



# Public Housing Repositioning Wednesday Webinar Series: Homeownership Programs for Public Housing Authorities

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February 9, 2022

| Webinar Topics   | Dates             |
|--|-------------------|
| <u><a href="#">RAD and Section 18 New Blend Options</a></u>                  | February 17, 2021 |
| <u><a href="#">Preservation Strategies</a></u>                               | March 17, 2021    |
| <u><a href="#">Environmental Review Procedures</a></u>                       | April 14, 2021    |
| <u><a href="#">Developer Roles for Repositioning Public Housing</a></u>      | June 30, 2021     |
| <u><a href="#">Choice Neighborhoods and Repositioning</a></u>                | October 27, 2021  |
| <b><a href="#">Homeownership Programs for Public Housing Authorities</a></b> | February 9, 2022  |



All webinars are recorded and posted at [www.hudexchange.info](http://www.hudexchange.info)



# Why are we here?

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The goal of this webinar series is to help explain and discuss common issues in the repositioning process.

Today's webinar will focus on:

- Explain how Public Housing Agencies (PHAs) can further affordable homeownership in their communities through federal housing programs and assistance.
- The following programs and assistance will be covered:
  - Housing Counseling
  - Section 8 (Y)
  - Section 32
  - Public Housing Capital Funds (Section 9)
  - Choice Neighborhoods



# Presenters

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## **Jane Hornstein**

Office of Public Housing Investments (OPHI),  
Special Applications Center (SAC)

## **Kathy Szybist**

OPHI, SAC

## **Kristen Arnold**

Office of Public Housing and Voucher Programs  
(OPHVP), Housing Voucher Management and  
Operations Division

## **Chris Granger**

OPHI, Office of Capital Improvements (OCI)

## **Susan Willson**

OPHI, Urban Revitalization Demonstration (URD)

## **Belinda Bly**

OPHI, Urban Revitalization Demonstration (URD)

## **Jennifer Rainwater**

OPHI, Moving to Work Demonstration (MTW)





# Programs that PHAs Can Implement to Help Families Achieve Homeownership

# Counseling for Homeownership

HUD provides support to a nationwide network of housing counseling agencies. These HUD-approved agencies provide tools to current homeowners, prospective home buyers, renters, homeless, and victims of disaster, so they can make responsible choices to address their housing needs.

Please note that all households may not be ready for homeownership, but counseling will help them make informed decisions.

Many of the Homeownership programs discussed today in today's Webinar require counseling for families. Even if not required, HUD **strongly encourages** PHAs to work with their local counseling agencies in implementing their homeownership programs.

Search for a Housing Counselor

- [Search the Map](#) or [Search by Zip code](#), or call HUD's interactive voice system at: (800) 569-4287, or there is an App for that!

MONDAY, FEBRUARY 07, 2022

HUD.GOV  
U.S. Department of Housing and Urban Development

HUD.gov

HUD > Housing Counseling

### HUD Office of Housing Counseling HUD Approved Housing Counseling Agencies

HUD sponsors housing counseling agencies throughout the country that can provide advice on buying a home, renting, def... issues. This page allows you to select a list of agencies for each state below. You may search more specifically for a **reverse** are facing foreclosure, search for a **foreclosure avoidance counselor**.

Please select a state from the list below and click the "Go to this page" link, or select a state from the map below.

Alabama  
Alaska  
Arizona  
Arkansas

[Go to this page](#)

Agency Contact Information by State (Map)

# Capital Funds: Assistance to Families

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Down-payment,  
closing costs, counseling  
(homeownership/credit)

Public Housing Families  
Only

Include in 5-Year CFP  
Action Plan





# Using Vouchers to Pay Mortgages – 8Y

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# Plan for It-Annual Plan

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## Statement of homeownership programs administered by PHA § 903.7(k)

- A statement that describes any homeownership programs administered by the PHA under section 8(y) of the 1937 Act

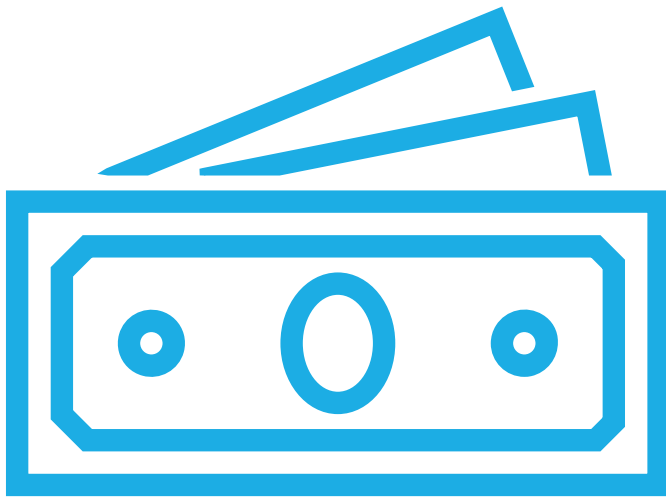
## Demonstrate capacity § 982.625(g)

- Use the set financing criteria for purchasing or something equal to that is established in the Annual Plan
- Financing criteria being
  - 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



# Financing

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PHA has the discretion to establish requirements for financing purchase of a home to be assisted under the homeownership option.

- Program Design and Partnerships
  - Underwriting Standards
  - Lending Intuitions
  - Down Payment Assistance Programs
  - Financial and Credit Counseling
  - FSS/Savings

# Who Qualifies?

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PH residents, current voucher participants, HCV waitlist.

HCV family must meet specific income and employment requirements.

- The employment requirement does not apply to elderly and disabled families.

Be a first-time homeowner as defined in the regulation.

Not defaulted in the past on a mortgage tied to 8(y) purchased home.

No other homeownership interest (with some exceptions).

Complete the pre-assistance homeownership and housing counseling program.

Any additional eligibility requirements set by the PHA.



# Units §982.628

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- Owner Occupied
- HQS
- Title
- One Unit
- Seller in Good Standing

Eligible



- Definition/Controlling Interest
- Tenant Notice
- Independent Agency to Perform Tasks

PHA Owned Units



- New Construction
- Environmental Review

New Construction



# Amount and Distribution of Monthly HAP

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HAP is the *lower of*:

The payment standard minus the total tenant payment; or  
The family's monthly homeownership expenses minus the total tenant payment.



PHA pays HAP to either:

Directly to the family or  
At the discretion of the PHA, to a lender on behalf of the family. If the assistance payment exceeds the amount due to the lender, the PHA must pay the excess directly to the family.

# Continued Assistance and Family Obligations

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## Term of Voucher Assistance

- 15 years if mortgage is > 20 years
  - 10 years if mortgage is < 20 years
  - Exception for elderly and disabled families
- Family Compliance
  - Portability
  - Termination
  - Switching to a rental assistance voucher





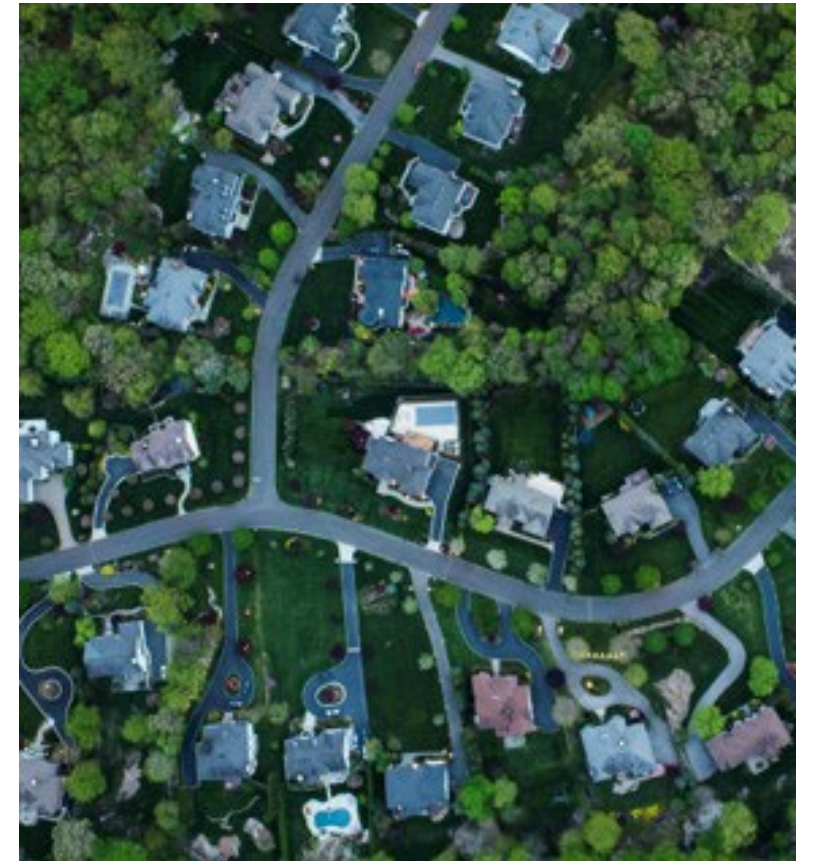
# Programs that Expand the Supply of Homeownership Units



# How do I sell vacant PH land (under DOT) to a homeownership developer?

## PHA submits a Section 18 disposition application to SAC

- **Sell at Fair Market Value (FMV).** No use restrictions (HO units could be affordable or market-rate). PHA receives proceeds and uses in accordance with PIH Notice 2020-23
- **Sell at below FMV.** Must evidence a **commensurate public benefit** (i.e., disposition will allow a non-profit to develop the land as HO units and sell them to low-income families). HUD will look for a recorded use agreement until the homebuilder/non-profit sells the units to families



# Capital Funds-Eligible Uses (Overview)

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- ✓ Feasibility study (for PH units); costs of preparing homeownership application
- ✓ Construction or Acquisition of unit
- ✓ Demolition to make way for new construction (Section 18 approval required)
- ✓ Abatement of environmentally hazardous materials
- ✓ Site improvements
- ✓ Construction or permanent financing, such as write downs for new construction
- ✓ Acquisition costs, with or without rehab
- ✓ Relocation Assistance (including mobility counseling)
- ✓ Homeownership and credit counseling
- ✓ Administrative and marketing costs
- ✓ Down payment and closing costs assistance; subordinate mortgage loans



# Section 32 – Selling Public Housing Units for Homeownership

|   |   |   |  |
|---|---|---|--|
| <b>Basic Requirements</b>               | Low-income (80% and below AMI)*<br>Principal Residence, Financial Capacity.                                 | <b>Financial Assistance to Families</b> | PHA can provide funds for closing costs, down payments, subordinate loans.                                     |
| <b>Purchase and Resale Entity (PRE)</b> | Sell within 5-years (operate as PH or non-PH); may do renovations; retain proceeds or return to PHA.        | <b>Relocation</b>                       | Non-purchasing families receive comparable housing. PHA eligible to receive tenant protection vouchers (TPVs). |
| <b>Physical Condition</b>               | Local Building Code or Housing Quality Standard (HQS).  | <b>Proceeds</b>                         | Purposes related to low-income housing (S8, S9, S32)/PHA plan.   |
| <b>Ownership Interests</b>              | Fee simple, condominium, cooperative, lease-purchase, land trust.   | <b>HUD Criteria</b>                     | Feasibility, Legality, Documentation (to evidence successful implementation), PHA past performance             |
| <b>Recapture Policy</b>                 | PHA must have a policy if family sells in first 5 years (appreciation and assistance financial assistance). |   |  |
| <b>Other Application Requirements</b>   | Board Resolution, Environmental Review, Inclusion in PHA Annual Plan, Resident Consultation.                |   |  |

**\*Can be used in conjunction with 8(Y)\***



# How to Price Homes to Make them Affordable to Families?

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- Consider selling at Fair Market Value, not a discounted (below market) price. To accomplish this, consider providing families with a subordinate forgivable loan.
- This maintains the market value for the area.
- PHA prices home at appraised value, then "loans" homebuyer difference after first mortgage and down payment as a forgivable loan.



# Other Tools To Expand the Supply of Units

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**Choice Neighborhoods Funds.** Develop homeownership units for families up to 120% of AMI. 20-year use restriction. PHA also remains responsible for all Choice replacement rental units.

**Rental Assistance Demonstration (RAD) (Transfer of Assistance).** PHA transfers the public housing assistance off-site. Former public housing units are sold as affordable homeownership

# HUD Processing and Approval

| Submission Requirements | Submit HO Plan to SAC via IMS/PIC | Annual Plan and HCV Admin Plan      | Submit HO Term Sheet to Choice Grant Manager | Submit as part of RAD application |
|-------------------------|-----------------------------------|-------------------------------------|--|-----------------------------------|
| Include in PHA Plan?    | Yes, Annual Plan                  | Yes, Annual Plan and HCV Admin Plan | No   | Yes (RAD application)             |



|  | Section 32                                    | Section 8(Y)             | Choice  | RAD                                 |
|--|---|--------------------------|---|-------------------------------------|
| Authority to sell existing PH units?                       | Yes   | No                       | No  | Yes (transfer of assistance )       |
| Acquire or construct units?                                | Yes (Acquire)                                 | No                       | Yes   | No                                  |
| Use HUD funds to provide financial assistance to families? | Yes, Cap Funds (PH families only) or Proceeds | Yes, HCV funds (HAP)     | Yes   | No                                  |
| Provide Subordinate Financing (2nd loans)?                 | Yes, write down difference                    | No                       | Yes, write down difference                      | Yes, write down difference          |
| Eligible Families  | 80% and below AMI (and current families)      | 80% and below AMI*       | 120% and below AMI                              | 80% and below AMI                   |
| Counseling (must be HUD certified)                         | Strongly encouraged                           | Required                 | Strongly encouraged                             | Strongly encouraged                 |
| Physical Condition   | Building Code (or HQS)                        | HQS                      | Building Code and ADA (mostly new construction) | Confirmed through proposal to Recap |
| Environmental Review                                       | Yes   | Yes, if new construction | Yes   | N/A                                 |





# Resources

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Public Housing Homeownership

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/homeownership](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/homeownership)

Section 32

[Homeownership - HUD | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

Section 8(Y)

[Homeownership - HUD | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

Housing Counseling (HUD-Approved)

[Talk to a Housing Counselor | HUD.gov / U.S. Department of Housing and Urban Development \(HUD\)](#)

Search for a Counselor by Zip Code

[Find a Housing Counselor | Consumer Financial Protection Bureau \(consumerfinance.gov\)](#)



# Questions?

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