Q: Can HOME funds be used in conjunction with the homeownership option of the Housing Choice Voucher Program?

A: The Quality Housing and Work Responsibility Act (QHWRA) of 1998, which amended the U.S. Housing Act of 1937, at section 8(y) authorizes a homeownership option in the Housing Choice Voucher program. The Section 8 Homeownership Program Final Rule was published in the Federal Register on September 12, 2000. The rule allows a public housing agency (PHA) to provide tenant-based assistance to an eligible family that purchases a dwelling unit that will be occupied by the family.

HOME participating jurisdictions (PJs) and PHAs should be aware that HOME funds can be used in conjunction with the homeownership option of the Housing Choice Voucher program. If PJs and PHAs collaborate under this option, both HOME and the Housing Choice Voucher programs may benefit. PJ participation in the homeownership option can provide an opportunity for communities to advance the HOME Program's goal of strengthening public-private partnerships and expanding the supply of affordable housing. In addition, combining these funding sources can enable PJs and PHAs to leverage resources available for homeownership assistance. When combining funds, the requirements of both programs must be met.

HOME homeownership assistance can be provided in a variety of forms, including downpayment and closing cost assistance, loan guarantees, write-down of the sales price, interest rate buy-downs, etc. Assisted homebuyers must qualify as low-income and occupy the unit as a principal residence. The unit to be purchased must be modest housing, defined as having a sales price not exceeding 95% of area median purchase price. The unit must be subject to resale or recapture requirements that conform with the requirements of 24 CFR 92.254(a) and are described in the PJ's approved consolidated plan. The term of lease-purchase agreements is limited to 36 months.

A public housing agency administering the housing choice voucher may now provide such assistance for the purpose of assisting first-time homeowners in meeting their monthly homeownership expenses. The family must qualify as a first-time homebuyer, meet a minimum income requirement, have income from sources other than public assistance (except for elderly or disabled families), meet an employment requirement (with the exception of elderly and disabled families), complete a homeownership or housing counseling program required by the PHA, and meet any other requirements established by the PHA.

Because HOME homeownership assistance can take a number of different forms, a homeownership program funded with HOME and homeownership vouchers can be designed to best fit the needs of the community and the beneficiaries. Potential uses of HOME and the voucher homeownership option include:

- A low- or very low-income family that lacks the upfront cash required for a purchase could receive HOME funds for downpayment and closing cost assistance and then voucher homeownership assistance payments to meet monthly homeownership expenses such as the mortgage payment.
- HOME funds could be used to guarantee or buy down the interest rate on the mortgage of a homeownership voucher recipient who has insufficient income to pay a mortgage with a market interest rate. Both the HOME funds and the voucher assistance will increase the creditworthiness of program beneficiaries, making available to them larger loans and more favorable loan terms than those for which they could otherwise qualify.
- A homeownership voucher holder could purchase an affordable unit constructed or rehabilitated with HOME funds. Because of the HOME development subsidy, such units may be offered for sale at a price that is less than the fair market value of the property. The reduced sales price and the voucher homeownership assistance will make the unit more affordable to the buyer. (Note that the HOME Program affirmative marketing requirements at 24 CFR 92.351 must be met).
- Both the voucher homeownership program and the HOME program have recapture requirements upon sale of the unit. Under the voucher homeownership program, if the family sells the unit in the first ten years the PHA will recapture out of the family's proceeds from the sale a percentage of the amount of assistance payments made on behalf of the family. The PHA considers the difference of the sales price and purchase price minus expenses such as any costs of the sale incurred by the family and any capital expenditures in determining the family's proceeds from the sale. For purposes of determining the amount of homeownership assistance subject to recapture upon sale of the unit in accordance with 24 CFR 982.640, any sale proceeds subject to HOME recapture provisions at 24 CFR 92.254(a)(5)(ii) are considered to be a cost incurred by the family in the sale of the home. This policy ensures that any HOME recapture is addressed before the PHA determines the voucher recapture amount that will be applied to the family's proceeds at the time of sale.
- Implementation of the voucher homeownership option is fairly recent. More information regarding this initiative is available from the Section 8 homeownership webpage. Information on the HOME Program can be found on the HOME Program webpage. The HOME Program final rule, also posted at this site, is located at 24 CFR Part 92.