Public Housing Repositioning: Wednesday Webinar Series

Homeownership Programs - 2/9/22

Caila Prendergast: -- get us started on today's content.

Dan: Thanks, Caila. Welcome, everybody, to this homeownership webinar. Just wanted to go over a couple of quick things. In case you missed any of our past presentations and want to view them, they're all available on the HUD Exchange. This is our first one for 2022. And as Caila mentioned, we're always looking for new topics. Several of the past ones have been based off of audience suggestions. So if there's anything you're looking for, please feel free to send it our way.

All right. What are we doing here today? So this is a little bit broader and a little bit -- slightly different than our past topics, which have really been focused on Section 9 to Section 8 definition of repositioning. This is -- I would call this advanced repositioning. We're going to talk about how housing authorities can further expand the affordable homeownership in their communities through federal assistance and different federal housing programs.

And so we're going to go over a bunch of HUD's tools to get there, including housing counseling, Section 8(y), Section 32, public housing capital funds, and choice neighborhoods. Of course, we'll talk about some of the repositioning strategies to get there as well.

And we have a group of great presenters today. Jane Hornstein -- who many of you have heard before on our past presentations; Kathy Szybist, both of whom are with the Special Applications Center. Kristen Arnold from the Office of Public Housing and Voucher Programs -- and who used to live very close to me here in Portland, Oregon, but is now a D.C. resident. And Chris Granger from the Office of Capital Improvements. Also on the line we have Sue Wilson, the director of the Urban Revitalization Division; Belinda Bly and Jennifer Rainwater from the Moving to Work Demonstration Program. So with that, I'm going to kick it over to Jane. Jane?

Jane Hornstein: Thanks, Dan. And thanks, Caila, for getting this all set up, too. Today's webinar -- we're going to look at two different parts of homeownership. The first part we're going to look at is how do we develop -- how do we work with -- our families, to get them ready for homeownership -- which is the demand side. And then we'll later go into what you as PHAs can do to increase the supply of homeownership units, given your inventory, etc., and what assets you have available to you.

So we're going to go ahead and start with: how do we get our families ready? And I'm going to turn it over to Chris for a minute to go ahead and get started.

Chris Granger: Thank you so much, Jane. I'm Chris Granger, from the Office of Capital Improvements, and I'm going to talk about housing counseling and about the eligible uses of capital funds. So first, let's go and talk about housing counseling. And I'm so happy to do it because housing counseling is so important for homeownership. This is important for a variety of reasons; I'm sure you can guess most of them.

This is important because you have some residents who are thinking of becoming homeowners, and also you have residents who are becoming homeowners. And even once they become homeowners, they still could benefit from counseling. Because once the resident becomes a homeowner, they are no longer the landlord; so they can't call the landlord to do maintenance and things like that. So it helps them with budgeting, with credit repair, with down payment. And this is something that housing counseling agencies can provide.

So I guess the -- homeownership is a beautiful thing, and it comes with a lot of responsibility. And the housing counseling agencies can help our residents rise to the occasion, and that's what we want to see. Housing counseling -- the question is, is housing counseling required for homeownership programs? And I think we know that in many cases the answer is yes, but not always. So it kind of depends. And you want to check on what you're actually approved for. The -- we want to always encourage housing counseling, though, either way.

And I think it's important, too, to remember that housing counseling is not just for homeowners. This is for renters, for homeless, for disaster victims. At HUD, we do a lot of disaster deployment, and housing counseling agencies are -- were vital for the assistance to the survivors of disasters -- talking about hurricanes and floods, too. So we want to make sure that housing authorities are able to encourage this, and able to support the interaction between the public, the residents, and the housing counseling agencies.

This slide shows the map on the right. You can see that. That's an interactive map on our website, and when you click on the state, you will get a list of the housing counseling agencies that are available. And it's pretty interactive and -- would like to encourage housing authorities that are interested in homeownership to have relationships with these agencies, and -- so that they can collaborate and refer residents. But just in general, these are helpful things to know. And again, we always want to encourage this.

Want to move to the next slide to talk about capital assistance to families, so let's talk about capital funds. Everyone knows, I think, the basics of capital funds. Capital funds provide funds to PHAs for development, financing, and modernization of public housing developments.

The capital fund basics -- we typically receive around $2.7 billion annually, which can change because it's subject to appropriations. These funds are divided and awarded to PHAs based on a formula that takes into account many factors, but largely, the more units a housing authority has, the more funds they're going to have.

And housing authorities have, upon award, two years to obligate these funds. So that means two years to, essentially, contract them, or to have some kind of obligating document, and four years to expend the funds. So there is a ticking clock on capital funds, so you want to make sure that these are obligated, and that you report in LOCCS -- which I know all of you are doing, but I always want to give that reminder.

These funds are -- to use capital funds for any eligible project, it's important to remember that these funds can only cover projects that are in the five-year action plan. So that means that the housing authority would enter that into the EPIC system. The five-year action plan, remember, is no longer on paper; it's all done in the EPIC system. You all should have familiarity with EPIC, but if not, that's okay; let your field office know and we can get you set up.

Mostly, capital funds are used for modernization of public housing units. That's typically what we see across the country. But capital funds can be used to support other programs, too. It doesn't have to be just for modernization. So that's why we're talking about capital funds used for homeownership.

It's important to remember, though, that capital funds must support public housing, and not any other programs. It's important to remember how capital funds are used properly because if funds are used improperly, they can be recaptured, and the housing authority can be subject to sanction.

The regulations at 24 CFR 905 provide for a myriad of uses outside traditional modernization, including homeownership. So we're so happy to support this function through capital funds. And when it comes to homeownership, capital fund doesn't drive the process, but we provide -- we're happy to provide funding for the process.

One of the uses of capital funds that's really important to remember is the down payment assistance, closing costs, and counseling. These are just some of the eligible homeownership costs we're talking about the -- I think more of the demand side. And when we get into the supply side later in the presentation, we're going to cover some others.

And so now I want to turn things over to my esteemed colleague, Kristen Arnold, in the Office of Public Housing and Vouchers. Thank you, Kristen. You have the floor.

Kristen Arnold: Thanks, Chris. Okay. Hello, everyone. This is Kristen Arnold, and I work on the voucher side. And I'm going to provide you with a high-level overview of how the homeownership option works. So these are the vouchers that the PHA can provide to families to assist them in paying their homeownership expenses. Next slide.

So the homeownership option is not a separate part of funding. These are vouchers that are included under the AAC, so you need to plan for it. The PHA identifies this as a program in the annual plan and then outlines how it will work [in the admin plan ?]. The PHA must demonstrate that they have capacity to operate a successful program. And then the PHA meets this requirement by establishing financing standards that are equal to the criteria set in the regulation listed on the slide.

So in practice, this means that when an assisted family goes to buy a home, it's the PHA's responsibility to ensure that their financing for the mortgage and loan that the family is getting, outside of the PHA, meets the minimum standard. And this is done to protect the HUD investment and the family.

So the PHA is looking at things like, "Is the mortgage provider insured by the state or federal government? And does it comply with standard underwriting procedures and practices?" If the PHA chooses not to adopt the regulatory financing standard, they must otherwise demonstrate in the annual plan that it has capacity, or will acquire the capacity, to successfully operate a Section 8 homeownership program. So these are the things that you need to establish before offering and assisting families with homeownership vouchers. Next Slide.

Let's talk about program design. Operating this program requires some basic knowledge of how homeownership financing works, and then the regulations allow PHAs broad flexibility in tailoring their programs. So how do you set your program up for success? It's important to look at the big picture, like the population you serve, and their barriers to homeownership entry. You would look at the housing market in your community and what's available. How expensive is it? What other local homeownership initiatives are happening in your area? So all of these things are important to think about when developing your local homeownership option program.

And then you would think about operations. So who will your program partners be that provide the homeownership education, financing, and counseling to your families? How long do you want to give applicants time to search, and secure financing? What are the parameters you want to put on the program regarding savings and financial literacy?

Do you want to limit participation to families who are current voucher holders? Or to families who are participants in, and have graduated from, an FSS program? Administrating a successful HCV homeownership program requires PHAs to establish and nurture partnerships with lenders, counseling agencies, and other nonprofit investors in their community.

The homeownership-related work is not part of the PHA's staff traditional job duties. Staff that manage the program must understand the homeownership process and the requirement that a participating family must satisfy in order to qualify for the assistance. To enter the homeownership market, a family needs to have savings, regular employment, and a high enough credit score to obtain a conventional mortgage. And down payment and closing costs can be a significant barrier for first-time and low-income homebuyers.

The PHA's jurisdiction must also have an inventory of houses available that are not only affordable for the program participants, but also meets HQS. Mastering the program is a little different than providing rental assistance, and it's important that the program design is feasible for your local community. Next slide.

So let's talk about who qualifies. A family, maybe newly-admitted, or an existing HCV participant. Applicants are still selected from the PHA's voucher program waiting list in accordance with the standard selection policies outlined in the admin plan. You cannot keep a separate waiting list for just-qualified homeownership eligible applicants, and you may not provide a selection preference to applicant families on the basis of their interest in, or eligibility for, homeownership.

You can combine this program with TPVs as long as vouchers -- the vouchers and the families meet each of the program's requirements. And this would be considered a selection outside of the waiting list that's covered by the special admission section of the rule. If this is something you're interested in, make sure you're working closely with your HUD contacts to ensure that use of the vouchers under these circumstances is allowable.

We encourage you to be creative and strategic with homeownership and blending all of these HUD programs, but make sure you do your due diligence because it can get really complicated. Families are required to meet the same HCV eligibility requirements, but have additional criteria. There are minimum income and employment criteria. At the time the family begins receiving homeownership assistance, the adult family must not earn less than the federal minimum hourly wage. So right now, that's about $7.25, and if you multiply by 2,000 hours, that's about $14,500 annually.

And for a disabled family, the adult family members who own the home must have an annual income of not less than the monthly federal Supplemental Security Income benefit for an individual living alone, multiplied by 12. So that's about $9,500. These are pretty low. The PHA may establish minimum income requirements higher than the HUD standard for either or both types of families, based on factors such as the local housing costs and/or the practices of local lenders.

Remember that the family must be able to secure a mortgage loan for the purchase of a home. In addition to meeting the income requirement, one or more adult member of the family who own the home must both be employed on a full-time basis -- so an average of not less than 30 hours a week -- and then continuously employed for the year prior to the beginning of homeownership assistance. And then the PHA can set their own policy regarding what is considered "continuously employed."

Employment requirements do not apply to elderly and disabled families, but the PHA may not adopt any additional employment requirements to families who are not elderly or disabled. So in addition to the minimum income and employment standards, a family must also be a first-time homeowner, as defined in the regulation; not defaulted in the past on a mortgage tied to an 8(y) assisted home; they must not have any other homeownership interests, but there are some exceptions in the regulations; and they must complete the pre-assistance homeownership and housing counseling.

And then the PHA can add any additional eligibility requirements. And then remember, the lenders can -- they can have any income and employment requirements they want. So it's especially advisable for voucher homebuyers to meet with a lender sooner rather than later in the homebuying process. Next.

Okay. So units -- types of units that you can assist. It must be owner-occupied and have HQS. They can be single-family houses. They can be single-dwelling -- a single-dwelling unit in a co-op or condominium development, or manufactured home that is permanently installed on land that will be owned by the family.

The family is not required to own [C ?] title to the property as long as the home is located on a permanent foundation. And they have their right to occupy the home site for at least 40 years. So this allows for more flexible homeownership models, including community land trusts, and co-ops, and condominiums, and things like that.

You can assist PHA-owned units. The PHA would make this determination by applying the definition of a PHA-owned unit at the time of sale. And then if the unit meets that definition, in the future, you would need to inform the family that they have the right to purchase any eligible unit they want, and a PHA-owned unit is freely selected by the family without PHA pressure or steering.

And if they do sell a PHA-owned unit, then they must hire an independent agency to conduct the [HQS ?], review the independent inspection report, review the contract of sale, determine the reasonableness of the sale price, and any PHA-provided financing. And these address any conflict-of-interest issues that might arise, and protect the tenant.

Families can purchase a unit that is not built yet or under construction, as long as the environmental review is complete, and the assistance isn't provided until after the unit is complete. Units purchased under lease purchase agreement may be eligible for rental assistance prior to the actual sale, and then for homeownership assistance, after the unit has been sold. So you could do a lease purchase model, but you'd be splitting the rental assistance voucher, and then the homeownership voucher.

Homeownership assistance may not be used to purchase a property that includes other residential or commercial states that will be leased by the homeowner. So you couldn't help purchase a shop home, where they have a shop on the bottom and they live on the top. The family must give the PHA a copy of the contract of sale, and the PHA must review it to make sure it meets the criteria specified in the regulations.

And a homeownership voucher cannot be used to assist health care facilities like nursing homes, school dormitories, or other public or private institutions -- similar to vouchers. Next.

So how much will a PHA pay, and are the calculations different for rental assistance? Once the family has been determined as qualified and provided a voucher, they're going to get a monthly payment to assist them with homeownership expenses. In the rule, they do talk about down payment assistance, but the funding has never actually been allocated, so this is a program that only pays kind of a monthly homeownership assistance subsidy. There's no down payment assistance.

The PHA uses the same payment standard schedule, payment standard amount, and subsidy standard as the rental voucher program. But where it differs is the HAP payment. In the homeownership voucher program, the housing assistance payment is equal to the lower of the payment standard, or the actual monthly homeownership expenses for the unit, minus the total tenant payment. So you look at the two criteria and use the lesser.

Homeownership expenses are defined in the regulations, and then PHA adopts the policy on how they determine them. There are specific criteria for what can be included, so make sure you check the regs when you're identifying the homeownership expenses to use.

Most elements of the homeownership expenses are based on the family's actual expenses or allowances, that the PHA's already established. So a few examples are included in homeownership -- a few examples that would be included in homeownership expense calculation would be the PHA utility [inaudible] for the unit, mortgage and insurance premiums, principal and interest on the mortgage debt incurred, families' payments -- is the list.

So the monthly payment can be paid either to the lender or directly to the family. And if the assistance payment exceeds the amount due to the lender, the PHA must pay the excess directly to the family. There is no HAP contract, but there is a standard homeownership obligation form that must be signed. Next slide.

Okay. So after they've been assisted and you've established the payment standard, here's what happens ongoing. The PHA cannot impose or enforce any requirement for the recapture of the voucher homeownership assistance on the sale or the refinancing of a home purchased under the homeownership option. So the money won't come back, and cannot come back, like in other [inaudible] programs. Families who participate in the voucher homeownership program are required to complete annual [inter ?] re-examinations in acquiring -- in accordance with the PHA's program policies.

But unlike the rental assistance program, there is a floor payment standard. So once the family has closed on a home under the program, the payment standard that is used at the annual reexamination is the higher of the current payment standard that would otherwise apply to the family, or the payment standard amount used for the family at the commencement of the homeownership assistance.

There are term limits on this assistance, unlike in the rental assistance program. So for families who financed the purchase with a mortgage that has a 20-year term or longer, the maximum term of homeownership assistance is 15 years. For families with shorter mortgage terms than 20 years, the maximum is 10 years. These limits do not apply to elderly or disabled families, but for some families, this assistance will end, and they will need to be prepared to take over the full payment.

The program allows for the same portability and termination requirements as regular HCV. And the family may move from a homeownership voucher to a rental assistance voucher as long as they remain eligible for the rental assistance voucher. So this is the basic overview of the 8(y) program, and I think I am passing it back to Jane, I believe, and I will take questions at the end of the presentation. Thank you.

Jane Hornstein: Thank you, Kristen and Chris, both. This has been really helpful. I think before we move into the supply side program, we do have some questions that came up, either on the 8(y) program or the cap fund program, and the housing counseling. So I'm going to -- I know Caila has some of those. There was one in the chat for Chris, in terms of the regulation he cited.

Chris Granger: Sure. Can I -- I don't think I see the chat.

Caila Prendergast: Yeah. Go ahead.

Chris Granger: Can you read the question to me?

Caila Prendergast: Yeah. It was just, "Can you please repeat the regulation citation that Chris mentioned in the capital fund discussion?"

Chris Granger: Oh, sure. It's 24 CFR 905.

Caila Prendergast: Okay. Great. I also just -- will put that in the chat momentarily. Okay. So onto the next question. What are some of the pros and cons of a homeownership program for PHAs? Maybe we should defer this one until we get through the next section.

Jane Hornstein: Well, no. That's -- well, in terms of -- this is helping residents. What we've talked about so far is just helping residents prepare to become homeowners themselves. And it's a way for housing authorities and -- to actually move into the homeownership market. These are programs that can you can use to do that.

Clearly, not all residents are going to be ready to be homeowners. But this -- the counseling in itself can be a way to just help them get ready, to think about it, to think about how they want to move into homeownership, if they do; or maybe they don't. But it helps them with credit repair, etc. So -- important life lessons.

I think if you are going to do an 8(y) program -- oh.

Caila Prendergast: You cut out.

Jane Hornstein: Yeah. Sorry. There was a couple of questions coming up in the chat box and I was looking at it at the same time. So I think those are good things. I think in terms of the 8(y) program, things that you should know is, that you should clearly work with a lender. You should have a mortgage lender that understands your program, and knows what you're going to do, and is willing to accept these mortgages.

They can be your best partners in doing these, as well as if you have an active housing counseling agency in your area. But definitely get lenders to do this. There are lenders across the country that have worked on 8(y) programs, know them, and want to help. So identifying those lenders early is helpful.

Okay. I'm going to -- Caila, do you want to go ahead and ask some of these questions?

Caila Prendergast: Yes. Let's go into the rest. I'm starting from the beginning. I know a bunch just came in, but I'm just going to start with the ones that I got throughout the presentation. So first, can cap funds be used to fund a down payment for a property under conversion to RAD? This assumes, following the RAD conversion, the property will no longer be in the housing authority's inventory.

Chris Granger: Okay. So that may not be necessarily a homeownership question. It sounds like a general RAD question, and so there's a lot of guidance about use of capital funds for RAD. And essentially, capital funds can be used for -- before the units convert to RAD, the capital funds can be used just like any other public housing.

And then, if they're going to be used for any activities after they convert to RAD, it needs to be part of the RAD financing plan. And so these are going to be approved outside of the capital fund. These are approved by the RAD folks. So if this is part of the RAD financing plan, then our office will support it.

Sue Wilson: This is Sue Wilson. And I think the question probably goes to -- there's going to be a transfer of assistance, which is going to leave those particular units. The PHA will turn them into homeownership units and then sell them to residents. It sounds like that's what's going on. So in that case, I believe that the answer would be yes. If all the other criteria are yes -- are in the affirmative, then, if the family is a public housing family, then you likely would be able to use capital funds or down payment assistance.

Jane Hornstein: And we'll talk about that as well.

Caila Prendergast: Okay. Great. Next question: does HUD offer trainings for the homeownership program?

Kristen Arnold: For 8(y), they do not. We're working on getting our materials and resources revised and sent out, and it is on our radar to support the 8(y) program, and provide technical assistance in the field. So as of now, no. And I've also searched, I think, other national entities that do 8(y), and they're actually quite hard to find. So we're aware that that is a gap that we are trying to fill.

Caila Prendergast: Okay. Great. Next question, if there's nothing else to answer on that one. Can you explain title again, as it relates to community land trust?

Jane Hornstein: So my understanding is, with a community land trust, what happens is the land trust purchases the land and the building, and they do whatever renovations they plan to do. Then they actually sell the building only to the family, usually at a prearranged sale price. So in other words, they arrange up front -- part of the deal is that they will sell it to the resident at X dollars, and then when the resident goes to sale, there's a formula, to which -- what the resident takes, or the homeowner takes, and their portion of the equity, and what the land trust keeps.

But they can either sell the building again to another qualified buyer, or back to the land trust. But at all times, the land trust still maintains the land. That's my understanding.

Kristen Arnold: Yeah. There's different models to do it across the country, but that's the basics of it. And it's -- the 8(y) -- I mean, what's important to know for the 8(y) program is that you can do that. You can have different homeownership models where there's a trust that owns the land underneath, and it isn't [inaudible] absolute ownership with the homeowner. Same thing with co-ops. So it can be a little more complicated. Make sure you're talking to your field office, but there is space for that.

Caila Prendergast: Okay. Thanks. Next question. I don't know if this is maybe for later, because it's related to Section 32, but in Section 32 -- okay. We can just -- we'll hold that one, and I'll just move on to the next one. One waiting list for all to participate in this program -- there's not a separate waiting list, correct?

Kristen Arnold: For 8(y)?

Caila Prendergast: Yes. Yeah. Right.

Kristen Arnold: Yeah. It's the same waiting list.

Caila Prendergast: Okay. Great. So next one: another 8(y). If I'm understanding this correctly, assisting current voucher holders to become homeowners is either through 8(y) or capital funds -- I guess it's both, actually.

Kristen Arnold: Can you repeat that?

Caila Prendergast: Yes. Sorry. If I'm understanding this correctly, assisting current voucher holders in becoming homeowners is either through 8(y) or using capital funds.

Kristen Arnold: Yeah. I mean, if -- you can be a current voucher holder selected from the waitlist to receive a homeownership voucher.

Caila Prendergast: Right.

Jane Hornstein: And we'll also get into the Section 32 program in the next section, and that could be another way to assist public housing and other families with homeownership.

Caila Prendergast: Okay. Thank you. Next, we have quite a few more -- about eight more. Do you still want to go ahead, Jane?

Jane Hornstein: Maybe do just a couple others.

Caila Prendergast: Okay.

Jane Hornstein: Okay. Go ahead.

Caila Prendergast: I was just going to say, do you have any examples of other criteria PHAs have implemented that clients must meet to be on the homeownership program?

Kristen Arnold: A lot of PHAs tie this to their FSS program, just because that is a good -- they have the savings and the support to kind of work on what is needed to get a loan. So there's things like that. But off the top of my head, that's all I can think of. But I think when you partner with other agencies, you might want to look at their criteria. That's one thing to think about. You can have that same tie.

Caila Prendergast: Okay. Next. Can you explain more about switching back to a rental voucher with homeownership?

Kristen Arnold: Yeah. So we've had this question a couple times where they -- a family has purchased a home and then assisted with an 8(y) voucher, and then during -- whether it's during the term of the assistance, and at the end of the term, they find that it's just not going to work for them anymore.

So as long as they remain eligible for rental assistance, they can continue to be supported with a rental voucher. But it would need to -- you need to rent a unit, so they would have to sell their home and move, or sell their home and rent it from the new owner. So there's nothing special about it. It's just saying that sometimes that that can happen.

Caila Prendergast: Okay. Thanks. There's a few others on 8(y) that we should just get through, specifically. Can an 8(y) program be applied to a co-op?

Kristen Arnold: Yes.

Caila Prendergast: Okay. You may have covered this, but how is a monthly condo maintenance fee, or other homeownership association fee, covered under the Section 8(y) program?

Kristen Arnold: So those are considered the homeownership expenses that are considered when you're identifying -- calculating the HAP payment. So it basically is included when you're identifying how much you're going to pay. So it's not -- it's just all included in that amount, and it's considered a homeownership expense.

Caila Prendergast: Okay. I think this is a related one. Can you clarify the HAP calculation payment standard minus the total tenant payment?

Kristen Arnold: I feel like that's a detailed question. I can do that -- I can send that out afterwards, I think. Just to make sure that I get it correctly -- provide good guidance.

Caila Prendergast: Okay. Sounds good. Thank you. Are there -- do you have a list of lenders who are friendly to and helpful in these programs?

Kristen Arnold: We are working on it. [inaudible] is working on it, so I will -- I can also follow up when we send out the slides and see where we're at with that.

Caila Prendergast: Okay. And to that point, are there any additional educational materials that PIH offers to PHAs to share with prospective lending partners?

Kristen Arnold: That we are also working on. So it's coming; that's definitely coming. But we're not there yet. We're -- our program support division is working on those.

Caila Prendergast: Okay. Thank you. I think that's good for now; there's a few more, but why don't we go ahead and move on, Jane? What do you think?

Jane Hornstein: Okay. So let's go on to the supply side now. We're going to talk about the various programs that you can use, using public housing units and land. So I'm going to turn it over to Kathy Szybist to start us off talking about land.

Kathy Szybist: Great. Thanks, Jane. Good afternoon, everyone. Happy to be here with you today. So we get this question a lot. Housing authorities might have excess vacant land that is under a DOT that they never developed. It might be adjoining an existing project. It might be just vacant land after a HOPE VI demolition or Section 8 team demolition many years ago.

But regardless, they're sitting on some vacant public housing property that's under a DOT. And they're talking to community partners, and they're thinking about how the best use of this property might be homeownership development: market rate, affordable -- just more homeownership supply in their communities.

So the simplest way, and the most straightforward way, to work with a development partner to develop vacant land as homeownership units is to transfer or sell it to that developer at fair market value. In this case, they're, in fact, not going to put any use restrictions on it. You just submit a Section 18 application.

Clearly, you can evidence that the land was vacant and excess, so you need a justification under section 18. And the housing authority is made whole with the proceeds, and can use them in accordance with our proceeds notice PIH Notice 2020-23. So this is definitely the most straightforward path to allowing for homeownership units on your vacant land.

If you are working with non-profits and other partners, and your plan and hope and goal is to develop the land as affordable homeownership, then you could propose to the SAC that you want to transfer the property to the nonprofit or developer at below fair market value. In this case, the housing authority's going to need to evidence a commensurate public benefit. Many of you are aware of that test under our Disposition 970 rule.

We're going to look at this on a case-by-case basis, and it's a pretty high threshold. And at a minimum, we'll want to look for a recorded use agreement on the property, possibly even a reverter, depending on what the housing authority and developer come up with, to make sure this vacant land is developed and sold as affordable homeownership units to families.

The other option here, I'll just throw in there, which is a little bit more convoluted, is -- housing authority always has the option to develop units on vacant land -- develop low-rent public housing units on vacant land under the 905 development rules. But in order to do this, you would need the Faircloth authority to develop those new low-rent public housing units. But once those existing units are developed, you could then sell them under a Section 32 plan. But that is definitely not as straightforward as selling the vacant land to a developer for homeownership units.

Okay. Next, I think I'm turning it back over to Chris.

Chris Granger: Thank you so much. So let's talk about some more capital fund uses; these are outlined in the capital fund guidebook, which is available online. That's really easy to find. You just go to your favorite search engine, and you type "capital fund guidebook," and that'll come up. These are also supported by the regulations at 24 CFR 905 that I mentioned earlier.

So we just want to make a reminder here that these are eligible activities that support homeownership activities, but all obligation and expenditure requirements must still be included -- must still be adhered to. And these also must be in the approved five-year action plan in EPIC and the annual statement within EPIC.

Just want to make sure that it's clear that capital fund supports these activities, but we still have to adhere to the process of the capital fund. And that also includes complying with 2 CFR 200. That means that when you obligate and expend funds on any of these activities, we want to make sure that we adhere to procurement and grant management and contract management requirements.

So some of these activities are general to the capital fund and we see these in many cases, and they also apply to homeownership. And then you'll notice that some of these activities are very specific to homeownership only. So let's get into it. We can cover some specific homeownership functions, like down payment assistance, closing costs, homeownership counseling, credit counseling.

And as Kristen mentioned earlier, it's very important to know if your program is feasible for your community. So we use cap funds to run a study of the feasibility, that will test whether the feasibility of the program meets the needs of the PHA and the community, and whether the program is reasonable and capable of being carried out.

We can use cap funds for rehab and development of units, and that's pretty standard for capital fund, whether it's homeownership or any other use within public housing. But these are -- this is very important for homeownership, and this can cover construction, acquisition with or without rehab -- even can cover the demolition to support development related to homeownership. We can cover site improvements as well. So not just the units, but you can cover the entire development.

Capital funds can cover relocation costs. These can be -- they can cover soft costs like admin and marketing costs. And of course, as always, capital funds can cover the abatement of environmentally hazardous materials. Remember that the housing authority must be in compliance with the environmental requirements of 24 CFR 50 and 58 and also Notice 2016-22. These are the environmental requirements. And oftentimes the environmental review -- is done by the responsible entity -- will note that certain environmental mitigations must occur as part of the project. If this is the case, capital funds can pay for these mitigations. So remember to include them in your five-year action plan.

Now, I will turn things back over to Jane and Kathy. So please take it away.

Kathy Szybist: Thank you, Chris. So we're going to get back into a little bit of the weeds of the Section 32 program. So this program is administered by the SAC. And it's a program that's primarily used by PHAs to sell existing low-rent public housing units. That said, there's also a way that a housing authority can use the Section 32 program to go out and acquire new units: with 1937 Act funds, with proceeds from previous homeownership sales, or even with non-1937 Act funds, and then sell them under a Section 32 program.

If a planned Section 32 proposal to the SAC does involve acquisition of units that are not currently low-rent public housing, then the field office reviews and approves an acquisition proposal as part of that Section 32 plan. So again, it can be used primarily to sell existing low-rent public housing units -- mostly single-family. It's what we've seen in the past. But as we'll get into in a few minutes, there's a way to sell multi-unit buildings through co-op and dividend interests as well. And condo. So the basic requirements for the purchasing families -- the families do not need to be public housing residents. They can be any low-income family in the community.

However, the existing public housing family who's living in a unit that's sold does have a right of first refusal to purchase the home, even if that existing resident is over income. So generally, families have to be 80 percent and below AMI, or low-income. But the existing family, if it's a low-rent public housing unit, has a right of first refusal, even if they're over income.

The housing authority must maintain a waitlist for the program or administer applications for the program that are separate from its low-rent wait list. So it is a separate application process to the housing authority, or the PRE, if they're implementing the sale. But it's available to any low-income family in the community.

Other basic requirements for families is, they do have to be purchasing as their principal residence, and they also have to have a certain financial capacity. And the regulation gets into some detail as to what HUD means by financial capacity, including an affordability standard, where their housing costs will not -- cannot exceed 35 percent of their adjusted income. So this is the basic requirements for the family.

The next component of a Section 32 program that's kind of really neat, is if a housing authority doesn't have the capacity to go out and sell units on its own for affordable homeownership, it can partner with something the regulation calls a "purchase and resale entity." So a housing authority could transfer all of the units that it's proposing to sell to another third party.

And then that entity would have up to five years to sell them to the qualified low-income families. And during this five years, the PRE could operate the units as public housing rental units, and continue to get the op and cap fund. Or they could operate them outside of the public housing program as nonpublic housing rental until they're ready to sell them to the purchasing families, or until there's interest in and an ability to sell them to the purchasing families.

So the great tool for, again, for PHAs that might have limited capacity to operate the program themselves, to partner with a PRE that has the administrative capacity. That PRE could be a local nonprofit; it could be Habitat for Humanity; it could be a whole host of different partners. So it's a great thing to keep in mind.

Next component of Section 32: physical condition. Before the units are sold to the families, they have to meet local code. Or if there is no local code, then housing quality standard, or HQS. So HUD has an interest -- a vested interest -- to make sure that the units are in good condition before the families buy, so they're set up for success in homeownership.

The ownership interest can be [fee ?] simple, which is what we see the vast majority of the time, especially with single-family homes. But it can also be condo, co-op, a lease purchase, a shared appreciation interest -- with a PHA providing financing. So there are various ownership models that the Section 32 program allows for.

Recapture policy. Under Section 32, the housing authority must have a policy to recapture some or all of the gains from appreciation and the below-market assistance provided to the families, if they sell in the first five years. Now it doesn't provide for a particular percentage or amount that the housing authority has to recapture.

The housing authority has considerable discretion here. It just has to have a policy that provides for, again, some or all of this appreciation and assistance in the first five years. So we've seen some housing authorities that recapture a lot of it, and other housing authorities that recaptured just a very small portion, depending on their local plan and community and families, and also the amount of assistance they're providing.

Other application requirements in the 32 programs are very similar to what many of you are aware of; and the Section 18 involuntary conversion program, and that the standard stuff, like a board resolution, environmental review, inclusion in your PHA plan, and resident consultation are all part of the Section 32 applications with SAC.

The security program can also provide for financial assistance to the families as part of the Section 32 overall plan submitted to the SAC. So it would -- the first component would be the sale of these hard units, whether existing low-rent units or whether newly-acquired units.

And then the second component of the Section 32 plan submitted to the SAC, which would say -- and we want to, again, set these families up for success by providing them with financial assistance to help them purchase the homes. So the financial assistance could include closing -- cash for closing costs or down payments. Now, the family is required to put down a small portion of the down payment with their own funds. But the housing authority could also supplement with some additional assistance, or -- and it can also be subordinate loans.

And we're going to get into kind of subordinate loans in a nice way to write down the value of the home. And Jane is going to get into that in a minute. But one thing to note here, and I believe Chris mentioned this earlier, is if a housing authority wants to use capital funds to provide closing costs, down payment assistance, or kind of cash for second loans, those families must be public housing families.

But a housing authority could use proceeds from previous homeownership sales or non-1937 Act funds to provide this kind of financial assistance to any low-income family who is purchasing the home under the program.

Relocation. So for the -- let's start out with public housing units. So if it's a public housing unit, as we've said, the current resident has the right of first refusal to purchase the unit, even if they're over-income. So in that case, no relocation of the family is required.

However, the family could say, "I don't want to purchase this home; I don't want to be a homeowner." And in that case, the current public housing family would be entitled to relocation assistance. And the relocation assistance, again, is going to sound very familiar to the other SAC programs, like Section 18 and Section 22, in that those non-purchasing families are entitled to comparable housing. Typically, another public housing unit, or a Section 8 voucher for tenant-based, or the ability to move to a project-based unit in another location.

One distinction in Section 32 is if the non-purchasing family is over-income, then the 9 and 6 reg says that that over-income family is entitled to relocation assistance under the URA. So Section 18, as many of you know, isn't quite that direct and explicit about that relocation for over-income families. But Section 32 says that over-income families who don't purchase are entitled to URA assistance.

The other time that URA might be applicable here is if a housing authority is purchasing or acquiring non-public housing units to sell under a Section 32 plan, and those units happen to be occupied. If those units that they're purchasing are occupied, then the families in those units are entitled to URA Relocation Assistance before the housing authority then sells them under the Section 32 plan.

Other thing here -- and this can really help with relocation of non-purchasing residents. The housing authority is entitled to receive [kind of ?] protection vouchers for all units occupied within the previous 24 months. And this is true even if the family is purchasing. HUD will still provide replacement TPVs to the housing authority. And the rationale there is to replace the loss of rental assistance to the community.

So this is really kind of fabulous, in that a housing authority could use the Section 32 program to sell a low-rent unit and increase the supply of affordable homeownership in their community. And then it would also get a replacement TPV to make up for that loss of rental assistance in the community. And then, later on, it could also develop a new public housing unit, because it would now have Faircloth authority to go out and develop a new public housing unit. So it can really utilize the Section 32 program to increase the number of low-income families in the community it serves.

Proceeds. Very similar to Section 18, that said -- the wording of the reg is slightly different in the statute. So Section 18 says proceeds can be used for the provision of low-income housing.

Proceeds under Section 32 must be used for purposes related to low-income housing and consistent with the PHA plan. So very, very similar eligible uses, which is really any housing under the Act.

But as I previously mentioned, one thing we see PHAs doing with Section 32 proceeds a lot is using them to further their Section 32 program, by going out and acquiring more units with the proceeds, or using the proceeds to provide financial assistance to the non-public housing families.

And finally, HUD criteria when a housing authority submits one of these Section 32 plans to the SAC. So the SAC will review the plan comprehensively. And the standard for approving or disapproving it comes down to the feasibility, the legal -- legality, and documentation the housing authority provides to evidence that they're going to be able to successfully implement this, and PHA past performance. We'll also see if there's any evidence of that.

And then finally, everything Kristen nicely outlined about the 8(y) program can be utilized as part of the sale of units under Section 32. So as long as you meet the requirements of those programs, then you can use the Section 8(y) program to provide the assistance, including with the tenant protection vouchers as part of the sale under this program.

I think that's about it. I'm going to go back to one thing I failed to mention under basic requirements. So we did talk about the low-income requirement, except for existing families which have the right of first refusal. We talked about principal residence and we talked about financial capacity, including the affordability standards. So these requirements are required.

There are also a bunch of optional things that are at the PHA's discretion to include. So the PHA can have certain requirements about criminal activity, and exclude people with criminal activity backgrounds. They can require homeownership counseling, but they don't have to. They can require employment, but they don't have to -- unlike the Section 8(y) program, where employment, if I heard Kristen correctly, is required. And they can also require regular income, but again, not required as part of the Section 32 program.

So that was a mouthful. I'm going to pause there. And we can either take questions on this program or move on until we finish the slides here.

Jane Hornstein: Let's go ahead and move. I just have a few more things to say and a few more slides, and then we can open it up for questions.

Just real quickly -- when you're thinking about pricing a home, I want to really strongly suggest that you try to not write down the price. When you write the price down, it affects every house in that neighborhood. So that if you write your house down and say, "We'll just take $20,000 off the top, and therefore it's going to be $20,000 less," the next time your neighbor goes to get an appraisal on their home, all of a sudden, it's $20,000 less next door. So now their house is worth $20,000 less.

So really need to try very hard to keep it to keep the prices at fair market value. To accomplish this, HUD recommends using a forgivable loan. So rather than taking the $20,000 off the top, put in a forgivable loan for $20,000. And that can maintain the market value for the area. We would just want to make sure that that gets done.

In terms of other tools [inaudible] and things to consider: Choice Neighborhoods. If you are fortunate to have a Choice Neighborhoods Grant, you can service families up to 125 percent of AMI, with a 20-year use restriction. So -- and then as Sue mentioned earlier, the rental assistance program -- if you take the assistance off of an existing unit under RAD, a transfer of assistance, that unit now has the DOT released. You can sell that unit for homeownership purposes. And -- however you want to do that, you can go ahead and do it. So we wanted to mention that here.

In terms of processing, these charts are in the presentation today, just so you know who to send what to, and where to inquire. Section 32 obviously comes to the SAC. 8(y) goes to the -- needs to be in your annual plan, the HVP admin plan, and that will eventually go up to Kristen's group. And then -- in the voucher office. And then Choice -- you'd put it in your -- you'd submit a Term Sheet to your Choice manager. And if you're going to do a transfer of assistance and vacate units, that needs to be part of your RAD application.

And I'll let you, at your own leisure, go through the rest of these. The chart continues on the next page, to explain the various parts of the different programs.

This page has resources available. I'm sort of moving quickly, Caila. Sorry. That was the processing chart. And then the next page is a continuation of the processing chart. Then we have a resource page as a final page. Right. So, okay. Now we can go ahead and open up for questions.

Caila Prendergast: Okey-doke. We've got quite a few -- got about 25 left, so I'm just going to dive right in and remember you can either -- for those who didn't join from the beginning part of the session, you can either type your question in the chat box and send it to me, or you can raise your hand and ask your question out loud using the hand-shaped icon on the right hand navigation panel.

Also, just another reminder, because I've gotten a few questions about this. This session is being recorded and will be posted on HUD Exchange in the coming weeks, and all attendees today will receive a final copy of the slides, as well as an answer to a couple of the questions. I think that covers the questions that I can answer, so I will dive into the remaining questions.

Can you explain more about switching back or -- no. In a Section 32 selling public housing units for homeownership, can the PHA utilize home investment partnership program funds? Would Davis-Bacon be required due to the PHA ownership?

Jane Hornstein: So, yes. You can use home. Davis-Bacon would be required because of the home funds under Section 32 as well. Davis-Bacon is required. Is that right, Kathy?

Kathy Szybist: Yes. Yes. Davis-Bacon is required for rehab, repairs, and accessibility modifications performed to get the units in the physical condition ready to rehab -- or ready to sell.

Caila Prendergast: Thank you. Next question. Can a PHA dispose of public housing scattered sites through Section 18 and sell properties to a first-time homebuyer organization? For example, a land trust, and then receive TPVs through Section 18 and convert TPVs to an 8(y) voucher to assist the converted public housing resident to stay in the unit? That was a pretty complicated one, so I'm going to put it in the chat so you can read it as well.

Jane Hornstein: Okay. The basic answer is yes. Yes. Housing authority can sell under section 18, too. And again, we encourage [Land Custer ?] or Habitat for Humanity. And -- but we're going to look, and then you can take those vouchers -- you would get vouchers and -- you'd get vouchers either way. Section 32 or under Section 18 -- either way, you would get vouchers, and those vouchers can be used in the 8(y) program. But you still have to meet all the 8(y) program requirements, as well as the Section 18 -- or Section 32 requirements. So that's the simple answer.

Caila Prendergast: Okay. Thank you. Okay. Hearing nothing, I'll move on to the next question. Can a VASH voucher move over to homeownership? And then I have another VASH-related question that I'm going to jump in here -- lump in here. Would a VASH voucher still be coded as VASH if they move to homeownership? Would they still be considered VASH or would they have to be moved to a regular voucher first?

Kristen Arnold: Yeah. So that question -- they're actually doing a pilot program on that right now. So I believe the answer is yes, but we haven't worked through that scenario before. But as long as it meets the VASH requirements and the 8(y) requirements, I believe it continues to be a VASH voucher that has been used for the homeownership option. But if the PHA plans to do that, then definitely contact me and the field office to work through that.

Caila Prendergast: Thank you. Are environmental reviews required for all units?

Kathy Szybist: So at the moment, yes. Yeah. We're working on some potential changes to the environmental rules. But for now, yes. Environmentals -- reviews are required on everything. If there's nothing changing within the building, it will more than likely convert to exempt. But you've got to still fill out the forms.

Caila Prendergast: Okay. Great. Thanks. Is the sale price counted as income if the family switches back to rental assistance, or if they sell their home and use portability to continue under the homeownership program?

Kathy Szybist: So as with any homebuyer, when you sell your house and you get a capital gain, it would be subject to whatever capital gains tax is in place at the moment. I think it's a fairly lenient one at the moment, but they would still be subject to that.

I think the rule now is if you buy within two years, you don't have to pay it; it just rolls over. I think it's okay. Yeah.

Caila Prendergast: Thank you.

Kathy Szybist: Yeah. I did -- I do want to say, though -- I think in a normal -- if you're using non-federal funds to help with down payment assistance, and you were to go back to your forgivable mortgage idea, that money is taxable to the residents. I think federal money is not. So I think that's something to be wary of and something you should be working closely with a housing counselor to structure properly. But I do think the federal money is not taxable.

Caila Prendergast: Okay. Thanks. If a tenant sells their home and goes back to rental subsidy, and the tenant decides to purchase again in the future, does their 15 years start over? Or does the time continue from previous homeownership?

Kristen Arnold: That's a great question. I think I have an answer to that, but I'm not sure. So let me then -- let me look it up and I will send something back in writing when -- I can just send that to you, right? And then you can send that out when you post the slides. How does that work?

Caila Prendergast: Yeah. We can do that. Yeah. We can. I can attach it to the email. Yeah. Perfect.

Kristen Arnold: Okay. All right. I will get back to you.

Caila Prendergast: Thanks. Next question. Can you get disability and still be able to apply for the program, and do everything that is needed and required to be a first-time homeowner?

Kristen Arnold: I'm sorry. Can you repeat that one again?

Caila Prendergast: Yes. Can you get disability and still be able to apply for the program, and do everything that is needed and required to be a first-time homeowner?

Kristen Arnold: I believe so. I mean, you're not prohibited from receiving homeownership assistance if you receive disability.

Kathy Szybist: But wouldn't it depend on how much disability you were getting on a monthly basis, and whether you met the minimum requirements for the program?

Kristen Arnold: Yes, so you would need to meet the minimum income requirement, which is about $9,500 annually. So it's for an individual living alone -- set as a side benefit for the individual living alone, multiplied by 12. And then you need to meet the basic eligibility requirements for the HVP program in general. So you couldn't be over-income. Well, it's possible.

Caila Prendergast: Okay. If there's nothing else, I can move on to the next question. Can you provide the title that covers the administration of the HCV homeownership program?

Kristen Arnold: Yes. It is -- homeownership option is under 982 625. It starts at 625. And goes to 641.

Caila Prendergast: Okey-doke. Thanks. Next. This one is for you, Kathy. Did I hear you say that a TPV can be used to support homeownership?

Kathy Szybist: Yes. If you receive HUD approval [inaudible]

Caila Prendergast: Just a second. A reminder to my panelists to all be on mute if you're not speaking. I'm hearing some feedback. Thank you. Go ahead, Kathy.

Kathy Szybist: Sure. So, again, a housing authority -- if they get approval for -- to sell units under a Section 32 plan, existing low-rent public housing units, the housing authority is eligible to receive tenant protection vouchers for all units that were occupied within the previous 24 months. So essentially selling the existing units as affordable homeownership, and then getting a replacement TPV to add to your HVP renewable baseline. And again, that TPV could be used by the purchasing family to purchase their unit under the 8(y) program, if the housing authority has an 8(y) program.

Caila Prendergast: Okay. Thanks. Can residents access homeownership vouchers if they are on the waitlist for a voucher?

Kristen Arnold: Yes. If they're on the wait list, then they're on the wait list. And they can be selected to receive a homeownership voucher.

Caila Prendergast: Okay. Thank you. What would the process be to convert Section 32 single-family public housing homes to PBV or HCV homeownership unit?

Kathy Szybist: So the Section 32 program -- you can -- you can't convert to PBV under Section 32, because that's not a homeownership interest. But you could take the single-family homes and convert them to affordable homeownership units. If you're looking to take single-family homes and convert them to PBV, then you would have to apply under Section 18, so the future use could be rental and not homeownership. And you would have to meet the requirements of the Section 18 program, which could include scattered site single-family homes.

So if you have a bunch of single-family homes, then you have to determine what the best use for the community of those units is. Is it homeownership? In which case you'll apply under Section 32. If it's rental units under a PBV platform instead of public housing, then you would apply under section 18. In either case, you would be eligible for replacement TPVs if the units were occupied within the previous 24 months.

Caila Prendergast: Okay. Thanks. And next question -- if I can get another one for you, Kathy. Is there a template for lease-to-purchase contracts?

Kathy Szybist: Not as part of 906 -- or the reg. No. So HUD doesn't have a standard form. SAC would review it on a case-by-case basis as part of the Section 32 plan under the -- kind of the method of sale proposed, but no standard form.

Caila Prendergast: Okay. Thank you. Should state and local landlord tenant law be considered in a lease-to-purchase contract?

Kathy Szybist: Absolutely.

Kristen Arnold: Yeah. I would say definitely.

Caila Prendergast: Great. Does the housing authority also have five years to sell the home if it does not use a PRE?

Kathy Szybist: No. There's actually no time frame. So we have some old 5(h) programs, which is the predecessor to Section 32 and Turnkey III, where housing authorities still have units in an approval that haven't been sold yet. So if the housing authority is proposing units to sell itself under Section 32 program, there's no time limit. So conceivably they could keep the units under an approved Section 32 plan for over five years, if they're making all efforts to sell them under the plan.

Jane Hornstein: I do want to note that that five year working with the PRE is statutory. We have no way to waive that or to change that in any way. If the five year runs out, you got to end the program and you can restart it, but -- and start a new one. But you can't keep that one going. So I just make that note.

Caila Prendergast: Okay. Next question. In calculating housing costs, calculation for 35 percent of income, does one of the costs include a replacement reserve contribution? Could capital funds be used to [seed ?] a replacement reserve?

Kathy Szybist: I don't believe -- and I need to look into this, whether the 35 percent includes a reserve. I don't think it does. Can you repeat that one more time, Caila?

Jane Hornstein: I'm pretty sure it does not. When you're looking at 35 percent of income, you're looking at the full -- the person's income. So I mean, you don't have replacement reserves in your income.

Kathy Szybist: Right. So you're looking at -- it's 35 percent of the applicant's adjusted income, and any subsidy that would be available for down payment. So that's what we're looking for, for the cost income ratio: the families' -- the applicants' adjusted income and any subsidy available to help pay for the housing payment. So those two factors.

Jane Hornstein: But I think what the questioner is asking -- is there -- could you include a replacement reserve as part of the housing expenses?

Kathy Szybist: Oh, okay. Let's see. The reg says the amount the applicant [inaudible] from mortgage, principal, and interest, plus insurance, real estate taxes, utilities, maintenance, and other regularly occurring homeownership costs, such as [inaudible] co-op or other homeownership association fees. So it does say maintenance. So depending on the details of that, I think it's possible that that could be considered a regular homeownership expense.

Caila Prendergast: Okay. Thank you. So roughly how many homeownership units does HUD see developed or sold via each of these programs annually?

Jane Hornstein: So there's a few cities and towns that have active Section 32 programs, and I'll speak to that from the SAC perspective and I'll let Kristen talk 8(y). But I do know there's a couple of cities that have used the housing authorities as land banks, and they've converted that to an active Section 32 program, and have been very successful. I want to say there's about three or four of those. And then we have others that just have small inventories that they're looking to dispose of. They've used Section 32 as an effective way to do so. But we -- I think one thing that has come up since the 2008 recession has been the advent of land trusts. And we're seeing more and more land trusts coming into the picture, and think that it's a good thing for the housing authorities to partner with the land trusts and figure out how to do more affordable homeownership. So we encourage you to consider those. I'll let Kristen speak to 8(y).

Kristen Arnold: Yeah. So I'm just going to read a little blurb from a report that I just put together. And it really kind of paints a picture of what's going on with 8(y) right now.

So in 2019, only 255 PHAs reported using homeownership voucher loans, and that's compared to 491 in 2009. So it's really going down, unfortunately. So on average, they're -- every PHA is assisting 20 households per year. It's barely reached 1,000 home closing in the past five years, which is down from an average of 2,000 closings per year from 2006, 2009. So there's a lot of barriers happening in the program with 8(y).

So we want to support the use of this program, but we know that it's difficult. And I think some of the things that we've identified are about the local market -- so the cost of housing in the area, and then savings for closing costs and down payment. So again, that's why cultivating the relationships with the local lenders, other entities that provide subsidies for down payment and closing costs, such as the Home program, or other state programs -- I think some states have savings programs. Those are, for the most part, necessary to be attached to the 8(y) program. So I hope I answered that question.

Caila Prendergast: Yeah. Thank you. Next up: in a public housing homeownership scenario, can the PHA continue to own the underlying land and/or retain a declaration of trust? Would the DOT need to be removed?

Jane Hornstein: So if you're converting to homeownership -- once the house is sold, the housing authority can retain the land. The DOT definitely has to be removed, in any event. But the housing authority can maintain the land and go under a ground lease, something similar to a land trust type of a scenario. But again, it's homeownership; so do you want to do that, or do you want to sell the land, too? So I think those are -- but you -- but the housing authority can retain land.

Speaker: The most typical scenario is that the housing authority sells the land and then the homeowner ends up owning the land. I don't think that my office has looked at any deals where there continued to be a ground lease, and then the improvements were owned by an individual homeowner, similar to a land trust.

Speaker: We're just seeing our first one out in Denver. So it's starting; there's some interest out there.

Speaker: Yeah. Yeah. I agree with what Jane said that the DOT definitely comes off. And in terms of whether -- again, there's these various ownership interests that are under a Section 32 plan. And we're -- and we think it's legally permissible to use a land trust structure where the family would retain -- would get an ownership interest in a unit or a share, and another entity would let -- the land trust would retain the land. Again, it seems -- it'll be tricky for the housing authority to retain the land, but I think, depending on how it's structured, it could be feasible. But generally it'll be more like a land trust if it's a two-part ownership.

Caila Prendergast: Okay. Thanks. Kristen, quick question for you about the report that you mentioned; is that public yet?

Kristen Arnold: It is not. It will be. We're still working on it, but I can say we're also working on developing a dashboard for the 8(y) program, so more data could be accessible. It certainly wasn't talked about for a long time, and now there's definitely more interest in it, and we want to support that interest.

Caila Prendergast: Okay. Thanks so much. We've got -- I got 13 questions in my queue, so we'll keep chugging along. If no sale, can the house be returned? If the house isn't sold, can it be returned to public housing?

Jane Hornstein: Yes. It can. Notify the field office and the SAC. And then you'd have to at least get a board resolution saying that you definitely want to take it back into public housing, and we can convert it back, assuming you haven't sold it already to a PRE or something else.

Speaker: Yes. So just to add on to that -- if the housing authority under the Section 32 plan is proposing to sell directly, then the housing authority is always public housing. It remains low-rent public housing until sold, so there's no reason to convert it back, or no requirement to convert it back. It just continues to be public housing until sold.

If it's transferred to the PRE, and the PRE is unable to sell it in that first -- in that five-year period, then yes. It returns to the housing authority. And when it returns to the housing authority, the housing authority has to make a decision, whether it's going to try to continue to sell that unit itself under the 32 plan, or whether it wants to return that unit to the low-rent inventory.

And as Jane said, if the decision is to return it to the low-rent inventory, then likely we'll need some limited development proposal to bring it back in, or some process to bring it back into the low-rent inventory so it's eligible for subsidy again, if the PRE was operating it as a nonpublic housing unit.

Caila Prendergast: Okay. Next question. How do we apply for the TPVs? Is it automatic? Then another TPV question: is the non-purchasing, over-income resident eligible for a TPV for relocation?

Kristen Arnold: So the TPV is not automatic. It's the same as with Section 18. After getting the SAC approval of the Section 32 plan, the housing authority can apply for the TPVs under the separate process.

In -- regarding the over-income family, no. To be eligible for a TPV, the family has to be income eligible. And if it's a non-purchasing, over-income resident, then 906 provides that they are entitled to relocation assistance under the URA, in lieu of that TPV.

Caila Prendergast: Okay. Next question. Can capital funds be used to support a staff member to create and manage one of these programs?

Chris Granger: So this is Chris. The -- there's a few ways that you could accomplish something like that. So you can pay for in-house staff to manage through admin. So cap funds go up to 10 percent admin that can be used for salaries. And that can be -- that can go towards homeownership. You can also use funds to pay for operations through 1406. That's where capital funds go towards operating costs, and that can also be used towards salaries. And then you can use something called management improvements under 1408 budget line item. And that's where capital funds can be used by a housing authority to address some kind of a management deficiency. So there's a few ways to cover something like that. You would not necessarily pay for an entire staff person, but you would be able to pay for -- if a staff person works on this program, you could prorate their time, and cover it with cap funds through one of the budget line items that I mentioned. And if you want to kind of get an idea of how to do that, we can take a look at EPIC when it comes to -- when it comes time to actually do it, we can take a look at EPIC and we can show you how to how to budget those correctly.

Caila Prendergast: Great. Thank you. Next up. What is the benefit of a homeownership program under Section 32 versus a disposition under section 18 to an entity that will sell units to income eligible homebuyers?

[talking over each other]

Kathy Szybist: I was just going to say the Section 32 program just has a lot of really great provisions on both protecting the families that are buying with these kind of affordability standards, and allowing the housing authority to use cap funds and other financing to provide financial assistance to families to get them in a position to be -- in a good position to be homebuyer -- homeowners.

It also allows housing authorities to use cap funds to get the units up in good physical condition so they're ready to be sold to families and to rehab the units that will be sold. And I just think it's more akin to RAD. It's a nice package. It oversees the whole process, from physical condition of the units through sale and financing to the families.

Whereas Section 18 -- it just isn't as comprehensive as a package and a program if your goal is to sell existing units under Section 32. Beyond that, I think the bar is pretty high under the SAC commensurate public benefit standard to make us feel comfortable that you'd kind of evidence a sufficient commensurate public benefit to sell existing units through 18 versus going through the Section 32 program. Jane, please add or correct.

Jane Hornstein: Right. So that's -- the major difference is under Section 18, we're going to be very careful about the commensurate public benefit. So that -- I mean, you're going to have to figure out a strong way to show us that this is, in fact, going to end up in the -- that low-income buyers are going to actually be purchasing these homes. There's not going to be -- and so I think that gets a lot more complicated and a lot more -- harder to do under Section 18 than it does under Section 32. We're a lot more comfortable with 32 going forward for homeownership.

Caila Prendergast: Okay. If there's nothing else to add there, we can move on. Where can I obtain training for underwriting standards?

Kristen Arnold: That's a great question. So I think -- so if you look into the Home program, they have underwriting standards. And if you look on the HUD Exchange, they might have some resources for underwriting standards. That's where I would start.

Caila Prendergast: All right. Thank you. Can you recommend income/employment standards for HOV applicants? And are there standards required by HUD, or are they up to each PHA's discretion?

Kristen Arnold: So there are income and employment requirements, and they're listed on the PowerPoint and in the regulations. PHAs do have the discretion to make them more restrictive than what is in the regulation.

And we recommend looking at what your local lenders are requiring for homeownership and mortgage assistance. It can be different, depending on if they're going to purchase from Habitat, or a local credit union's providing the loan, or Chase bank. So I think housing counseling agencies and housing counselors would be good resources to identify those types of partnerships with the program for employment and income.

Caila Prendergast: Okay. Can a public housing resident that is not on the HCVP waiting list receive a voucher for homeownership without having to get on the waiting list, if they have been qualified to purchase?

Kathy Szybist: No. It has to be a current voucher participant or selected from the waitlist, unless it's a TPV situation. Their vouchers are just like any other vouchers -- they're just used for homeownership.

Caila Prendergast: Okay. Thank you. Can a PHA have a policy to require that participants be in the HCV program for at least a year before receiving homeownership assistance?

Kristen Arnold: I believe so. Let me follow up to get you something in writing, but I don't see why not, because they can put more restrictions on the program. So maybe; I'll find out.

Caila Prendergast: Okay. Awesome. What happens to the housing authority if the homeowner goes into default on the loan? Also, if the homeowner wishes to no longer have the home and wants to go back to the voucher program, what happens to the housing authority as it relates to the home?

Kristen Arnold: So I had this question before, and I can't think of the exact words I should use off the top of my head, but it's -- I mean, they can convert to a rental assistance voucher if they still qualify. But I can't -- I can follow up with a more comprehensive response as well, on that one. But they don't lose their assistance.

Caila Prendergast: Well, this is a follow up on the waitlist conversation and question, I guess -- to your response. So why are we saying that the applicants can be selected from the waitlist to utilize the homeownership voucher?

Kathy Szybist: As opposed to -- I guess it's -- as opposed to what? Being current voucher participants, or not on the waitlist?

Caila Prendergast: Yeah. I'll ask that question after to follow up if they -- oh. The HCVP waitlists.

Kristen Arnold: I'm not sure if I understand the question.

Caila Prendergast: Okay. Maybe try the -- for the asker -- maybe just try reframing, and I'll get back to that question, because we have a few more. Next. Can FSS funds be applied to homeownership vouchers or just rental vouchers?

Kristen Arnold: So I'm not expert on FSS, but I know that the programs are combined, and basically that money that gets put into escrow can go towards the purchase of a home. So it -- but -- and it's their money. So I think the question they're asking is, in addition to the voucher, maybe, their continuing monthly payments? But usually that money -- that FSS program is put towards a down payment or closing costs upfront. And then that HAP payment will then be what the homebuyer uses on a monthly basis to pay their mortgage.

Caila Prendergast: Okay. Next. I have seven LAPH condo units that do not meet the definition for Section 18 scattered sites. The units are not getting enough subsidy to sustain themselves. Can I sell or dispose of them under Section 32 to my nonprofit and receive TPVs to be for homeownership? If so, how long does this process typically take?

Kathy Szybist: So you can't sell them to your nonprofit under Section 32 because your nonprofit is not a low-income family. Your nonprofit could serve as the purchase and resale entity, and then it would have up to five years to sell them to eligible low-income families. So these units, if they qualify -- if you can figure out how to give an ownership interest in these units that would be an eligible form of ownership interest under Section 32, conceivably, the units of issue could be homeownership units under a Section 32 plan.

But they would need their -- either need to be sold directly to low-income families for homeownership, or they would need to be sold through a purchase and resale entity, that could include your nonprofit, to low-income families for homeownership. I'm not sure if that answered your question; if it didn't, please ask again.

Caila Prendergast: Yes. Follow up in the chat. Do you need to put the public housing units that you're going to make Section 32 in the RAD application?

Kathy Szybist: So you don't need Section 32 approval if you have former public housing units where the assistance has been transferred to a RAD conversion. If you have former public housing units where the assistance has been converted under RAD, then as part of your RAD application and proposal, you can say to Recap, "Okay. Now that I've transferred the assistance off-site for RAD, I have these vacant, empty public housing units that are still under a DOT. Recap, will you please authorize the release of the DOT so that I can sell them under a local homeownership plan to low-income families for affordable homeownership?"

And Recap will review that plan under its affordable housing purposes kind of language, in the RAD notice. And if it concurs that the future use of those properties for affordable homeownership meets the requirements of affordable housing purposes, which it likely will, then HUD will authorize to release the DOT and authorize you to sell those units either directly, or through a community partner, for affordable homeownership.

Caila Prendergast: Great. Thank you. So for PHAs that partner with a land trust or Habitat for Humanity to develop homeownership units, what is the procurement method adopted for working with such organizations? Does it have to be an open procurement through a request for proposals? Or is there a way to directly work with the land trust or Habitat for Humanity?

Kathy Szybist: So I think it depends on the program you propose to work under, and the structure of the program, so I think it's kind of a case-by-case thing. Under -- if you submit this under Section 32 and are using Habitat, for instance, as a purchase and resale entity, then that -- you would just need to meet the requirements of 906 about the finance -- evidencing the financial and administrative capacity of Habitat to sell those units to low-income families.

And including -- Habitat could possibly rehab them along the way before selling them, if it's part of your agreement with the PRE under 906. But I don't think you would need to comply with the standard public housing procurement rules. Instead, you would comply with the PRE rules and 906.

In another instance, you might have to work under the public housing procurement rules -- again, depending on when you would engage a partnership as part of one of these programs. Others might have other thoughts on procurement.

Jane Hornstein: Yeah. You may have -- it may be that you need -- and you also should check your local procurement rules, as well -- local or state procurement rules. You may have to go through a sole procurement -- a sole individual so that you can do that, because they're unique organizations that have -- that are -- land trusts, more often than not, have a government sponsor. So I think you probably could do a sole thing -- sole procurement, versus --

Kathy Szybist: Yeah. Caila, is that question in the chat?

Caila Prendergast: Yes. It's in the chat, but I think it was just sent directly to me. Let me check. Yeah. That was just sent to me.

Kathy Szybist: Okay. Because if you could just send it -- but again, I think --

Caila Prendergast: I can send it to everyone. Yes.

Kathy Szybist: It would depend on the actual structure of the program, in terms of the applicable procurement requirements.

Caila Prendergast: Okay.

Kathy Szybist: For the 8(y) program, I mean, it's a -- housing choice vouchers. So they're selecting the unit. But as for administrative duties of carrying out PHA functions, they would need to follow procurement policies for contracting those administrative duties. I don't know if that answers the question, on that side.

Caila Prendergast: Okay. So we've got four more questions, about nine minutes left. So I think we should be able to get through all of these. Thanks, everyone, for all your great questions. And if you hop off before the end of the session, just remember to please fill out the survey for us at the end.

Okay. Next question. Does an FSS participant have to use their escrow fund if the assistance is available through the PHA?

Kathy Szybist: Is it the Section 32 program, or 8(y)?

Caila Prendergast: I believe Section 32.

Kathy Szybist: So do they -- is the question, do they have to use their FSS?

Caila Prendergast: I will have -- I will ask that person to clarify in the chat, and we'll move on to the next question while they do that.

Okay. No. The PHA cannot mandate FSS escrows to be used for the purchase of a home. That was just a comment. Okay. Next question. And we'll wait for the question-asker to clarify there. Unless you have something, Kathy.

Kathy Szybist: I was just -- I kind of agree with the comment that FSS may be available if it meets the FSS requirements, but there's nothing Section 32 that says the FSS funds must be used as part of the financing from the family.

Caila Prendergast: Okay. Thanks. So this is a follow-up about the waiting list and vouchers; the clarifying points, there. So are you saying that families who have been pulled off of the Housing Choice Voucher Program waitlist, and approved, can decide that they want to utilize a homeownership voucher instead of a regular voucher? What if the housing authority maintains a separate homeownership waitlist?

Kristen Arnold: So you can't -- you cannot maintain a separate homeownership waitlist. So -- and then if they're pulled off and accepted, then they would have to meet the additional criteria that the PHA sets on the homeownership program, and then the based criteria -- regulatory criteria, like the income and employment. So again, housing vouchers are -- and the homeownership option is just like any other regular voucher; it's one waitlist.

Caila Prendergast: Got it. Thank you. So they just clarified that they don't maintain a separate homeownership waitlist; it's just a list of interested folks. But next question. What are the legal concerns with land trusts rooted in? Does HUD need to see the documents showing the sale contracts to the end buyer?

Kathy Szybist: Can you repeat that? I'm trying to figure out --

Caila Prendergast: What are the legal concerns with land trust rooted in? Does HUD need to see documents showing the sale contracts to the end buyer?

Jane Hornstein: I do think that the -- I think that the local field officers will review -- their counsel to review the final sale documents. Yes. So we would want to see what the final -- and know what restrictions are on those homebuyers. I mean, clearly here, what we're looking to do is build wealth for these individuals, and still protect the housing authority's interests and the land trust's interests. So I think we do want to see those.

Kristen Arnold: [inaudible] PHA needs to review the contract of sale. It's in the regulations and there's a couple criteria for that. So -- and again, it's about protecting the buyer.

Kathy Szybist: Right. Yeah. So again, 906 doesn't directly address land trusts as a possible ownership structure, but it's open enough that it says a fee-simple condo, limited dividend, co-op, share, depreciation, interest, or leasehold and a lease purchase agreement are all possible ownership options. But the list is not non-exclusive.

So a housing authority could propose an ownership structure that includes a land trust -- again, retaining the title of the land itself. And SAC would review that on a case-by-case basis under the Section 32 plan. And, as Jane said, we'd probably tap into the expertise of the field office to review some of the land trust documents as part of that ownership structure.

Kristen Arnold: Yeah. And I would just add -- I don't think that there's any issues or concerns about it. I think just -- the ownership structure is complicated with all of the regulations for program eligibility, and sale, and things like that. So it's just more complex.

Caila Prendergast: Okay. A couple of questions left. So just going to try to get through these quickly. Does the PRE have to be identified in the Section 32 application?

Kathy Szybist: Yes. Yes. Absolutely. And there's a whole bunch of additional requirements. If a housing authority is utilizing a PRE, that has to be included as part of the Section 32 plan, including the agreements between the housing authority and the PRE, and the demonstration that the PRE has the financial and legal capacity to operate and sell the units for -- to families under the plan.

Caila Prendergast: Okay. Is there any guidance available to explain the difference in emergency housing vouchers and regular Section 8 vouchers?

Kristen Arnold: Yeah. So I can just put in the chat -- so there's an emergency housing vouchers website specifically. So that's going to have all the information. And then there is a notice that talks about those big differences, and I will put that link into the chat for anyone to access.

Caila Prendergast: Great. Thank you. And this is our final question -- will round us out nicely. Really great questions that we got. We had over 50, so thanks everyone for joining and participating. So last question. Why are emergency housing vouchers not able to be used for homeownership? How are they different from Section 8 homeownership vouchers?

Kristen Arnold: So I'm not the expert in emergency housing vouchers, but I did check with that [inaudible] and I mean, I think it's just prohibited based on the notice that rules those vouchers. So I can't say for certain, but I will -- I can send out the notice that talks about those discrepancies, and the regulation -- or not the regulations, but the criteria around the -- how they're supposed to be administered and -- it's just a different program.

Caila Prendergast: Okay. Thanks, Kristen. I think that wraps us up with a minute to spare. Again, just want to remind folks to take the survey as it pops up on your screen; it'll pop up in your browser. Just take a moment to fill that out with any suggestions for us. We definitely look at those.

And thanks again for your participation. Jane, I'll pass it over to you for any closing remarks.

Jane Hornstein: Thank you, Caila, and thanks everybody for participating today. Clearly, there's a lot of interest here, with a lot of questions. We tried to address what we could, but we may not have gotten all of the answers out that you wanted.

This is helpful guidance for us as we begin to look at other options -- as we look at trying to provide more guidance to you. So we will use the questions that we got today to fashion some further guidance for you. So we really thank -- everyone's participation today was very, very helpful. I think that's it.

Caila Prendergast: All right, everyone. Enjoy the rest of your Wednesday. Thanks so much.

Jane Hornstein: Thanks, everybody.

(END)