omaha Housing Authority or a HUD approved counseling agency designated by Omaha Housing Authority. The homeownership counseling program will cover topics such as:

- a) Home maintenance
- b) Budgeting and money management
- c) Credit counseling and credit repair
- d) Aspects of financing a home
- e) Predatory lending prevention
- f) How to find a home
- g) Fair housing
- h) Foreclosure prevention
- i) Information regarding the Real Estate Settlement Procedures Act

- 6) Current Section participants must be in compliance with their rental lease and program requirements and must terminate their lease in accordance with the terms outlined in such document.

- 7) Omaha Housing Authority will give priority to participants of the existing Family Self-Sufficiency (FSS) program.

- 8) A down payment of three percent (3%) of the purchase price is required, with the greater of one percent (1%) or \$500 from the participant's own funds.
- 9) Participants must sign a "statement of homeowner obligations" with the Omaha Housing Authority.

**Jurisdiction:**

Participants may locate a home within Omaha Housing Authority's jurisdiction or may choose a home outside of Omaha Housing Authority's jurisdiction if the receiving Public Housing Authority is administering a Section 8 Homeownership Program and is accepting new applicants.

**Time Line:**

The participants will have a maximum of six (6) months from the time of their successful completion of homeownership counseling to find a home to purchase and enter into a Contract of Sale. If the participants are unable to locate a desirable home and enter into a Contract of Sale before the end of six months, the participants will be allowed to continue their assistance toward a rental unit. Extensions of the six month time frame are at the discretion of Omaha Housing Authority.

**Sale of Contract:**

Once the participants select the home they would like to purchase, they must enter into a Sale of Contract with the sellers of the property. The Sale of Contract must include the following:

- 1) The purchase price and the terms of the sale.
- 2) State that pre-purchase inspections will be completed to the satisfaction of the participants and Omaha Housing Authority and that the sale is conditional upon the participant's and Omaha Housing Authority's acceptance of the inspection reports.
- 3) State that the participants are not obligated to pay for repairs that are needed as a result of the findings of the inspection report.
- 4) Certification that the seller is not debarred, suspended, or subject to limited denial of participation by HUD.

**Inspections:**

An independent professional home inspection must be completed by a third party selected and hired by the participants. The inspection must cover major building systems and components. These include, but are not limited to, the structural integrity of the home

and its foundation, the age and quality of the roof, the interior and exterior make-up, and an inspection of the plumbing, heating/cooling, and electrical systems.

In addition, Omaha Housing Authority or its designated party will conduct a Housing Quality Standards Inspection and review the independent professional home inspection. Omaha Housing Authority or its designated party may disqualify a home from participating in the Section 8 Homeownership Plan based on either inspection.

### **Financing Requirements:**

Housing Assistance Payment funds may not be used for the financing costs of purchasing a home. The participants are responsible for acquiring financing, but the terms of the loan will be subject to the approval of Omaha Housing Authority. Omaha Housing Authority can deny a financing package if the terms (such as balloon payments or certain variable interest rates) are not affordable to the participants. When determining affordability, Omaha Housing Authority will consider all household expenses of the participants.

The first mortgage lender should be federally regulated financial institution; other lenders (such as seller financing) must be approved by Omaha Housing Authority. Loan fees should not exceed five (5) percent. Prepayment penalties or prepaid life insurance will not be allowed in any financing arrangement.

While the Omaha Housing Authority does not require that financing be provided by a specific lender, assistance with locating a lender will be provided at the participant's request. This will be done by developing a list of lenders who have been informed about and are willing to participate in the Section 8 Homeownership Program.

Omaha Housing Authority will require participants to provide at least three percent (3%) of the purchase price of the home as down payment. At least one percent (1%) or \$500, whichever is greater, of the purchase price must come from the participant's own sources for the down payment. Omaha Housing Authority will work with participants to identify additional sources of down payment assistance. If the participant is purchasing a home currently owned by Omaha Housing Authority, up to \$20,000 can be provided in down payment assistance as established under the current homeownership program under 5h regulations.

### **Eligible Units:**

The participant's selected unit must be either under construction or an existing unit at the time the participant was accepted into the Section 8 Homeownership program. The units may be 1) a single, detached home, 2) a unit in a condominium or cooperative, or 3) a single unit in a townhouse development. Omaha Housing Authority can deny a unit if the owner has been disbarred or suspended under Section 24 CFR, Part 24.

## **Housing Assistance Payments;**

Housing Assistance Payments for participants will be the lesser of 1) the current Section 8 Voucher Payment standard minus the *Total Tenant payment* or the participant's monthly homeownership expenses minus the *Total Tenant Payment*.

The *Total Tenant Payment* will be the greatest of 1) thirty percent (30%) of the family's adjusted monthly income, 2) ten percent (10% of the family's gross monthly income, or 3) the minimum rent established by Omaha Housing Authority for the unit size. Monthly homeownership expenses used to calculate the Housing Assistance Payments will include: 1) principal and interest on mortgage debt, 2) mortgage insurance, 3) real estate taxes and assessments, 4) home insurance, and 5) Omaha Housing Authority's allowances for utilities, routine maintenance, and major repairs. The utility allowances will be equal to the allowance schedules for Section 8 rental units. The routine maintenance and major repair allowances will be set by Omaha Housing Authority based on the results of research and current trends.

As the fair market rent payment standard changes, adjustments will be made to the Housing Assistance Payment by Omaha Housing Authority. In the event that a participant's income increases enough that Housing Assistance Payments are no longer received, the participant will remain eligible for such payments for 180 calendar days. After a continuous period of 180 days without Housing Assistance Payments, the participant's eligibility for such assistance will automatically discontinue.

Housing Assistance Payments will be provided only when the participants remain in their home and will be in effect for fifteen (15) years if the initial mortgage is twenty (20) years or longer. In all other cases, the term of the Housing assistance Payments will be provided for ten (10) years. These terms do NOT apply to elderly and disabled families. However, if an elderly or disabled family ceases to be qualified as such while receiving Housing Assistance Payments for homeownership, the maximum term shall be determined from the date of the initial commencement of homeownership assistance. The family will receive a minimum of six (6) months of Housing Assistance Payments after the maximum term, provided the family continues to be eligible and is complying with family obligations.

The term of the assistance is applied from the time of the initial purchase, regardless if the participants move to a new unit under the Section 8 Homeownership Program. Participants can choose to sell their home and stay in the program by purchasing another home, provided that a default on their mortgage has not occurred and they are in compliance with the "statement of homeowner obligations". If this happens, the initial eligibility requirements apply, with the exception of the first-time homeowner and the pre-assistance homeownership counseling.

Omaha Housing Authority will provide the lender with the amount of the Housing Assistance Payments prior to closing. Housing Assistance Payments will be made directly to the lender or to an escrow account established by the lender for the payments.

### **Homeowner Obligations:**

Participants must execute a “statement of homeowner obligations” with Omaha Housing Authority prior to the implementation of homeowner assistance. To continue receiving Housing Assistance Payments under the Section 8 Homeownership Program, participants must comply with the following homeowner obligations.

- 1) The participant must comply with the terms of any mortgage secured for the purchase of the home.
- 2) The participant must remain in the home. If the participant chooses to sell, convey, or transfer any interest in the home to another family member residing in the home, the Omaha Housing Authority must approve such changes.
- 3) The participant must report any changes in family composition to the Omaha Housing Authority.
- 4) The participant may NOT sublet or lease their home.
- 5) The participant must comply with all obligations under the existing Section 8 Housing Choice voucher Program.
- 6) The participant must supply information about refinancing or final payment of debt to the Omaha Housing Authority. The participant may NOT refinance or place any additional lien or other encumbrance on the home without approval for the Omaha Housing Authority.
- 7) The participant must inform Omaha Housing Authority of any changes in homeowner's expenses.
- 8) The participant must notify Omaha Housing Authority of any default on mortgage secured for the purchase of the home.
- 9) The participant must notify Omaha Housing Authority at least one month before the family moves out of the home.
- 10) The participant may NOT have an interest in any other residential property while receiving assistance under the homeownership program. However, the participant may choose to sell the home and purchase another once the home is sold and may remain in the homeownership program provided that all homeowner obligations are met.
- 11) At the time of annual recertification, the participant must supply to the Omaha Housing Authority documentation that mortgage and utility payments are current and allow inspection of the home by Omaha Housing Authority or its designated party.

- 12) The participant must continue post-purchase counseling and ongoing meetings with the FSS homeownership Manger/Specialist.
- 13) Participation in the Homeowner Club established by Omaha Housing Authority will be required. This will provide participants the opportunity to meet and share ideas with other homeowners, participate in community activities, and ensure continued support and education for the family.

### **Lease-to Purchase Agreements:**

Lease-to Purchase Agreements are acceptable and the unit is considered a rental, with the tenant based Section 8 rental rules applied. Any “homeowner premium” charged in a lease-to-purchase arrangement must be absorbed by the participants. A “homeowner premium” is defined as an increment charged for the lease-to-purchase right or money set aside every month for down payment to reduce the purchase price.

When the participant is ready to exercise the purchase under the lease-to-purchase agreement, The Section 8 Homeownership requirements apply and must be met before the purchase of the home.

Omaha Housing Authority will implement this type of agreement with its own eligible units, where federal regulations allow such arrangements. Omaha Housing Authority will also educate local landlords about the Section 8 Homeownership Program and the possibilities of utilizing this program with their properties.

### **Mortgage Defaults:**

If the participant defaults on any loan secured for the purchase of the home, Housing Assistance Payments for homeownership will be terminated. Omaha Housing Authority may allow the participant to continue receiving assistance under the Section 8 tenant based rental program provided that the participant has conveyed title to the home to the lender or its designee and has moved from the home within the timeline established by the lender or its designee.

### **Recapture:**

Prior to the purchase of the home, the participant must execute documentation as required by HUD that secures Omaha Housing Authority’s right to recapture Housing Assistance Payments in some circumstances upon the sale or refinancing of the home prior to the end of the ten (10) year time period.

The amount that is subject to recapture reduces in annual increments of ten percent (10%), commencing one year from the initial purchase price. The amount subject to recapture is zero (0) at the end of the ten (10) year period.

If a home is sold and sale proceeds are used by participant to purchase another home under the Section 8 Homeownership Program, Housing Assistance Payments are not subject to recapture. In addition, if a participant refinances a mortgage to receive better financing terms and no proceeds are realized, a recapture penalty is not applied.

In the event that a home is sold and the participant does not purchase another home under the Section 8 Homeownership Program, the amount of recapture is the lesser of 1) the amount of Housing Assistance Payments subject to recapture, or 2) the difference between the sale price and the purchase price less any capital expenditures, sales costs, amount used toward the purchase of a new home, and previous recapture amount.

If the mortgage is refinanced and the participant realizes proceeds from the refinancing the recapture amount is the lesser of 1) the amount of Housing Assistance Payments subject to recapture, or 2) the difference between the current mortgage debt and the new mortgage debt less any costs of capital expenditures, refinancing costs, and amounts previously recaptured.

**Administrative Fee:**

The Omaha Housing Authority will receive the same ongoing administrative fee as in the Section 8 rental program and as outlined in Section 24 CFR 982.152(b).

**Fair Housing:**

In compliance with the Fair Housing Act (Title VIII of the Civil Rights Act, 1988) the Section 8 Homeownership Program will not discriminate based on race, color, national origin, sex, handicap, of familial status.