PORTLAND HOUSING AUTHORITY

VOUCHER HOMEOWNERSHIP PROGRAM

FREQUENTLY ASKED QUESTIONS

What is the Voucher Homeownership Program?

This program is designed to assist families in reaching the goal of homeownership, while having the security of the housing assistance. The program allows the monthly housing assistance payment to be used to cover mortgage and other homeownership costs.

How do I know if I am ready for Homeownership?

Owning a home is a huge responsibility and understanding that responsibility is essential to your success as a homeowner. That is why it is mandatory that you attend an approved Homebuyer Education Class prior to purchasing a home. After completing the class you will be better equipped to decide if homeownership is right for your family. A list of available classes is available at: www.mainehomeworks.org.

You can get a better idea if you are ready for homeownership by answering the following questions:

- Do you have a stable source of income?
- Have you been employed full time for the last year?
- Do you pay your bills on time, every time?
- Are you able to add to your savings monthly?
- Do you have a minimum savings of $1,000?
- Do you have a credit score of 640 or higher?
- Do you understand the significant responsibilities of homeownership and do you believe you are ready to make the commitment?

What are the eligibility requirements?

To be eligible, you must meet all of the following criteria:

- The family must have been on the Portland Housing Authority (PHA) Housing Choice Voucher (HCV) Program for at least 1 year.

- The family must be in good standing. Good standing is defined as:
  - No debts owed to PHA, other PHAs, or current landlord
  - Not in violation of your lease or family obligations under the HCV program
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- The family must be income eligible:
  1. Non-disabled families must have a minimum gross annual income of $22,000, based on the income of adult family member(s) who will own the home. Income from welfare assistance may not be counted toward this requirement. (HUD minimum wage x 2,000 hours)
  2. Elderly families (Head, Spouse or Co-head is 62 years of age or older) must have a minimum gross annual income of $22,000, based on the income of the adult family member(s) who will own the home. Income from welfare assistance for the adult family member(s) will be counted towards this requirement (HUD minimum wage x 2,000 hours).
  3. Disabled families (Head, Spouse or Co-head is disabled) must have a minimum gross annual income of $14,000, based on the income of adult family members who will own

the home. Income from welfare assistance for the adult family member(s) will be counted towards this requirement. (HUD minimum SSI x 12 $9,396)

4. If a family meets the HUD minimum indicated above but not the PHA minimum annual income requirement the PHA shall consider them to satisfy the minimum income requirement if:

    a. The family demonstrates that is has been pre-qualified or pre-approved for financing;

    b. The pre-qualified or pre-approved financing meets the PHA financing requirements; and

    c. The pre-qualified or pre-approved financing amount is sufficient to purchase housing that meets Housing Quality Standards in our area, approximately $180,000.

- At least one adult family member, who will own the home, must be working full time, at least 30 hours per week and must have been employed full time at the same job for at least one continuous year. This minimum employment requirement does not apply to elderly or disabled families.

- Employment Requirement:

1. One or more adult family members who will own the home must be employed full time (average of 30 hours per week) and must have been employed continuously full time at the same job for the last year prior to application.

2. The employment requirement does not apply to elderly or disabled families (families whose head of household, spouse, co-head, or sole member is elderly or disabled).

3. If a family, other than an elderly or disabled family, includes a person with disabilities, the PHA may grant an exemption from the employment requirement if the PHA determines that an exemption is needed as a reasonable accommodation so that the program is readily accessible to and usable by persons with disabilities. If a family wants such a reasonable accommodation, they must request and complete the required additional forms.

- You must qualify as a first time homebuyer per the HUD definition, which is not having owned a home within the past three years. Exception is made for single parent/displaced homemaker families that owned a home with a prior spouse.

- You must successfully complete a HUD approved Homebuyer Education.

- The applicant(s) must be pre-approved by a reputable mortgage lender; OR have verification of $1,000 three-month average daily balance in a savings account and proof of credit score of at least 640.

- You must sign a Statement of Homeowner Obligations prior to closing on a home.

What kind of paperwork must I fill out?

When you purchase a home there is a lot of paperwork that must be filled out. Some of the paperwork provides PHA, the lender and real estate professional information they need to make sure you are financially able to purchase a home.

Other paperwork ensures you are treated professionally and are protected. It is very important that the information you provide is accurate, complete and submitted in a timely manner. Some of the information you will need to provide; evidence of your eligibility for this program, documentation of income, proof of savings and credit information. Make sure you understand what you are signing. Don't be afraid to ask the lender, real estate professional and others questions to help you understand the process.

How do I obtain financing?

The family is responsible for securing its own financing. Some lenders will take your HCV subsidy into consideration when determining how much a family can afford to borrow. Some banks may not be familiar with the HCV Homeownership Program. Many financing options may not work within our payment standard restrictions if the mortgage payment is too high.

Are there any financial restrictions?

Yes. The PHA will prohibit the following forms of financing: Balloon Payment Mortgages, Variable Interest Rate Loans and Seller Financing. The PHA has final approval as to whether the financing arrangement is affordable. The family's portion may not exceed 40% of their adjusted family income.

Do I have to have good credit?

YES, you must have good credit! If you don't, a credit counselor can instruct you on how to clean up your credit record and improve your credit score. The following are resources for credit repair advice: **EMPOWERME (www.empowerme@porthouse.org)**, **Money Management International (www.moneymanagement.org)** or **CA$H Maine (www.cashmaine.org)** . If you have never established traditional credit history the lender may allow alternative credit. The lender will verify that you have a good record of paying your bills on time, such as for rent and utilities. For the most part, lenders require no late payments for the last two years or credit rating of 640 or higher. You can check your credit report free once a year at each of the following agencies: Experian, Transunion or Equifax. To check your credit score at Transunion or Equifax go to: www.creditkarma.com.

If you have filed bankruptcy, most banks require a minimum of two years from the date of bankruptcy before you would be eligible for a mortgage loan.

Do I have to have a down payment?

PHA does not require you make a down payment but some financing options may require a down payment of approximately 1% to 6.0% of the purchase price of the home.

Are there any programs to help me save for a down payment?

Being able to save money each month is an important habit to develop to succeed as a homeowner. Families need to save for winter fuel cost, regular maintenance and upkeep of their home and unexpected repairs. If you don't prepare by saving for these expenses they may threaten your financial security. The housing authority's subsidy does not cover all homeowner expenses. This has been an area of concern and difficulty for homeowners. You may be eligible for one of the following programs that can assist you in building a savings.

EMPOWERME: Eligible families may participate in Portland Housing Authority's Resident Services program, EMPOWERME. This program helps families meet their needs to become stable and if eligible, you may earn money in a managed savings account as your family's income increases from employment income. For more information, please contact a coach at (207) 221-8066 or by e-mail at empowerme@porthouse.org.

New Ventures Maine has two matched savings programs. One is the Family Development Account (FDA) Program. The FDA Program enables income-eligible individuals and families to have matched savings that may be used to purchase a house or car, it can also be used for major home or car repairs. The money does not have to be used all at once. Participating individuals and families open a savings account to be used toward their identified goal. These savings will be matched upon withdrawal approved purchases.

The family must be working and must have a minor child. This program matches each dollar you deposit into your FDA account with $4 from public funding and private donors. This program provides education on how to save and manage your money effectively, how to build good credit and how to reach your goals. The family must be on this program for a minimum of 1 year.

The second program is a Rainy Day Savings Account. This program enables income-eligible individuals and families to save up to $300 in dollar for dollar matched savings that must be used for emergencies. Participating families open a savings account and these savings will be matched upon withdrawal for approved emergencies. The family must have income but it does not have to be earned income. The family must be on this program for a minimum of 6 months.

Income limits and restrictions on use of the savings apply for both programs. If you are interested in learning more about these programs please contact Sarah Hutchins at 207-799-5025 or sarahp@maine.edu.

Community Concepts, Inc . offers a Family Development Account for the purpose of saving for a down payment. There are not income limits for this program. Participating families establish a savings account and the savings are matched by public or private contributions when the requirements of the program are completed. If you are interested in learning more about this program please contact Melissa Green at 1-866-221-4383 Ext. 2118.

What other costs are there?

You will have to pay for an appraisal, which costs approximately $300 - $450 and a professional home inspection, which costs between $300 - $550.

There may be other incidental expenses prior to your purchase as well that you would be responsible for, such as; Application Fees, Credit Reports, Prepaid Insurance, Prepaid Taxes, Attorney fees and Title fee. Depending on how you finance your home, these costs can accumulate. The norm ranges from 2% to 5% of the home purchase price, in addition to your down payment. All or part of these closing costs can be paid by the seller. Some financing options allow these costs to be rolled into the loan.

How does the Lender determine how much I can pay for a home?

The amount you are able to pay for a home depends on your total income and resources. The mortgage lender will consider your debt-to-income ratio, which is a comparison of your gross (pre-tax) income to housing and non-housing expenses. Non-housing expenses include long-term debts such as car loans, student loans, alimony or child support. The lender also considers cash available for down payment and closing costs, credit history, etc. The lender will pre-qualify you for a loan based this information. It is important to have this pre-qualification before you begin shopping for a home.

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

Monthly mortgage payments should be no more than 29% of gross income, while the mortgage payment combined with non-housing debts (car loans, student loans, personal loans and credit cards), should total no more than 40 % of gross income. Your total housing expenses must also be within the allowable payment standard for your family's bedroom size. The family must pay any amount over and above the payment standard in addition to 30% of their adjusted monthly income.

Can my family help me buy the home?

In most cases, your family can help you purchase a home by assisting with a down payment or other expenses. We do not allow non-occupying co-signors or co-borrowers.

Can I have a roommate?

No. Under the voucher program, no other person except members of the assisted family may reside in the unit except for a foster child or live-in aide. A homeowner may not sublease or let the unit.

How long will I continue to receive HCV Homeownership Assistance?

The length of time you receive HCV homeownership assistance is dependent on many factors. Congress must approve funding for HCV renewals each year. You must remain eligible for HCV assistance, comply with the rules and regulations, and remain within the income limits each year.

Families may receive homeownership assistance for a maximum of 15 years if the mortgage term is 20 years or more and a maximum of 10 years for all other mortgage terms provided they continue to qualify for assistance according the rules and regulations. Elderly and disabled families are exempt from these time limits.

It is important that you understand that you are responsible for the full mortgage payment if your HCV is terminated for any reason.

Can I lose my HCV Homeownership Assistance?

Yes. You are subject to the same family obligations as in the voucher rental program and will have additional family obligations as a homeowner. Your homeownership assistance will be terminated if you fail to comply with your family obligations, which include paying your mortgage each month, or if the family is dispossessed from the home due to a judgment or order of foreclosure.

Once I have purchased a home will I still have a HCV re-certification every year?

Yes. You will still need to submit all the paperwork for re-certification each year. You must conform to all the HCV rules and regulations including those on the Statement of Homeowner Obligations which you are required to sign prior to purchasing a home.

Do I need to get my home inspected?

Yes. There are actually two types of inspections that are required. You must hire an independent home inspector to inspect the home to identify any physical defects and evaluate the condition of major building system components. The Housing Authority will complete the Housing Quality Standards (HQS) inspection, which are the same inspection standards used for rental assistance.

Am I responsible for other expenses incurred because of purchasing the home?

Yes. You are responsible for all monthly homeownership expenses and for any expenses that you incur as a homeowner. You will be responsible for all maintenance of the home. As mentioned earlier you need to save for the unexpected for example; roof damage, water heater replacement, furnace repair, increased taxes, etc. Owning a home is expensive. You should carefully weigh the advantages and disadvantages between owning verses renting.

What factors is the monthly assistance payments based on?

1. The voucher payment standard for which the family is eligible;
2. The monthly homeownership expenses (principle, interest, insurance, real estate taxes, homeowner's insurance); and
3. The family's household income.

Once I have purchased a home am I eligible to claim the interest on my income tax form?

Per the IRS, you are only eligible to claim amounts of interest that you paid and not amounts paid by the housing authority or reimbursed. The mortgage company should send you a 1098 interest statement at the end of each year. For example, if your mortgage payment for principal and interest is $1,000 but you only contributed $300 per month, you would only be able to claim 30% of the interest on your 1098 statement (300 divided by 1,000).

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

Contacting your lender and a homeownership-counseling agency are the best place to start if you are having difficulty paying your mortgage. You may qualify for a reduced interest rate, delayed mortgage payments or a moratorium of your mortgage payments. A homeownership counselor can help you save towards repairs and general maintenance of your home or assist you in getting financial advice so you can avoid defaulting on your payments. It is important to understand that you are responsible for the debt incurred to purchase your home.

Can I sell my home?

Yes, however the PHA must approve all sales. Sale proceeds can be used by the family to purchase a new home while still on the HCV if the family continues to qualify for the homeownership program. If not reinvested into another home, the proceeds will be counted as an asset if you remain on HCV program. Housing assistance for a new unit may not begin if the family still holds the title for the prior unit.

Can I purchase a manufactured home?

Yes. However the home must meet certain standards such as it must be permanently attached to the foundation and the family must have the right to occupy the home site for at least 40 years. Lenders will also consider the age and condition of the home. Financing for mobile homes can be difficult to obtain.

Can I purchase a multi-family home?

No. The unit must be a one-unit property or a single dwelling unit in a condominium.

If Interested in Homeownership, what should I do next?

Contact Linda Ballew, Special Programs Manager, Portland Housing Authority, at 773-4753 to request an application or more information.