



Colorado Department of Human Services

people who help people

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FREQUENTLY ASKED QUESTIONS ON USING SUPPORTIVE HOUSING AND HOMELESS PROGRAMS SECTION 8s FOR HOMEOWNERSHIP

1. What is the Section 8 homeownership program?

The Colorado Department of Human Services Supportive Housing and Homeless Programs (SHHP) initiated the Section 8 homeownership program in January 2000. The program allows a person or family who is receiving HUD Section 8 assistance from SHHP, to use their Section 8 voucher towards the purchase of a home.

2. What are the general eligibility requirements? All families must:

- have a Section 8 voucher issued by SHHP.
- have received Section 8 rental assistance through SHHP a minimum of one year.
- be a participant in good standing (i.e., has not violated any Section 8 program requirements).
- meet the HUD definition of first time homebuyer (i.e., means the participant has not had ownership interest in a home in the past 3 years).
- sign a Statement of Homeowner Obligations.
- satisfactorily complete pre-purchase homeownership counseling classes before entering into a sales contract.
- provide the lender and real estate professionals with all pertinent documentation
- be able to comply with any additional special requirements for homeownership assistance as specified in SHHP's Section 8 Homeownership Handbook and Administrative Plan.

In addition to the general eligibility requirements, families with disabilities must:

- have an income equal to the monthly Supplemental Security Income (SSI) benefit amount for an individual living alone times 12. (Example: in 2003, this minimum income standard is \$6,624, or \$552 X 12 months.)
- provide a minimum \$750 borrower contribution toward down payment.

In addition to the general eligibility requirements, non-disabled families must:

- have a minimum annual income of \$10,300 in non-welfare assistance income.
- have one or more family members who will own the home currently employed an average of 30 hours per week; family member(s) must have been continuously so employed during the past year. If there has been an interruption in a family member's work continuity during the past year, residential coordinators may contact SHHP regarding its discretion to allow for breaks in employment.

3. How do I know if I'm ready for homeownership?

Owning a home is a big responsibility. It's important that you understand those responsibilities before you look at being a homebuyer. It is mandatory that you take an approved homeownership counseling course prior to purchasing a home. You should also first clear up any credit problems and save enough money so you can make a down payment. SHHP has a "path to homeownership" information packet available if you want to read more about the homeownership process.

4. What kind of paperwork must I fill out?

When you purchase a home there is a lot of paperwork that must be filled out. Some of the paperwork provides SHHP, the lender and real estate professional information they need to make sure you're able to financially purchase a home. Other paperwork ensures you are treated professionally and are protected. It is very important that what 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; credit or alternate 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.

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

A family may choose any lender it wishes. However, if you wish to participate in the Section 8 homeownership partnership with CHFA's HomeAccess, First Step, or Home Opener programs, you must choose a lender that is working with CHFA on these particular programs. SHHP will provide eligible participants with lender contact information. It is important that you contact the person from the bank who is working on the particular loan product you will be using.

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

6. Do I have to have good credit?

You can't have bad credit! If you do, the homeownership counselor can instruct you on how to clean up your credit record. However, you may have never established a traditional credit record and that's okay, but the lender needs to know if you pay your bills on time. The lender

will review your record of making timely rent, utility and other payments. This is called alternate credit.

7. What other costs are there?

If you are a family with disabled member, you'll need to make a minimum borrower contribution toward down payment of \$750. If you are a non-disabled family, your minimum contribution must be \$1,000. Every family will have to pay for an appraisal and a professional inspection; these costs will count toward your minimum contribution toward down payment. There may be other incidental expenses prior to your purchase as well. Consult your lender for more information as you move through the loan qualifying process.

8. Can my family help me buy the home?

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

9. Can I have a roommate?

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

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

The amount you are able to pay for a home depends on your total income and resources. The mortgage lender will consider your total income, your Section 8 assistance, and any other assistance you are receiving from a family member or agency. The lender will pre-qualify you for a loan based on income and other financial information. It is important to have this pre-qualification letter before you begin shopping for a home. In addition, CHFA has various purchase limits on the homes it mortgages across Colorado. Consult your lender regarding this information.

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

Elderly or people with disabilities are exempt by HUD from Section 8 subsidy time limits in this homeownership program. Section 8 assistance for non-disabled homeowners is limited to a maximum of 15 years. However, the length of time you receive Section 8 is dependent on many factors. Congress must approve funding for Section 8 renewals each year. You must remain eligible for Section 8 assistance. For example, you must be compliant with the rules and regulations and must remain qualified in income requirements. It's important to understand that you are responsible for the full mortgage payment if your Section 8 payment is terminated for any reason.

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

Yes. You will still need to submit all the paperwork for re-certification each year and you will have to continue to conform to the Statement of Homebuyer Obligations that you sign prior to

purchasing a home. At a minimum, re-certification will be done annually at the same time CHFA determines your tax escrow payment.

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

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

14. What happens to my home if I die?

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

In other words, questions need to be asked: Is there a will? Are there remaining members of the family? Are there additional owners listed on the deed? Depending on the answers, the home may revert to those remaining members (as defined by Section 8 regulations) of the family who were residing in the home. The home may have to be sold: if no one is able to take title and payments are not made, the home may fall into foreclosure. The bottom line: if the homebuyer dies, the housing coordinator, CHFA and SHHP must be notified immediately by remaining members of the family or the service provider's housing coordinator.

15. Am I responsible for other expenses incurred as a result of purchasing a home?

Yes. You are responsible for all monthly homeownership expenses (for example: homeowner association dues and utilities) and for any maintenance or repair expenses that you may have as a homeowner (for example: a new water heater, structural repairs, etc.).

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

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

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

If you are a family with a disabled member, you must place your portion of the mortgage payment in a bank that has ACH capability. This allows the lender (CHFA) to withdraw your part of the payment each month electronically. You must ensure the funds are available for transfer to the lender by the first of each month. SHHP will make its portion of the housing payment electronically to CHFA each month.

If you are a non-disabled family, SHHP will make the assistance payment in the form of a hard copy check made payable to CHFA in care of you, the borrower, and mail this check to you.

You must send SHHP's check, along with your personal check for your portion of mortgage payment to CHFA.

18. Can I sell my home?

Yes, however all sales must be approved by SHHP. Depending on the circumstances, you may be subject to a CHFA recapture of payments if you sell or refinance the loan.

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

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

20. I've owned a very old trailer home for several years. Does this make me ineligible as a first time homebuyer?

That depends on whether or not the trailer was ever permanently attached to a foundation. If it was attached, you're not a first-time homebuyer as lenders consider this a home. If it is not permanently attached, lenders consider it a motor vehicle, not a home.

21. Can I purchase a manufactured home?

Yes. However the home must meet certain standards and being permanently attached to a foundation is one of them. Lenders will also consider the age and condition of the home.

22. Can I purchase a new construction home?

Yes. However, ground must have been broken on the home (basement or slab constructed) before the date that you put a contract on the home.