

# SECTION 8 HOUSING CHOICE VOUCHER (HCV) HOMEOWNERSHIP PROGRAM FREQUENTLY ASKED QUESTIONS

## 1. What is the S8 HCV Program?

The basic premise of the housing choice voucher homeownership program is that instead of using voucher subsidy to help a family with the rent, the voucher subsidy is provided to help a first-time homeowner meet monthly homeownership expenses.

## 2. What are the eligibility requirements? An individual or family must:

- Be a current voucher program participant with BCHD or eligible for admission to BCHD's housing choice voucher program.
- Be a participant in good standing (i.e. the family has not violated any Section 8 program requirements)
- Meet the HUD definition of first-time homebuyer (i.e., means the participant has not had ownership interest in a home in the past 3 years).
- Sign a Statement of Homeownership Obligations
- Satisfactorily complete pre-purchase homeowner counseling classes before entering into a sales contract
- Provide a cash down payment of at least \$500 or 1% of assets, whichever is greater.
- Provide the lender and real estate professionals with all pertinent documentation
- Be able to comply with any additional special requirements for homeownership assistance as specified in BCHD'S's Section 8 Homeownership Handbook and Administrative Plan.

## 3. How do I know if I am ready for homeownership?

Owning a home is a big responsibility. It is important that you understand those responsibilities before you look at being a homebuyer. It is mandatory that you take an approved homeownership-counseling course prior to purchasing a home. You should also first clear up any credit problems and save enough money so you can make a downpayment. (In some cases, it may be necessary for the family to receive post mortgage homeownership counseling to help them budget their finances once they have closed on their home. This type of training is available from homeownership counselors.)

## 4. What kind of paperwork must I fill out?

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

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

For BCHD's Housing Choice Voucher Homeownership Program you must choose a LENDER that is working with the New Mexico Mortgage Finance Authority (MFA) on this particular program. It is

important that you contact the person from the bank who is working on this particular loan product. Others working within the bank may not have any knowledge of this type of program.

In this program, you may choose any real estate professional. However, most professionals will not understand this program unless they receive special training. You can contact the participating mortgage lenders and see if they can suggest real estate professionals who are familiar with using Section 8 Vouchers for homeownership.

**6. Do I have to have good credit?**

Generally, a lender will approve you with a credit score of about 620. You cannot have bad credit! If you do, the homeownership counselor can instruct you on how to clean up your credit record. However, you may have never established a traditional credit record and that is okay, but the lender needs to know if you pay your bills on time. The lender will review your record of making timely rent, utility and other payments. This is called non-traditional credit.

**7. What other costs are there?**

Your minimum downpayment requirement must be at least 3 percent of the purchase price, that of which 1% of the purchase price must come from the family's personal resources but not less than a minimum of \$500. You **may** also have to pay for an appraisal, which may cost \$300-\$400 and a professional inspection, which may be \$200-\$400. There may be other incidental expenses prior to your purchase as well.

**8. Can my family help me buy the home?**

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

**9. Can I have a roommate?**

No, understand the standard family obligations for use and occupancy for the voucher program, no other person except members of the assisted family may reside in the unit except for a foster child or live in aide. The individual or family may not sublease or let the unit under the family obligations.

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

The amount you are able to pay for a home depends on your total income and resources. The mortgage lender will consider your total income, your Section 8 assistance, and any other assistance you are receiving from a family member or agency. The lender will pre-qualify you for a loan based on income and other financial information. It is important to have this pre-qualification letter before you begin shopping for a home.

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

Except for elderly and disabled families, Section 8 homeownership assistance may only be paid for a maximum period of 15 years if the initial mortgaged incurred to finance purchase of the home has a term that is 20 years or longer. In all other cases, the maximum term of the homeownership assistance is 10 years. Elderly and disabled families' are exempt from a time limit for homeownership assistance; (there is no time limit on homeownership assistance for elderly or disabled families).

**It is important to understand that you are responsible for the full mortgage payment if your section 8 payment is terminated for any reason.**

**12. Once I have purchased a home under this program, must I still have a Section 8 re-certification each year?**

Yes. You will still need to submit all the paperwork for re-certification each year and you will have to conform to all the statements in the Statement of Homebuyer Obligations that you sign prior to purchasing a home. This re-certification will be done at the same time each year based on the date of the first payment due on your mortgage.

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

Yes, there are actually two types of inspections that are required. You will need to hire a professional inspector to inspect the home to identify physical defects and the condition of the major building systems and components. Your housing coordinator will have to make a HUD Housing Quality Standards (HQS) inspection, which is the same inspection made for the tenant-based Section 8 rental assistance program.

**14. What happens to my home if I die?**

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

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

**15. Am I responsible for other expenses incurred because of purchasing a home?**

Yes, you are responsible for all monthly homeownership expenses (for example: homeownership association dues) all utilities and trash pick-up and for any expenses (for example: a new water heater, structural repairs, broken windows, plumbing problems, etc.) that you may have as a homeowner.

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

You may be required to attend ongoing homeownership counseling. In your community, there are experienced homeownership counselors who can help you save towards repairs and general maintenance of your home or assist you in getting financial advice so you can avoid defaulting on your payments. It is important to understand that you are responsible for the debt incurred to purchase your home.

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

You may place your portion of the mortgage payment in a bank that has Automatic Payment Deduction capability. This allows the LENDER to withdraw your part of the payment each month electronically. You

must ensure the funds are available for transfer to the lender by the first of each month. BCHD will make its portion of the housing payment directly to the LENDER.

**18. Can I sell my home?**

Yes, however all sales must be approved by BCHD and you may not sell, or convey or transfer any interest in the home to any entity or person other than a member of the assisted family residing in the home.

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

No. A home, as well as a car, is an exempt asset according to Social Security and other federal agencies. These assets do not count against a person receiving other supports.

**20. Can I refinance my home?**

Yes, but approval must be granted by BCHD prior to any refinance. A request must be submitted in writing to BCHD with all terms of the loan offered and a board will review the terms of the loan versus the current mortgage terms and make a decision whether there is a benefit to a refinance and approve or deny the request.

**21. Can I purchase a manufactured home?**

Yes. However, the home must meet certain standards and be permanently attached to a foundation. Lenders will also consider the age and condition of the home. Lenders may charge a higher interest rate on a manufactured home.