

**COLORADO DEPARTMENT OF HUMAN
SERVICES
SUPPORTIVE HOUSING AND HOMELESS
PROGRAMS**

**SECTION 8
HOMEOWNERSHIP HANDBOOK**



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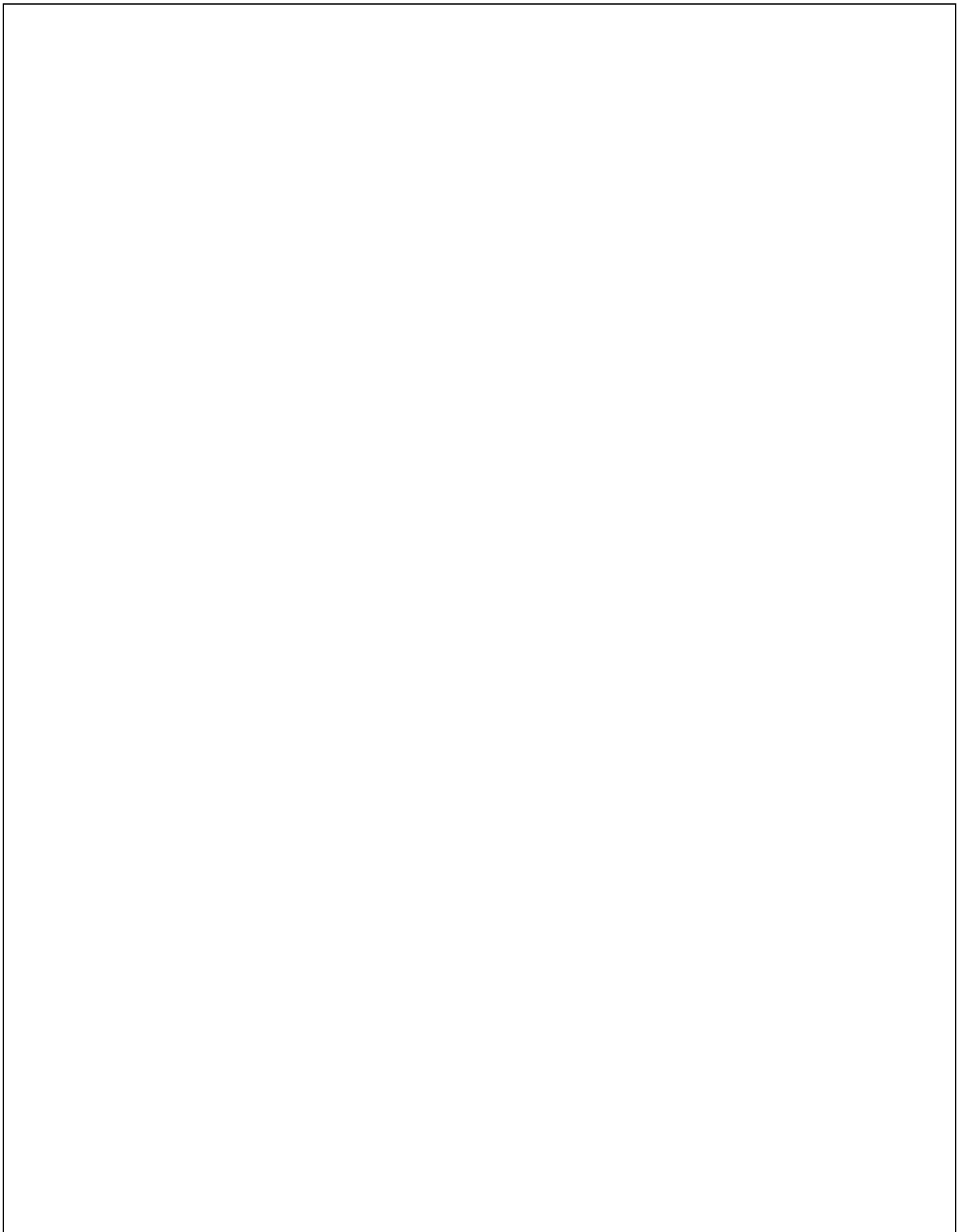


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INTRODUCTION

It's called the "American Dream." The dream is often a small bungalow surrounded by a white picket fence or a townhome close to shopping and a job. Although homeownership is at a record high, the dream of purchasing one's own home isn't one that most people who have low-incomes think about for very long. It's often an impossible dream, especially in today's Colorado real estate market. But the dream has come true for some and we want to make it a reality for others. This handbook is written with the hope it will assist more low-income people with disabilities and special needs to learn the process of purchasing a home using HUD Section 8 rental assistance.

Supportive Housing and Homeless Programs is a public housing agency located within the Colorado Department of Human Services. SHHP administers HUD housing programs for more than 3,000 people with disabilities and other special needs around the state. However, because the recipients are often people who need more than just a roof over their heads, the programs provide more than just subsidized assistance. SHHP's strength and success lies in its partnerships with more than 70 local service providers. This partnership puts the word "supportive" in our name.

These local agencies' housing coordinators administer subsidized housing assistance which includes tenant counseling, maintaining a landlord database, and building collaborative, long-standing relationships at a local level. They also offer SHHP's housing participants a menu of flexible services to enable them to have the support they need to succeed. These services include, but are not limited to, case management, counseling, budget assistance, health and employment assistance. These local coordinators will continue to make flexible housing and case management services available after a Section 8 participant purchases a home.

Since 1977 SHHP had offered only rental assisted housing programs. However, in 1993 in response to consumers' requests, Supportive Housing and Homeless Programs (SHHP) and the Colorado Housing Assistance Corporation (CHAC) were co-applicants for HUD HOPE 3 funds to provide homeownership opportunities for people with disabilities. During its seven years of existence, HOPE 3 assisted approximately 50 individuals and families with mental disabilities in buying their own homes.

As HOPE 3 was ending, SHHP developed a task force to explore additional opportunities for consumers. The HERO (Homeownership Education and Resource Opportunities) Alliance is made up of lenders, non-profit agencies, city, state and federal officials, real estate professionals and others. They meet monthly to investigate new ways to offer educational and financial assistance to people with serious permanent disabling conditions in buying their own homes.

The ability to use Section 8 assistance should prove to be a key resource in purchasing a home for low-income persons with disabilities and special needs. Buying one's own home is never easy. Financial and credit checks have to be made, homeownership counseling classes taken, and never-ending paperwork must be completed. There are real estate professionals, lenders, inspectors, appraisers and a myriad of others who actively participate in the process. Finding a home in Colorado's tight housing market is difficult. Buying a home is obviously not for the faint-hearted or the impatient. Hopefully, this handbook will serve as an effective roadmap for those who want to take the path to homeownership.

OVERVIEW OF THE SECTION 8 HOMEOWNERSHIP PROGRAM

The Colorado Department of Human Services housing authority Supportive Housing and Homeless Programs (SHHP) received permission from HUD in January 2000 to begin a statewide Section 8 homeownership demonstration program for people with disabilities based on HUD's proposed rule published April 30, 1999. Its goal is to expand homeownership opportunities for SHHP's Section 8 participants by assisting them in transitioning from rental assistance to homeownership using Section 8 rental assistance. SHHP estimated that 10 - 20 individuals and families would purchase homes under this program within the first 12-15 months.

In November 2003, SHHP added a Section 8 homeownership demonstration program for non-disabled families. SHHP's intent is to assist five Welfare to Work (WtW), Family Self-Sufficiency (FSS) and other eligible non-disabled participants in its Section 8 rental assistance program. If the program is successful, SHHP may expand the program in subsequent years. As SHHP added this new homeownership program, it moved its entire Section 8 homeownership program under HUD's final rule. As it moves to the Section 8 homeownership final rule, SHHP conforms to HUD's revised regulations, and establishes policies and procedures for all populations it serves through this program.

Homeownership assistance offers families a special housing option for families that receive Section 8 tenant-based assistance from SHHP. Current Section 8 participants who are interested in homeownership and meet SHHP/HUD program requirements are eligible to apply for the program. This handbook, along with SHHP's administrative plan, will provide the information that an agency and participant need to navigate the process.

- The roles of the federal Department of Housing and Urban Development (HUD) and the Colorado Housing and Finance Authority (CHFA)

The Section 8 homeownership program is a collaborative effort between the State of Colorado's Department of Human Services (CDHS), the federal Department of Housing and Urban Development (HUD) and the Colorado Housing and Finance Authority (CHFA).

The state's housing agency Supportive Housing and Homeless Programs (SHHP) administers a large HUD Section 8 rental assistance program for people with disabilities and other special needs; in April 1999, HUD issued a proposed rule that allowed Section 8s to be used for homeownership; the Colorado Housing and Finance Authority created a new loan program, *HomeAccess*, to provide very low-income people with mental and physical disabilities who cannot qualify for a mortgage with existing disability loan products the opportunity to own their own home. In November 2003, SHHP created a demonstration Section 8 homeownership program for non-disabled families, again in conjunction with CHFA. This program combines Section 8s with CHFA's *Mortgage Revenue Bond (MRB) First Step* and *Taxable Home Opener* loan products, to provide participants a slightly below-market mortgage option. Together these agencies are offering the Section 8 homeownership program.

Because of the collaborative effort between three major agencies, participants must comply with all three agencies' requirements. Every effort has been made to insure these requirements are compatible and can be addressed in the simplest way possible by those participating in this process. However, not all rules, regulations and policies may be included in this handbook.

In the case unforeseen questions and situations arise in which a determination must be made on issues pertaining to this Section 8 homeownership program, a careful review of all policies and regulations will be completed and a determination made by staff from the three agencies.

- Eligibility criteria

Qualified participants may freely choose whether to continue with their rental assistance or request homeownership assistance. SHHP's briefing packet contains information on the homeownership option that explains the program is voluntary and limited to families who are eligible under terms expressed in SHHP's handbook.

If a family wishes to pursue the homeownership option, a family must meet the general requirements for participation in the SHHP's Section 8 tenant based program, received SHHP Section 8 rental assistance for a minimum of one year, and be a participant in good standing (the family has not violated any Section 8 program regulations or policies). The family must sign the statement of homeowner obligations and must be able to comply with the additional special requirements for homeownership assistance as specified in this handbook and SHHP's administrative plan.

This program is for first-time homebuyers. A first-time homebuyer is defined by HUD as any person who has not had an ownership interest in a home in the last three years. HUD allows authorization to permit Section 8 homeownership assistance for "any other family" as the HUD Secretary may prescribe, that is for a family other than a first-time homebuyer. An exemption may be made under circumstances identified in this plan or by subsequent HUD first time homebuyer interpretations or changes in SHHP policies.

Once SHHP has determined an applicant is eligible according to SHHP/HUD requirements, SHHP will provide the applicant with a Section 8 homeownership certificate declaring the applicant's eligibility for this program. The certificate of eligibility is not a guarantee that the applicant will be able to purchase a home, but merely specifies that the applicant can begin the home purchasing process. The Section 8 homeownership eligibility certificate provides real estate and lending professionals information that they need to assess the applicant's Section 8 income qualifications. Other considerations such as the housing market, the applicant's credit history, current income, ability of the applicant to fulfill these requirements will determine ultimate results.

The certificate of eligibility will estimate SHHP's housing assistance payment made on behalf of the recipient, the unit size, and other pertinent information. The certificate must be presented to the homeownership professionals who will assist the applicant in purchasing a home.

- Outreach

SHHP will market this program to all housing coordinators who administer SHHP's Section 8 rental assistance program at the local level and to the Section 8 recipients they serve. Because of the complexity of the homeownership program and the need to execute the program at the local level, SHHP will train housing coordinators regarding how this program differs from the Section 8 rental assistance program and on the real estate steps needed to assist consumers in purchasing their own homes.

- Income Requirements

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.

SHHP will review all income and other pertinent information to ensure the participant is likely to fulfill the homeownership obligations under the Section 8 homeownership program and there is a high likelihood for success. SHHP will count as income any income allowed under the Section 8 rental assistance program in calculating gross family contribution and monthly housing assistance payments. SHHP will consider other factors that would allow the family to afford the home, such as financial gifts and grants, the cost and location of the home, etc. Lenders will conform to income requirements as specified under FHA regulations and policies. Income from food stamps and roommates will not be counted as income but can be used as compensating factors if well documented by the lender.

- Preferences

Preferences are given to those who work, are participating in SHHP's Family Self Sufficiency, Welfare to Work, and/or other education programs.

- Minimum Down payment or Equity Requirements

SHHP requires a minimum borrower contribution toward down payment of \$750 by participants with disabilities, and \$1,000 by non-disabled participants. This contribution toward down payment can come from a gift, subject to the requirements of the Mortgage Loan insurer or guarantor. SHHP works closely with non-profit agencies advancing the cause of homeownership for persons with disabilities and special needs. These agencies have been successful in accessing funds for downpayment, closing and other expenses. Funding from Community Development Block Grants and other federal, state, or local funding is not prohibited. SHHP anticipates that participants in the Section 8 homeownership program, or their advocates, may apply for additional funding from these resources.

- Continuing rental assistance if the family does not find a suitable house to buy

A family has 120 days from the time SHHP issues a homeownership certificate to the family in which to find a home, secure financing and close on the purchase. If the family hasn't closed within this time frame, the family may make a written request to SHHP to extend the certification of eligibility for a new 120-day search period. If the family still hasn't closed within the extended time frame, the family may request re-certification of eligibility by submitting a new Application for Section 8 Homeownership Assistance form to SHHP. If family income or composition information changes during the certified search period, the service agency housing coordinator will provide SHHP with updated HUD form 50058 information and verify this information for the agency's file.

SHHP may rescind the homeownership program for this family if it fails to execute the closing within this time frame. The family would not lose its rental assistance if it fails to find a home within the certified search period.

- Homeownership counseling

All homebuyers must attend homeownership education classes that meet FHA guidelines and are provided by Colorado Housing Finance Authority (CHFA) approved agencies. Specialized classes are provided for persons with disabilities who require additional assistance or special accommodations. The home ownership counseling class must be completed satisfactorily prior to signing the contract. The homebuyer may also complete post-purchase counseling if needed. All post-closing classes and educational strategies approved for this program will be tailored to participants' needs and disabilities.

- Eligible homes

A family may choose an existing home or one under construction. Newly constructed homes are eligible for assistance if the home is under construction at the time the family contracts to purchase the unit. The term "under construction" means that the basement or the footings/slab has been poured. Signed contracts must not allow an increase in the home price without SHHP approval.

- Inspections

The family must hire an independent, professional home inspector to perform a visual inspection

and produce a written report of the condition of the property for the buyer. The purpose of this examination is to describe observable major defects that require repairs. This is not a Housing Quality Standards inspection.

The family selects the professional home inspector and the family may select only a contractor that fits within normal professional standards; for example: a licensed contractor, architect or certified single family home inspector. A copy of the independent inspection report must be provided to SHHP. SHHP and the family may discuss the results of the inspection. The family and SHHP must determine if any pre-purchase repairs are necessary.

The home chosen by the family must also pass an initial SHHP/HUD Housing Quality Standards (HQS) inspection. This is the same HQS inspection used for the rental assistance program. SHHP's trained local housing coordinators will conduct the HQS inspection when the home is 100% ready for occupancy. The home must pass HQS before the family may close on the unit. In addition, housing coordinators will conduct annual HQS inspections to help families maintain their homes in a safe, decent and sanitary fashion. This will also help families maintain the asset value of their homes over time.

- Financing and purchasing requirements

Lenders in this pilot program are Citywide Financial, El Paso Mortgage, and UniFirst Mortgage. Colorado Housing and Finance Authority (CHFA) selected these lenders based on their experience in lending for persons with disabilities and special needs in the community and performing hardship loans, and for their ability to provide statewide coverage. CHFA will buy the loans from the approved lenders and service the loans after closing.

It is the responsibility of the family to secure its own financing for the home purchase from a lender approved by CHFA. SHHP will not directly or indirectly reduce housing choice for a family and a family may contact any lender it wishes. SHHP will provide a lender list and their local contacts to those who are eligible for the program.

Borrowers with Section 8 assistance may use this rental assistance to help them qualify for a mortgage. This assistance may be applied directly against their mortgage payment, if the borrowers secure a conventional uninsured mortgage loan, or a loan with an approved private mortgage insurer. This allows borrowers to qualify for a higher first mortgage. The borrowers would then qualify on the remaining payment after the Section 8 is applied. By underwriting this way, the family will have other sources of income for other bills, living expenses and the amount of the remaining mortgage payment after the Section 8 assistance reduction has been applied.

Those non-disabled borrowers who require a FHA-insured loan are subject to the FHA underwriting guidelines of Mortgagee Letter 2001-20. Under these guidelines, the monthly Section 8 subsidy is treated as income in determining the homebuyer's qualifying ratios. The amount of the subsidy may be "grossed up" by 25% and added to the borrowers' income from employment and/or other sources in calculating the qualifying ratios. SHHP Section 8 participants with disabilities are exempt from the FHA underwriting requirements, under demonstration status granted to SHHP by HUD/FHA.

Lenders and SHHP will coordinate information regarding sources of income when qualifying a

family for a house payment.

There is no prohibition against using local or state Community Development Block Grants (CDBG) or other subsidized financing in conjunction with the Section 8 homeownership program.

CHFA/SHHP will review seller financing on a case-by-case basis. CHFA/SHHP requires a maximum loan to value consistent with FHA guidelines and allows balloon payments in accordance with CHFA Home Access program requirements.

- Contract of sale

The family enters into a contract of sale with the seller. The family becomes obligated for the whole mortgage payment in event of termination of assistance.

- Second mortgage program

Based on need, CHFA's Home Finance Division may provide funds to assist borrowers with down payment assistance. The second mortgage would be due in full upon sale or refinancing of the property, transfer of title, death of the borrower (although there are survivor rights), and when the home is no longer the family's primary residence.

- Co-signers and co-borrowers

These terms are often used interchangeably. Under SHHP's Section 8 program, a co-borrower is a family member (by HUD definition) living in the unit whose income and debts, along with those of the borrower, are included in calculating qualifying income.

Under SHHP's Section 8 program, a non-occupying co-signer can sign the Note, which makes the co-signer obligated to repay the loan should the borrower default. A co-signer does not take title to the property but simply adds strength and support to the loan. The co-signer cannot sign the Deed of Trust or the Warranty Deed. Only the Section 8 purchaser may hold title to the property while the purchaser receives Section 8 assistance. A good example of a co-signer is a parent who co-signs on the Note so a son or daughter can purchase a home.

- Maximum homeownership assistance term

The maximum Section 8 homeownership assistance term for participants with disabilities will be governed by the term of the loan. The maximum Section 8 homeownership assistance term for non-disabled participants is 15 years if the term of the loan is 20 years or longer, or 10 years otherwise.

- SHHP policy for payment of the HAP to the family or lender

Since Section 8 funding is subject to annual appropriations, SHHP cannot guarantee that assistance will be available for the term of the loan.

SHHP pays the monthly homeownership assistance payment on behalf of the family that is equal to the lower of a) the payment standard minus the total tenant payment; or b) the family's monthly homeownership expenses minus the total tenant payment. SHHP will make the assistance payment directly (via electronic funds transfer) to CHFA for families with members who have disabilities. For non-disabled families, SHHP will make the assistance payment to CHFA in the form of a hard copy check mailed to the borrower. The borrower then sends this check along with

a check for their portion of mortgage payment to CHFA.

In regard to loans secured through the US Department of Agriculture/Rural Development, USDA/RD will access the participant's portion corresponding to this mortgage debt from the participant's bank account. This portion will be in addition to the participant's CHFA mortgage payment.

- Homeownership expenses and allowances

Homeownership expenses are considered to be the amount paid by the family for the principle, interest, taxes and insurance (PITI) and if needed the mortgage insurance premium.

Homeownership allowances are considered to be SHHP's utility allowance standard, a repair/reserve amount equal to 1% of the purchase price of the home, and any homeowner association dues.

- Portability

Since SHHP is a statewide Public Housing Agency (PHA) and has the same jurisdiction as every local housing authority in Colorado, portability within the state is not allowed per HUD regulations. If a family is eligible for portability to another state, the family may select a home in the jurisdiction of another PHA, if the receiving PHA is approving units under the Section 8 homeownership option. The receiving PHA may absorb the family into their Section 8 program or bill the initial PHA for the housing assistance payments. The receiving PHA will arrange for any necessary counseling. The receiving PHA homeownership policies will apply to the portable family.

- Recapture

SHHP will not recapture voucher homeownership assistance on the sale or refinancing of a home purchased under its Section 8 homeownership program. However, program participants may be subject to IRS recapture provisions, and those of any other lenders SHHP may partner with in future. It is imperative that the owner notifies SHHP and CHFA of any sale or refinancing plans.

- Sale of home

The family may not sell the home unless SHHP has approved the sale.

- Mortgage default

Lenders have questioned what will happen to the home if the participant stops making payments. SHHP will be in monthly contact with CHFA to ensure all participants are current in payments. The family must sign an agreement to allow CHFA and SHHP to share information regarding the homeownership process and documents. If, at some point, a participant is delinquent in making a payment SHHP will notify the participant's sponsoring agency to see if the matter can be resolved.

Per HUD's final rule, SHHP may not provide homeownership assistance for a family if any member was an adult member of a family at the time such family received assistance under the homeownership option and defaulted on the mortgage securing the purchase of the home. SHHP, in its discretion, may permit the family to move to a new unit with continued voucher rental assistance. Any decision to deny rental assistance is based on Housing Choice Voucher Program rental assistance regulations and policies as addressed in that section of the administrative plan.

- Denial to move or termination of assistance payments

At any time, SHHP may deny permission to move, or continue with housing assistance payments at the current location, in accordance with Section 982.552 including termination of assistance for violation of any family obligations described in Section 982.632 and as addressed in SHHP's administrative plan. Failure to comply with scheduled mortgage payments and/or policies and regulations in SHHP's administrative plan and CHFA or HUD/FHA regulations may initiate normal foreclosure processes.

- Supportive services

SHHP's program strengths and successes lie in its partnerships with more than 70 local service providers. This partnership puts the "supportive" in SHHP's name. The local agencies' housing coordinators provide SHHP's housing participants with a myriad of flexible services of choice to enable participants the best opportunities to succeed. These services include, to name a few, case management, counseling, budget assistance, health and employment assistance. The housing coordinators go beyond just administering the homeownership program at the local level. They provide tenant counseling and build collaborative, long-standing relationships with the participants and their community resources. They will continue to offer case management and other services after a Section 8 participant purchases a home.

SHHP will also provide continuing monitoring of the Section 8 homeownership program and supportive services provided to buyers. SHHP maintains a close professional relationship with its agencies. It keeps agencies informed of HUD's rules and regulations and ensures each agency has up-to-date information and training. SHHP provides briefing packets to prospective buyers, lenders, and others and ensures HQS inspections, homeownership counseling, and other requirements of the program are completed satisfactorily.

Supportive Housing and Homeless Programs' responsibilities. SHHP will:

- provide information on homeownership through its briefing packet
- ensure the Section 8 participant is aware there is choice in choosing the homeownership option or voucher assistance
- determine the eligibility of a Section 8 rental assisted family to participate in the Section 8 homeownership program which includes:
 1. a family must meet the general requirements for participation in the SHHP's Section 8 tenant based program
 2. have received SHHP Section 8 rental assistance for a minimum of one year, and
 3. be a participant in good standing (the family has not violated any Section 8 program regulations or policies)
 4. the family must also be able to comply with the additional special requirements for homeownership assistance as specified in this handbook and SHHP's administrative plan
- assess the buyer's ability to provide a minimum \$750 borrower contribution toward down payment (participant with a disability), or \$1,000 (non-disabled participant).
- determine initial affordability of the home based on financing package and any inspection repair costs
- issue a Section 8 homeownership eligibility certificate
- use SHHP's utility allowance schedule applicable to SHHP's Section 8 rental assistance program

- use SHHP's payment standards (PS) applicable to Section 8 rental assistance program. The PS is based on the lower of the family size or the payment standard for the size of the home. If the home is located in an exception rent area, SHHP will use the appropriate payment standard for the area
- issue the lender a final estimate of SHHP housing assistance payment before closing
- make housing assistance payments to CHFA based on the lower of total payment standard minus the participant's total homeownership payment (THP) or monthly homeownership expenses minus the total homeownership payment (THP)
- make an electronic housing assistance payment (HAP) to CHFA on or before the first of every month on behalf of the participant with a disability. SHHP will make HAP payment to CHFA for non-disabled participants via a hard copy check mailed in care of borrower; borrower will send family's portion of payment with SHHP's check to CHFA.
- notify CHFA of any changes in payments
- at least annually reexamine the homeowner's income and family composition to determine appropriate payments and make adjustments as necessary
- determine if family can be issued a new voucher, or continue with their present rental voucher if suitable home and/or financing is not obtained by the deadline provided to family
- determine any requirements for continuation of homeownership assistance based upon Section 8 rental assistance rules and policies as stated in its Section 8 administrative plan
- not allow any recapture provisions in the sales contract unless there are recapture provisions associated with the family's home financing
- approve a live-in aide if needed and if a reasonable accommodation is requested in writing
- maintain a record of the families participating in the homeownership program and provide HUD with requested data
- assist the homeowner as much as possible to dispose of the home in event of foreclosure

Section 8 homebuyer responsibilities. The family must:

- have been receiving Section 8 rental assistance through SHHP for a minimum of one year
- be a Section 8 recipient in good standing; i.e., the family has not violated any Section 8 program regulations or policies
- meet the HUD definition of first time homebuyer
 - meet all eligibility criteria as specified in this handbook and SHHP's administrative plan
- enter into a Statement of Homeowner Obligations Agreement prescribed by SHHP and HUD and comply with provisions within that agreement.
- agree to use the home as their sole residence and have no homeownership interest in any other residence
- comply with all CHFA approved lender requirements and FHA regulations
- attend homeownership counseling prior to purchase and post-purchase (if necessary), which is offered by CHFA qualified counseling providers
 - secure the family's own financing through a CHFA approved lender under this Section 8 program
 - be able to make their portion of the monthly payment in a timely fashion
- sign a release allowing SHHP to exchange information on the borrower with CHFA, originating lender, and realtor regarding the loan (the Statement of Homeowner Obligations)
- provide a minimum borrower contribution toward down payment of at least \$750 (participant with a disability), or \$1,000 (non-disabled participant)

- find and close on a home within 120 days (after homeownership certificate is issued) unless waived by SHHP
- report on progress in locating a unit at such intervals and times as determined by SHHP
- enter into a sales contract with the seller
- secure an independent, professional home inspector to inspect the home and a HUD Housing Quality Standards inspection; and submit the reports to SHHP
- agree to maintain the condition of the home to comply with minimum HUD Housing Quality Standards (HQS)
- acknowledge that termination of assistance for failure to comply will follow termination process as stated in HUD Section 8 rental assistance regulations and SHHP's Section 8 rental assistance and homeownership administrative plans
- acknowledge that family becomes obligated for the whole mortgage payment in event of termination of assistance

Lender responsibilities. Lenders will:

- be an approved Colorado Housing Finance Authority (CHFA) lender
- comply with SHHP and CHFA's requirements for financing the purchase of a home assisted under this program
- comply with the basic mortgage insurance credit underwriting requirements for FHA insured single family mortgage loans (exception will be made for SHHP's demonstration status for underwriting Section 8 homeownership loans for families with members who are persons with disabilities)
- consider all family income as income which qualifies the family for a house payment (excluding the Section 8 housing assistance payment made by SHHP, except when utilizing underwriting guidelines for FHA-insured loans)
- consider Section 8 housing assistance paid by SHHP as a direct reduction or buydown of the house payment and not as a source of income (when utilizing a conventional uninsured type mortgage loan, when underwriting FHA loans for families with members who are persons with disabilities, or when underwriting using an approved private mortgage insurer)
- submit a Good Faith Estimate to SHHP prior to closing

CHFA's responsibilities

- provide mortgage product appropriate for SHHP Section 8 homeowners through the HomeAccess, HomeAccess Plus, MRB First Step or Home Opener programs
- provide second mortgage to eligible SHHP homeownership participants
- purchase and service loans after homebuyers close on their properties
- report any late (payment not received within 15 days of due date) payment to SHHP
- work with SHHP to resolve any issues that arise regarding homeowners' loans during the course of the mortgage term

The sponsoring agency's responsibilities. The agency must:

- provide information on Section 8 homeownership program to their Section 8 participants
- provide forms and assistance on as-needed basis to those who wish to participate
- conduct a Housing Quality Standard (HQS) inspection when the home is ready for occupancy, and annually thereafter
- provide follow-up support to homeowners to help them maintain housing stability

Underwriting Guidelines

- Applicant has met SHHP's eligibility standards
- Standard FHA guidelines prevail for the underwriting process (exception for Section 8 homeownership demonstration program for persons with disabilities)
- Down payment and other needed expenses may come from grants, loans or gifts per FHA guidelines
- Co-signer is acceptable
- Applicant must have good traditional credit; in the absence of traditional credit, alternate types of credit may be used according to FHA guidelines (e.g., rental payments of 12 months or more)
- \$750 minimum borrower contribution toward down payment by participants with disabilities; \$1,000 by non-disabled participants
- CHFA approved homebuyer education required: minimum 4 hours pre-purchase; post-purchase counseling provided through annual homebuyer reunion classes and variety of post-closing education strategies
- Required inspection by professional inspector (this is not an HQS inspection)
- Rehab dollars can be put into first mortgage
- Repairs or rehab needed for disability may be included in the loan if value supports inclusion and falls under FHA guidelines.

FORMS

- **Application for Section 8 Homeownership Assistance**
- **Certification of Section 8 Homeownership Eligibility**
- **Statement of Homeowner Obligations**
- **Program Guidelines**

COLORADO DEPARTMENT OF HUMAN SERVICES/SHHP
APPLICATION FOR SECTION 8
HOMEOWNERSHIP ASSISTANCE
(TO BE COMPLETED BY THE SECTION 8 PARTICIPANT AND SUBMITTED TO THE
RESIDENTIAL COORDINATOR/SHHP)

Section 8 Participant Head of Household _____
Phone Number _____ Email Address _____
Social Security Number _____

List all family members:

1. _____ Relationship _____ SS# _____
2. _____ Relationship _____ SS# _____
3. _____ Relationship _____ SS# _____
4. _____ Relationship _____ SS# _____
5. _____ Relationship _____ SS# _____

Are you a first time homebuyer? Yes _____ No _____

Annual income _____ Family Self-Sufficiency (FSS) participant Yes _____ No _____

Family member(s) currently employed 30 hours or more per week, and number of hours employed during previous year (non-disabled applicants only)

Do any family members need an accessible unit? Yes _____ No _____

If you intend to have a co-borrower on your home loan, please complete the following:

Co-Borrower _____ SS# _____

Will you require down-payment assistance in order to buy a home? Yes _____ No _____

How long have you received rental assistance from Supportive Housing & Homeless Programs?

More than 1 year ___ More than 2 years ___ More than 5 years ___ More than 10 years ___

Section 8 Participant Head of Household

Date

Residential Coordinator

Date

**COLORADO DEPARTMENT OF HUMAN SERVICES
SUPPORTIVE HOUSING & HOMELESS PROGRAMS
Certification of Section 8 Homeownership Eligibility**

LENDER NOTE: THIS IS AN ESTIMATE ONLY

***** PARTICIPANT NOTE: THIS IS NOT A LOAN COMMITMENT *****

This document is completed by SHHP and sent to the Housing Coordinator/Participant.

Participant provides this to the lender as verification of eligibility. A final form, the "Homeownership Worksheet Calculations", will be completed after SHHP obtains evidence of a signed contract, income verifications, utilities and underwriting criteria from the lender. SHHP will review PITI and other homeownership expenses to determine SHHP's monthly payment to the lender.

PARTICIPANT FAMILY NAME _____

SPONSORING AGENCY _____

UNIT SIZE (Number of bedrooms authorized for assistance) _____

GROSS ANNUAL INCOME (Sum of income below)

Sources:

Pension	_____
Own Business	_____
Social Security	_____
Military Pay	_____
SSI	_____
TANF	_____
General Assistance	_____
Wages	_____
Child Support	_____
Unemployment Benefits	_____
Assets	_____
Other	_____

SHHP PAYMENT-Based on the participant's current income and monthly rental expenses, the maximum allowable Section 8 assistance which may be applied to mortgage payment is:

\$_____ (estimate only)

COMMENTS _____

DATE OF ISSUE (Date certificate issued to family) _____

EXPIRATION DATE- 120 DAYS from the issue of the Certificate of Eligibility.

Deadline for purchasing a home: _____

EXTENDED EXPIRATION DATE (Granted on case-by-case basis) _____

Signature of SHHP Official

Date

Signature of Participant Family Head of Household

Date

STATEMENT OF HOMEOWNER OBLIGATIONS

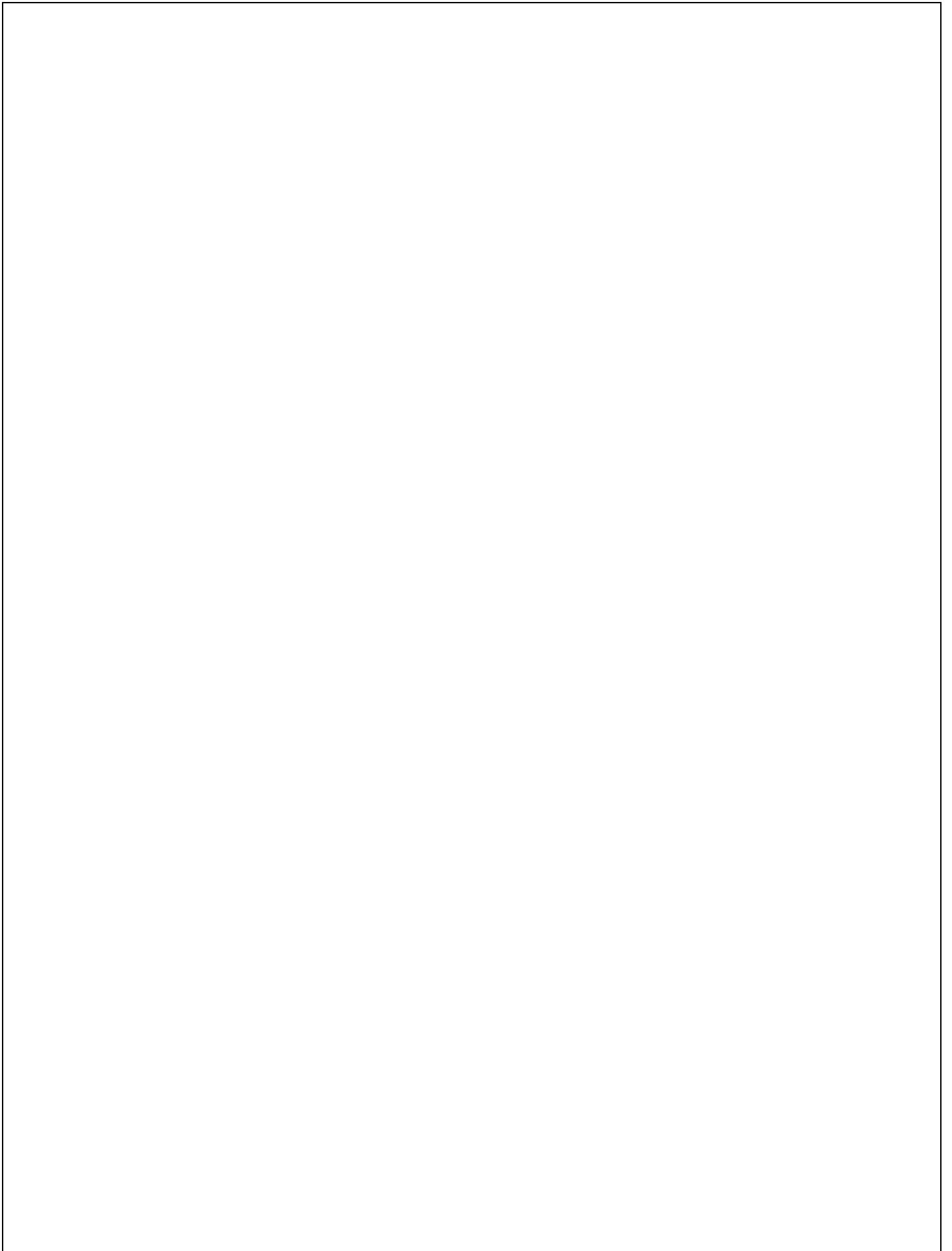
The Family Must:

- have been receiving Section 8 rental assistance through SHHP for a minimum of one year
- be a Section 8 recipient in good standing; i.e., the family has not violated any Section 8 program requirements
- meet HUD first time homebuyer definition
- meet all eligibility criteria as specified in this handbook and SHHP's administrative plan
- enter into this Statement of Homeowner Obligations Agreement prescribed by HUD and comply with provisions within this agreement
- agree to use the home as their sole residence
- comply with all CHFA and FHA lender requirements
- attend homeownership counseling prior-to-purchase and post-purchase, which is offered by CHFA qualified counseling providers
- secure the family's own financing through a CHFA approved lender
- make the monthly payment of the family's portion of the mortgage
- allow their portion of the payment to be collected by CHFA through a mandatory electronic withdrawal (family with a disabled member); non-disabled participants must mail CHFA a personal check with SHHP's housing assistance check (made payable to CHFA and mailed to the borrower).
- make funds available for electronic withdrawal between the 1st and 5th of the month; personal checks from non-disabled participants must be mailed to CHFA within the same time-frame
- set aside the equivalent of 1% of the purchase price of the home divided by 12 months as a monthly repair/reserve (e.g. \$100,000 purchase price X 1%, divided by 12 months = \$83 monthly repair/reserve). SHHP computes the repair/reserve allowance as part of its homeownership calculations.
- pay its own utilities, based on HUD utility allowances. SHHP computes the utility allowance as part of its homeownership calculations.
- pay its own Homeowner Association dues, if the family purchases a unit with such dues. SHHP computes Homeowner Association dues as part of its homeownership calculations.
- sign a release (this form) allowing SHHP to exchange information on the borrower with CHFA, USDA/RD (where necessary), originating lender, and realtor regarding the loan
- provide a minimum borrower contribution toward down payment of \$750 (families with members who are persons with disabilities); provide a minimum borrower contribution toward down payment of \$1,000 (non-disabled families)
- find and close on a home within 120 days unless waived by SHHP
- report on progress in locating a unit at such intervals and times as determined by SHHP
- enter into a sales contract with the seller
- secure an independent, professional home inspector to inspect the home and report to SHHP
- agree to maintain the condition of the home to comply with HUD Housing Quality Standards
- acknowledge that termination of assistance for failure to comply will follow termination process as stated in HUD Section 8 rental assistance regulations and SHHP's Section 8 rental assistance and homeownership administrative plans
- acknowledge that family becomes obligated for the whole mortgage payment in event of termination of assistance
- agree the family may not sell the home unless SHHP has approved the sale.

Signature

Date

NOTE: Your signature on this page signifies your agreement to the Statement of Homeowner Obligations and Program Guidelines



PROGRAM GUIDELINES

- 1) Supportive Housing and Homeless Programs (SHHP) has determined that the above-named family is eligible to participate in the Section 8 homeownership program. Under this program, the family has 120 days to conduct a housing search to include contacting lenders and real estate professionals, locating an appropriate home for purchase, and closing on that home. The family may request in writing an extension of an additional 120 days on the initial Certification of Eligibility.
- 2) During the initial or extended term of this certificate, SHHP may require the family to report progress in locating a home at such intervals and times as determined.
- 3) If the lender agrees to finance the home purchase and the buyer closes on a contract with the seller, SHHP will make its portion of monthly assistance payments on behalf of the family.
- 4) SHHP's payment, based on the program's regulations and policies, will be made by SHHP to the Colorado Housing and Finance Authority (CHFA) between the 1st and 5th of each month via electronic deposit (for families with members who are persons with disabilities). SHHP will pay CHFA via hard copy check made in borrower's name and mailed to borrower, to be included with homeowner's payment sent to CHFA in the same time-frame (for non-disabled families).
- 5) The buyer is responsible for paying the family's portion of the mortgage to CHFA between the 1st and 5th of each month through electronic transfer of funds, or via hard copy check as noted in #4.
- 6) SHHP determines the amount of the monthly housing assistance payment to be paid based on program regulations. Generally, the monthly housing assistance payment is based on the lower of the total payment standard minus the participant's total homeownership payment (THP) or monthly homeownership expenses minus the total homeownership payment.
- 7) SHHP computes allowances for repair/reserve, any Homeowner Association dues, and utilities as part of its monthly housing assistance payment calculations. The family must maintain a repair/reserve fund for ongoing home maintenance, and pay any Homeowner Association dues and utilities.
- 8) SHHP is under no obligation to the family, to any lender, or to any other person, to approve any purchase unless it meets all requirements as outlined in HUD regulations and SHHP's administrative plan governing this program.
- 9) SHHP does not have any liability to any party by the issuance of this certificate of homeownership interest.
- 10) Section 8 funding is subject to annual appropriations.
- 11) This certificate is not a guarantee that the family will be able to purchase a home under this program. The family becomes a participant in the program when the purchase of a home is closed under the program's rules, regulations and policies, and CHFA begins receiving payments from both SHHP and the family.
- 12) Section 8 homeownership applicant and participant responsibilities. The individual/family shall:
 - Have received Section 8 rental assistance through SHHP for a minimum of one year.
 - Is a Section 8 recipient in good standing; i.e., the family has not violated any Section 8 program regulations or policies.
 - Is a first-time homebuyer as defined by HUD and FHA guidelines.
 - Meet all eligibility criteria as specified in the program handbook and SHHP's administrative plan.
 - Enter into a Statement of Homeowner Obligations Agreement and comply with provisions within that agreement.
 - Agree to use the home as their sole residence, and not have other homeownership interest in any other home.
 - Comply with all CHFA approved lender requirements and FHA regulations.

- Attend homeownership counseling prior to purchase and post purchase. Counseling is offered by CHFA qualified counseling providers.
 - Provide a minimum borrower contribution toward down payment of \$750 (families with members who are persons with disabilities); provide a minimum borrower contribution toward down payment of \$1,000 (non-disabled families)
 - Secure the family's own financing through a CHFA approved lender under this Section 8 Program.
 - Secure a HUD Housing Quality Standards (HQS) and independent, professional home inspections of the home.
 - Find and enter into a sales contract with the seller on a home within 120 days unless waived by SHHP.
 - Make the family's portion of house payment every month to the Colorado Housing and Finance Authority (CHFA) via electronic payment (families with members who are persons with disabilities), or via hard copy personal check sent with SHHP's hard copy housing assistance check (non-disabled families) between the 1st and 5th of each month.
 - set aside the equivalent of 1% of the purchase price of the home divided by 12 months as a monthly repair/reserve (e.g. \$100,000 purchase price X 1%, divided by 12 months = \$83 monthly repair/reserve). SHHP provides an allowance in the homeownership calculations based on this formula.
 - pay its own utilities, based on HUD utility allowances. SHHP computes the utility allowance as part of its homeownership calculations.
 - pay its own Homeowner Association dues, if the family purchases a unit with such dues. SHHP computes Homeowner Association dues as part of its homeownership calculations.
 - Sign a release (Statement of Homeowner Obligations) allowing SHHP to exchange information on the borrower with CHFA, USDA/RD (where necessary) originating lender, and realtor regarding the loan.
 - Acknowledge that termination of assistance for failure to comply will follow termination process as stated in HUD Section 8 rental assistance and homeownership rules and regulations and SHHP's' administrative plan.
 - Acknowledge that the family becomes obligated for the whole mortgage payment in event of termination of assistance.
 - Agree to maintain the condition of the home to comply with minimum HUD Housing Quality Standards (HQS).
- 13) **Illegal Discrimination:** If the family has reason to believe that, in its search for suitable housing it has been discriminated against on the basis of age, race, color, religion, sex, disability, national origin, or familial status, the family may file a housing discrimination complaint with any HUD Field Office in person, by mail, or by telephone. SHHP will give the family information on how to fill out and file a complaint.
- 14) **Expiration and Extension:** The certificate will expire on the date stated on the top of page one unless the family requests an extension in writing and SHHP grants a written extension. If an extension is granted, the extension date must appear on page one of the certificate.
- 15) **Agreement:** By signature above, the participant family agrees to all terms and conditions set forth in this homeownership assistance Document.



cdhs

Colorado Department of Human Services
people who help people



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