

35TH ANNIVERSARY CONFERENCE
2022 HOUSING MATTERS



Untapped Opportunities: PHA Homeownership Programs



PUBLIC HOUSING
AUTHORITY

HOMEOWNERSHIP
PROGRAMS

Housing Action IL Conference

10.20.22



WOODSTOCK
INSTITUTE

*Advancing Economic Security
and Community Prosperity*



SCALING UP A POWERFUL, YET
UNDERUTILIZED TOOL TO RESTORE
WEALTH BUILDING OPPORTUNITIES

AGENDA

- PHA Homeownership Program Overview
- Background on Our Research
- Findings
- Recommendations
- Next Steps

PHA Homeownership Program Overview

PHA HOMEOWNERSHIP: HUD's Program Overview

- To assist a family residing in a home purchased and owned by one or more members of the family
- A family assisted under the homeownership option may be a newly admitted or existing participant in the program
- **79** in the country

PHA HOMEOWNERSHIP: Forms of Homeownership Assistance

- A PHA may provide one of two forms of homeownership assistance for a family:
 1. Monthly homeownership assistance payments; or
 2. A single down payment assistance grant.
- A family may only receive one form of homeownership assistance.
- The PHA may choose to offer either or both forms of homeownership assistance or choose not to offer either form of assistance.
 - The family chooses to participate.

PHA HOMEOWNERSHIP: Initial Requirements

- Minimum down payment requirement of at least 3% of the purchase price with at least 1% coming from family's personal resources
- Requires that financing for purchase of a home:
 - Be provided, insured, or guaranteed by the state or Federal government;
 - Comply with secondary mortgage market underwriting requirements; or
 - Comply with generally accepted private sector underwriting standards

PHA HOMEOWNERSHIP: Determining Eligibility

- The family:
 1. has been admitted to the Housing Choice Voucher program
 2. satisfies any first-time homeowner requirements.
 3. satisfies the minimum income
 4. satisfies the employment requirements and
 5. has not defaulted on a mortgage securing debt to purchase a home under the homeownership option.

PHA HOMEOWNERSHIP: CHA

Example of Eligibility

- **Income:** Household must meet income and employment requirements (Head of households who are senior and disabled have income exception), meeting or exceeding HUD's very low income limit of 50% of area median income (AMI).
 - For both public housing and HCV programs (including CTO), eligibility requires that CHA families' annual income not exceed HUD's Low Income Limit of 80% of AMI
 - **Credit:** Be credit worthy with scores of 640 or more and good credit history

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
50% of AMI	\$36,500	\$41,700	\$46,900	\$52,100	\$56,300	\$60,450	\$64,650	\$68,800

- **Savings/Down Payment:** Have \$3,000 in savings with capability of continuing to save (\$2,000 for HOH senior and disabled families).
- **Maintenance Reserve:** Have \$1,000 in personal savings prior to closing that will serve as a financial safety net for unexpected home repairs.
- **Lease Compliance:** Compliant with your CHA development or your HCV Landlord.

PHA HOMEOWNERSHIP: Regulations and Definitions

- Eligible units
- Additional PHA requirements for family search and purchase
- Homeownership counseling
- Home inspections, contract of sale, and PHA disapproval of seller
- Financing purchase of home; affordability of purchase
- Continued assistance requirements; Family obligations
- Maximum term of homeownership assistance

PHA HOMEOWNERSHIP: Regulations and Definitions

- Amount and distribution of monthly homeownership assistance payment
- Portability
- Move with continued tenant-based assistance
- Denial or termination of assistance for family
- Administrative fees
- Applicability of other requirements
- Pilot program for homeownership assistance for disabled families
- Down payment assistance grants

PHA HOMEOWNERSHIP: Most Active Participating IL PHAs

PHA Name	2015	2016	2017	2018	2019	2020	2021
Chicago Housing Authority	339	350	370	373	383	402	405
Housing Authority Cook County	53	54	61	70	87	91	90
DuPage Housing Authority	34	34	31	24	22	21	20
Springfield Housing Authority	23	22	20	19	18	17	17
Rockford Housing Authority	12	13	9	11	13	12	12
Peoria Housing Authority	10	10	13	12	10	9	9
Housing Authority of Joliet	9	9	9	8	6	6	6
Housing Authority of the City of Rock Island	6	5	4	2	2	4	4

Background: Research

BACKGROUND: Why this research?

Voucher holders want homeownership opportunities

We embarked on a research project to understand:

- the HUD regulations regarding the PHA homeownership program
- the local programs available in Cook County and
- the most common barriers to homeownership and best practices and innovation from across the country.

“I want to own my own home before I die. I am tired of moving. My health is not what it used to be, I am getting older.”

BACKGROUND: What we knew to start



- **There is a large and growing racial homeownership gap:** 74% of white families, 54% Latinx families, and 39% of Black families own their homes in the Chicago area
- **This gap is the direct result of racist public policy decisions and private market practices:** Redlining, racially restrictive covenants, contract buying schemes, predatory lending
- **The impacts are devastating and effect families across generations:** the median net worth of homeowners is 80 times that of renters

BACKGROUND: Methodology

- **Interviews & Surveys**

- Interviews with 7 Housing Choice Voucher holders
- Surveys to 438 Cook County and City of Chicago voucher holders and public housing residents
- Interviews with local housing authority staff and contracted counseling agencies and housing experts both locally and nationally

- **Data & Mapping**

REPORT CONTRIBUTORS

alphabetical

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We especially thank **Patrick Barberousse, Regina Cobb, Jerry Johnson, Darolyn Lee, Laura Martin, Susan Reed, Sharon Norwood**, and the **438 survey respondents** who took the time to share their thoughts, experiences, and wisdom with the report authors.

Findings

FINDING: PHAs have the tools to create homeownership opportunities

HUD launched the program in 2000, noting it as: **“one of the most exciting developments in tenant-based assistance,”** ... **“under this program, many low-income families will have the opportunity to use Federal housing assistance that would otherwise be paid to a landlord as rent to purchase and build equity in a home of their own.”**

What these programs do:



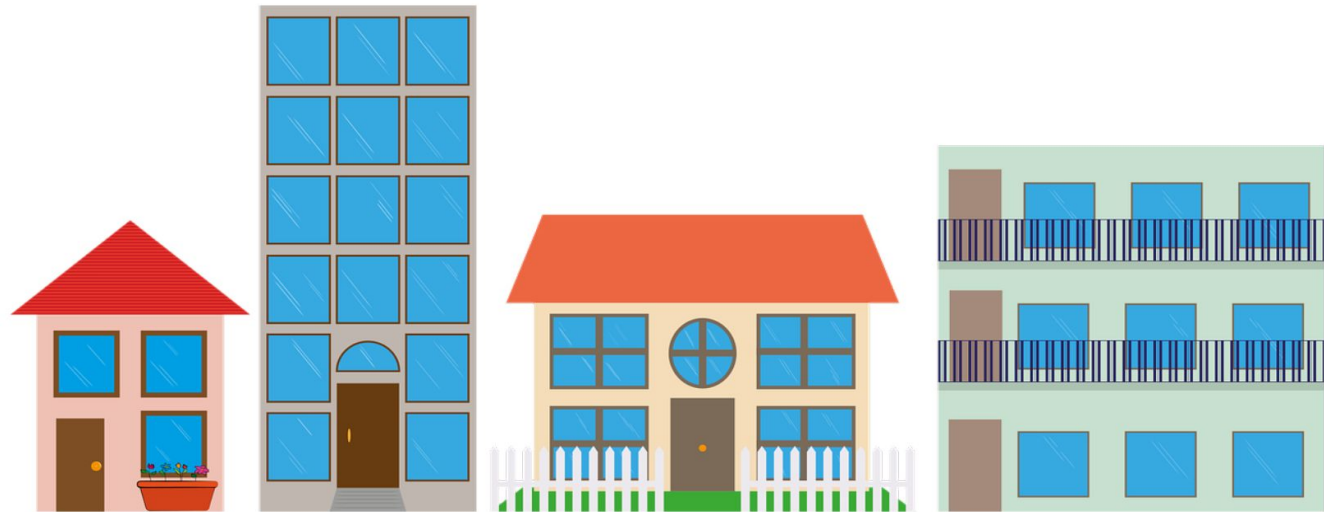
- shift rental subsidy to a homeownership voucher that can pay either a down payment or portion of one's mortgage costs each month and
- HUD offers broad flexibility for if and how these programs are implemented.

FINDING: These tools are currently underutilized

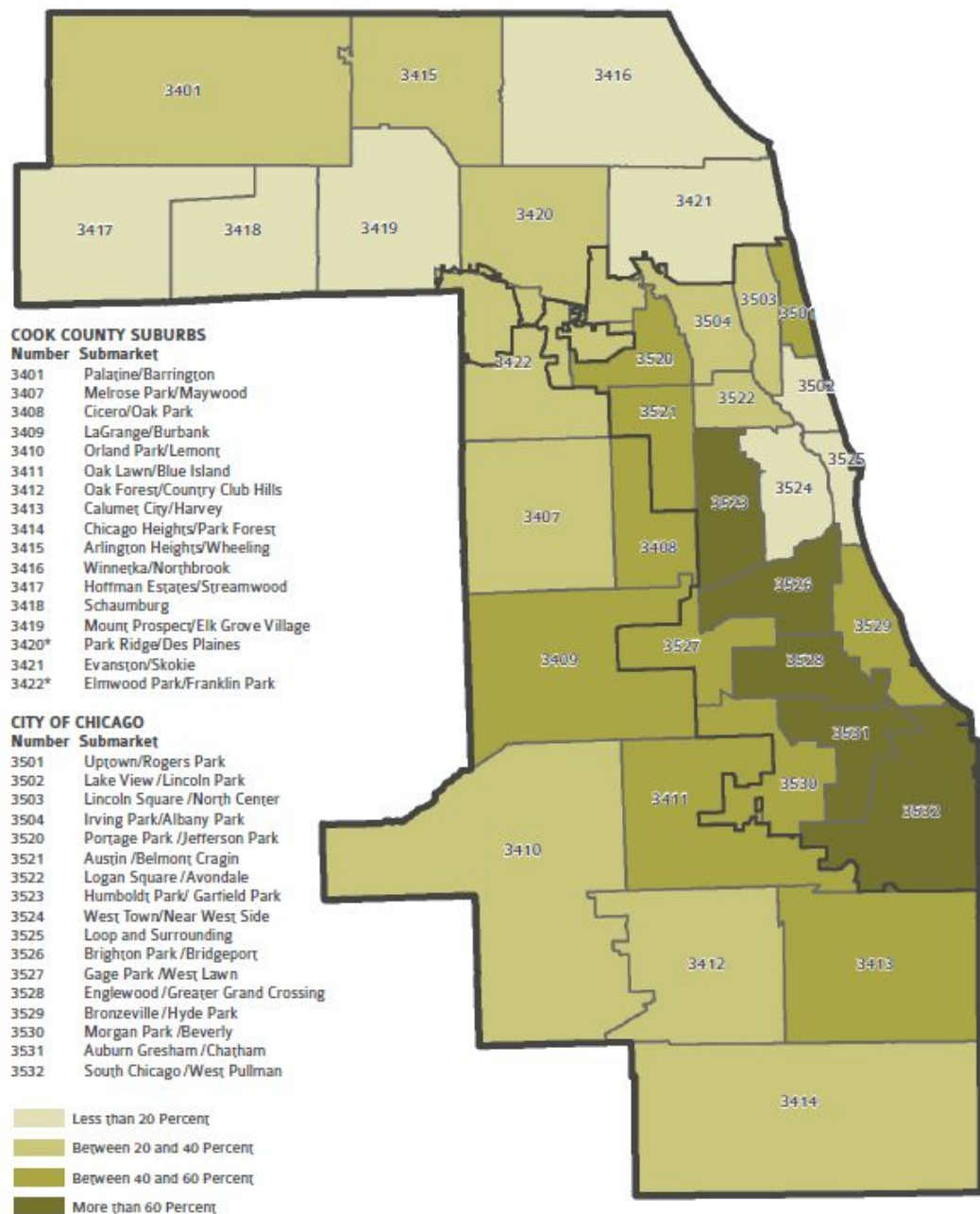
- Cook County has 6 housing authorities, yet only 2 (the Chicago Housing Authority and the Housing Authority of Cook County) have homeownership programs.
- The CHA's homeownership program was launched in 2002.
 - 681 families have purchased a home through the program.
- HACCC's program was launched in 2010.
 - From 2010-2019, about 100 participants successfully purchased homes through HACCC's program.

FINDING: Growing the program could broaden neighborhood access

“Owning a home would make my life different because it will allow stability within a community that I can actually call my own. As well, owning a home allows me to build equity. I will no longer be obligated to invest in my landlord’s equity by paying rent each month. I will proudly invest in my own equity.”



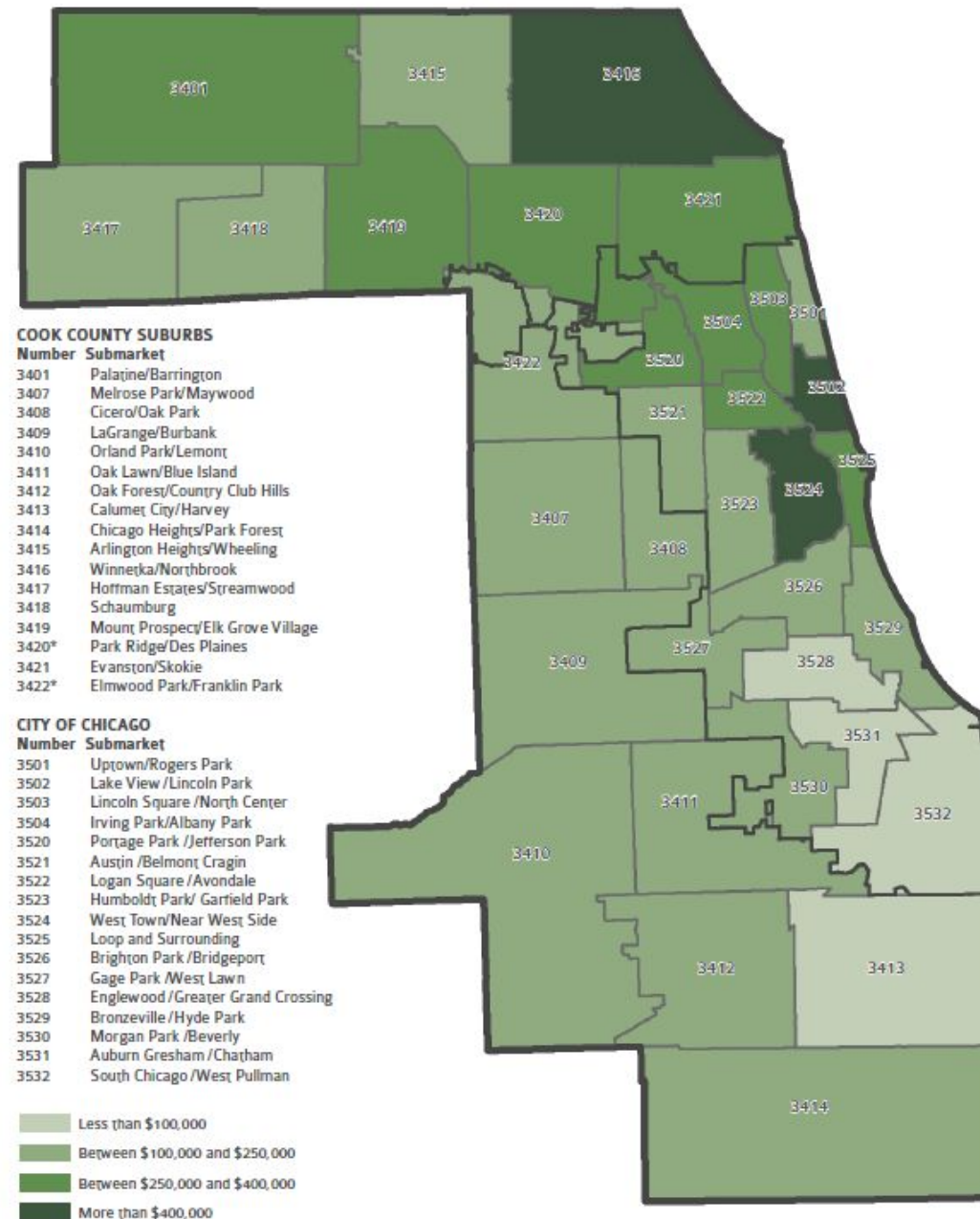
Share of Rental Housing Units that are Affordable, 2019
Cook County Submarkets



SOURCES: IHS CALCULATIONS OF DATA FROM ACS 1-YEAR PUMS DATA, U.S. CENSUS BUREAU

INSTITUTE FOR HOUSING STUDIES
AT DEPAUL UNIVERSITY

Median Sales Price of Single Family Homes and Condominiums, 2019
Cook County Submarkets



SOURCES: IHS CALCULATIONS OF DATA FROM THE COOK COUNTY ASSESSOR

INSTITUTE FOR HOUSING STUDIES
AT DEPAUL UNIVERSITY

FINDING: But for voucher holders, this is about reclaiming power

“Freedom. I don’t have to worry about being kicked out or given a notice. When something is wrong in the house... I won’t have to ask anybody... To be in control of your own home is everything.”

SHARON NORWOOD⁴



My children’s lives and mine would be less stressful and more fun. Living on the 3rd floor of an apartment, I’m constantly worrying if we’re being too loud, and always making sure my kids are walking, not running.

Having a home of our own would give us freedom, to run, dance, play, to decorate, paint, plant flowers, grow food. Knowing that we wouldn’t have to worry about renewing a lease every year, or moving from place to place.”

SURVEY PARTICIPANT

FINDING: Barriers to program participation must be addressed

Common barriers include:

- A lack of awareness of the program
- Lack of program marketing
- Need for one-on-one program support
- Income, savings, and credit score requirements were frequently noted barriers to program access and success
- Need for more consistent down payment assistance and
- Housing type and purchasing constraints.

“People don’t believe me when I say section 8 helped me buy my home. If people could see people who have successfully gone through the program, people will believe it. Right now, they don’t believe it.”

REGINA COBB²

FINDING: More research is needed on long term homeownership stability

- Specifically research on:
 - The investment needed to catalyze this program nationally;
 - Best practices regarding starting, maintaining, and innovating programs;
 - Homeownership program regulations to identify areas that can be amended to enhance program accessibility;
 - The potential of specialized FHA loan products, such as those that offer relaxed credit requirements or elimination of PMI; and
 - Program success rates long-term, including direct narratives from PHAs and program participants.

In Summary...

We find that this program:

- Has vast but underutilized potential
- Is a smart investment for families, housing authorities, and entire communities



Recommendations & Next Steps

RECOMMENDATIONS

HUD:

- Provide guidance and resources to PHAs
- Assess program regulations
- Work collaboratively to improve lending to participants

PHAs:

- PHAs without programs- launch new homeownership programs
- PHAs with programs- enhance education, outreach, and marketing; improve motivational content and peer support; work with partners to grow affordable home inventory and loan and grant products and supports


ADVOCACY

- Coalition of experts working to hone research recommendations
- Meeting with HUD
- Local pilots in Cook County and Chicago
- Documenting best practices and lessons learned

Questions & Feedback

- Questions?
- Survey





HOUSING CHOICE VOUCHER HOMEOWNERSHIP PROGRAM

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HCV HOMEOWNERSHIP REGULATIONS

24 CFR 982, SUBPART M
982.625-982.643

The Housing Choice Voucher (HCV) homeownership program allows families that are assisted under the HCV program to use their voucher to buy a home and receive monthly assistance in meeting homeownership expenses.

The HCV homeownership program is available only to families that have been admitted to the HCV program and it is not offered by every Public Housing Agency (PHA). PHAs have the discretion to determine whether to implement the HCV homeownership program in their jurisdictions.

CURRENT ILLINOIS PARTICIPATING HOUSING AUTHORITIES

Housing Authority	Homeownership Vouchers Utilized 2021
Chicago Housing Authority	405
Peoria Housing Authority	9
Springfield Housing Authority	17
Housing Authority of Champaign County	2
Housing Authority of the City of Rock Island	4
Rockford Housing Authority	12
Housing Authority of Joliet	6
Housing Authority of Cook County	90
St. Clair Housing Authority	1
Kankakee Housing Authority	2
Housing Authority of the City of Bloomington	2
Morgan County Housing Authority	2
Winnebago County Housing Authority	0
Knox County Housing Authority	1
DuPage Housing Authority	20
Housing Authority of the Village of Oak Park	2

SHA POLICY OVERVIEW

POLICY IMPLEMENTED IN 2000

The SHA implemented the HCV Homeownership Program option to further meet the SHA's mission to be the primary leader in providing quality, affordable housing to individuals and families while encouraging partnerships necessary for residents to develop self-sufficiency and be productive members of the community.

The SHA committed to issuing a minimum of ten (10) vouchers per year to eligible families, voucher availability permitting.

ELIGIBILITY REQUIREMENTS

- The family must meet the general requirements for admission to the SHA's HCV tenant-based voucher program.
- Preference Points are available as follows:
 - HCV Holder & FSS Participant (20pts)
 - HCV Holder > 1 Year (10pts)
 - HCV Holder < 1 Year (0pts)
- The family must not owe any debts to PHAs;
- Gross Annual Income > Federal Minimum Wage x 2000 Hours
- Full-time employment for the Previous 12 months (excludes disabled and elderly households)
- First-time Homebuyer (not owning a home in the previous 3 years)

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- The family must not owe any debts to PHAs.
- Gross Annual Income > Federal Minimum Wage x 2000 Hours.
- Full-time employment for the Previous 12 months (excludes disabled and elderly households)
- First-time Homebuyer (not owning a home in the previous 3 years)
- Complete homeownership counselling requirements.
- Household income must equal or exceed two times the payment standard for the family's unit size. *(NOTE: Public Assistance may not be used for meeting this requirement except for elderly or disabled households.)*

SHA POLICY OVERVIEW

TIMEFRAME FOR PURCHASE

- The family has 180 days to find a home and enter into a Contract for Sale.
- If the family does not enter into a Contract for Sale in 180 days, they may use the voucher for tenant based rental assistance.
- The Homeownership Voucher may be ported if the receiving HA administers a homeownership program AND is accepting new families.

PERMITTED OWNERSHIP ARRANGEMENTS

- A unit owned by the family where one or more family members hold title to the home (Homes previously occupied under a lease to purchase agreement are eligible); or
- A cooperative unit where one or more family members hold membership shares in the cooperative.
- The unit may **NOT** be any of the following: a public housing or Indian housing unit, a unit receiving HCV project-based assistance, a nursing home or long-term care facility, a college or school dormitory, a duplex, etc.

SHA POLICY OVERVIEW

CONTRACT OF SALE

- A Contract for Sale must be completed between the assisted family and the owner.
- The Contract of Sale must include:
 - Price of the home;
 - Terms of the sale;
 - Pre-purchase inspection requirements;
 - Notice that the sale is conditional upon inspection report;
 - Certification from the seller that he/she is not debarred/suspended from participating in this program.

INSPECTIONS

- The family must obtain an independent professional home inspection of the property at their expense;
- The SHA will conduct a Housing Quality Standards (HQS) inspection.
NOTE: The SHA reserves the right to disqualify a unit for inclusion in the homeownership program;
- If the home was constructed within sixty (60) days of the Contract of Sale and has remained unoccupied, the Certificate of Occupancy **may** be substituted for the pre-purchase inspection.

SHA POLICY OVERVIEW

FINANCING

- The family is responsible for obtaining financing. The rate and terms of the mortgage are subject to approval by the SHA. The lender should be a federally regulated financial institution. Any other lenders must be specifically approved by the SHA including any seller financing.
- The following forms of financing are **NOT** approvable by the SHA:
 - Balloon payment mortgages; and
 - Variable interest rate loans.

DOWN PAYMENT REQUIREMENTS

- Eligible families are required to provide at least 3% of the home purchase price as a down payment & a minimum of \$1,000 must be from their own funds.
- Elderly and disabled families are required to provide at least 3% of the home purchase price as a down payment & a minimum of \$500 must be from their own funds.

SHA POLICY OVERVIEW

TERM OF ASSISTANCE

- 15 year maximum for mortgages of 20 years or longer;
- 10 year maximum for mortgages less than 20 years.
- **NOTE:** Elderly & Disabled families are exempt from any time limits.

ASSISTANCE PAYMENTS

- The family's HCV monthly housing assistance payment will be the lower of:
 - The HCV Voucher – the TTP; or
 - The monthly homeowner expense – the TTP
- The SHA uses the same payment standard schedule outlined in the Admin Plan for the tenant based HCV voucher.
- The 40% initial rent burden cap does not apply to homeownership vouchers.
- HAP payments may be paid directly to the lender or directly to the family.
- If the family's income exceeds the HAP, eligibility for homeownership assistance will continue for 180 days and will terminate if there is no decrease in income after the 180 day period.

SHA POLICY OVERVIEW

FAMILY OBLIGATIONS

- The family must:
 - comply with the terms of the mortgage
 - not sell, convey or transfer any interest in the home.
 - not place any additional liens or encumbrances without prior written consent from the SHA and lender.
 - Comply with the annual recertification process
- Provide information as requested by the SHA;
- Notify the SHA if they are in default on the mortgage;
- Attend post-homeownership counseling.;
- Notify the SHA before they move from the home, etc.

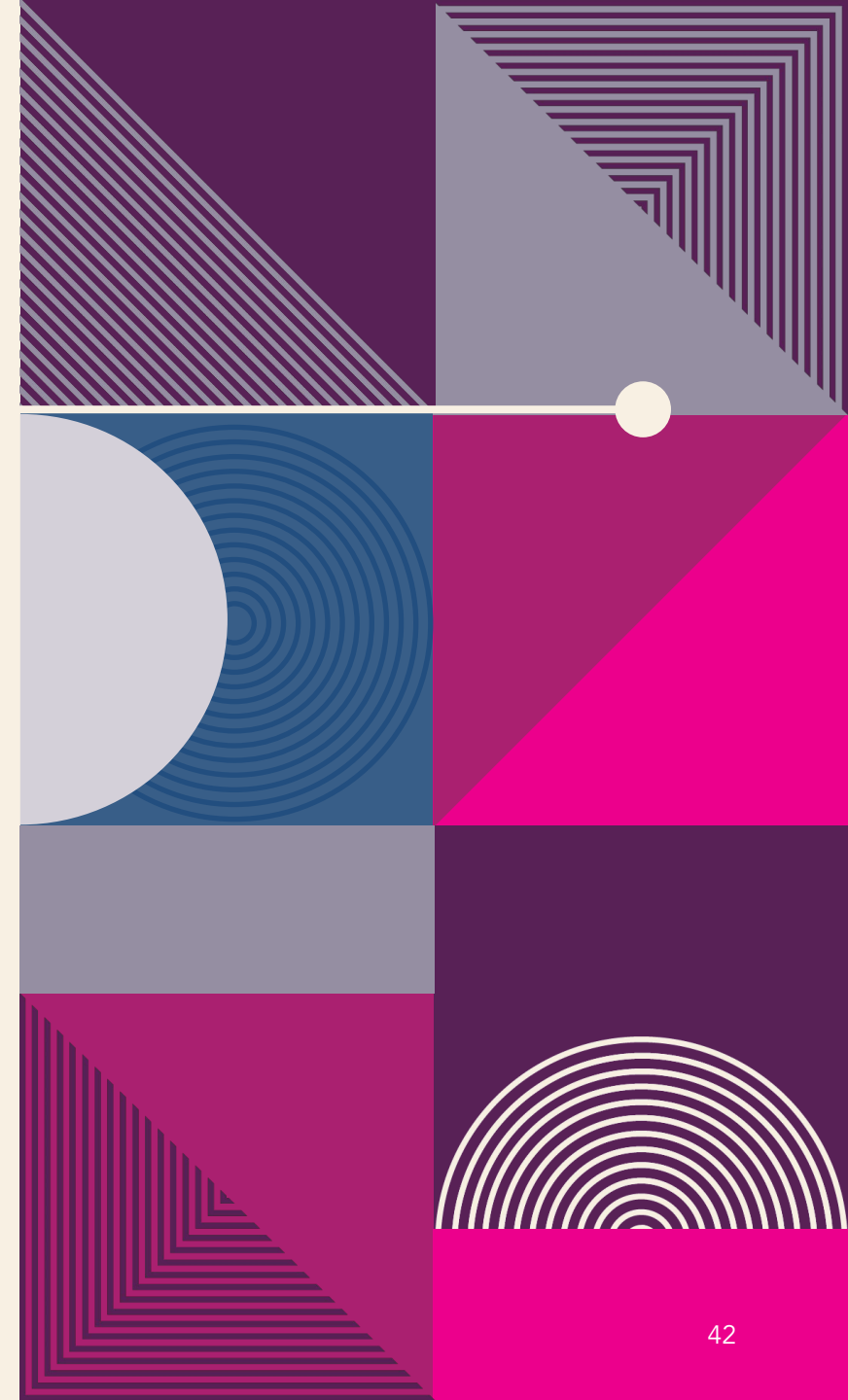
SHA POLICY OVERVIEW

DEFAULTS

If a family defaults on the mortgage, the family will not be able to use the voucher toward a rental unit, but may re-apply for rental assistance if the waiting list is open.

DENIAL OR TERMINATION OF ASSISTANCE

HCV Homeownership assistance will be terminated if the family violates any of its family obligations.



SHA PROCEDURE OVERVIEW

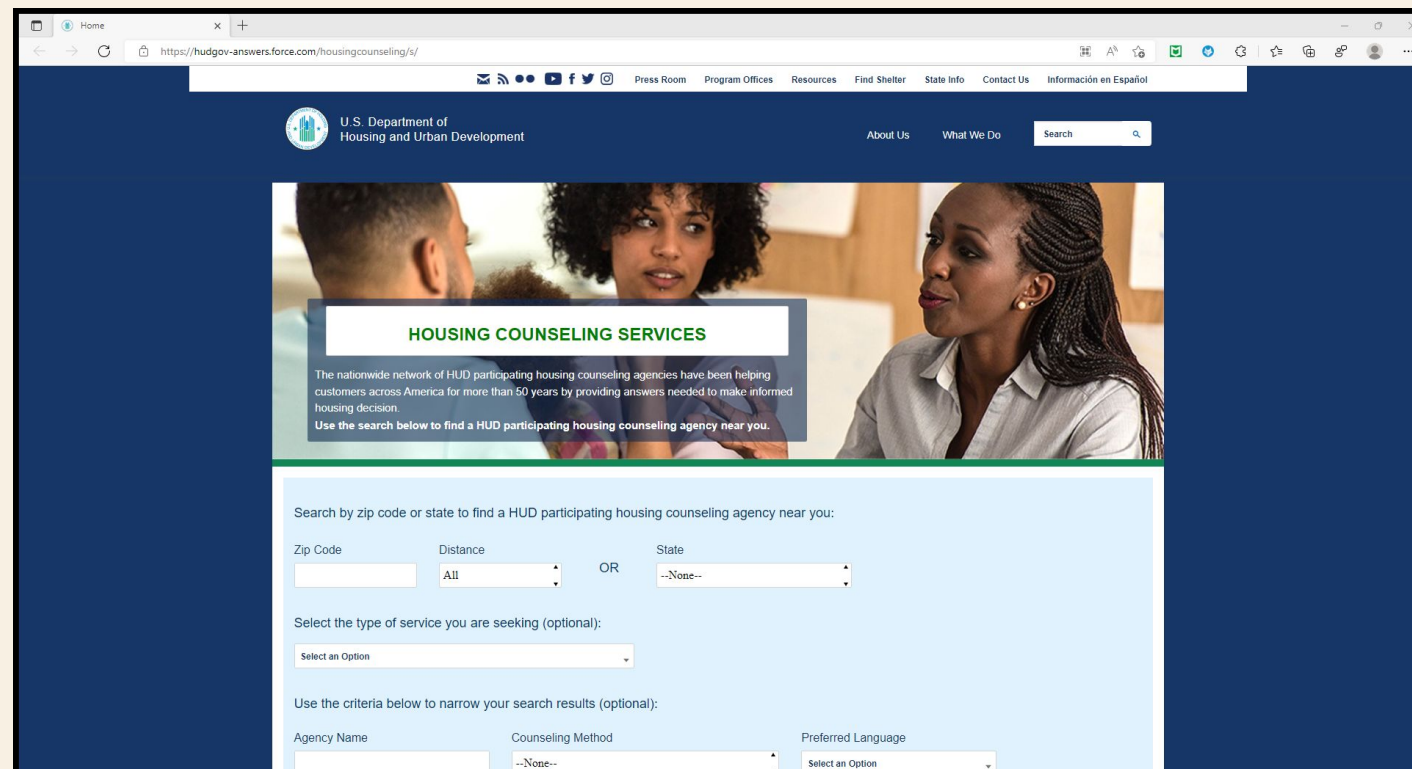
Application Process:

1. Upon completion of the application, the HCV Specialist will review the application to determine if the family meets the minimum income criteria.
 - a) If the family meets the minimum income criteria, the family is referred to the SHA's Homeownership Coordinator to review credit scores and to begin the pre-purchase counseling requirements. The family is also referred to the Family Self-Sufficiency program for any other assistance.
 - b) If the family does not meet the minimum income criteria, the family is withdrawn from the waiting list, but invited to work on their credit through the SHA's housing counseling program.

OF SPECIAL NOTE

HOW TO FIND HOUSING COUNSELORS IN YOUR GEOGRAPHIC AREAS

<https://hudgov-answers.force.com/housingcounseling/s/>



The screenshot shows a web browser window displaying the HUD Housing Counseling Services page. The page has a dark blue header with the U.S. Department of Housing and Urban Development logo and navigation links. Below the header is a large image of three people in a meeting, with a white box overlay containing the text "HOUSING COUNSELING SERVICES". Below this image is a search section with a light blue background. The search section includes a heading "Search by zip code or state to find a HUD participating housing counseling agency near you:" and three input fields: "Zip Code", "Distance" (with a dropdown menu set to "All"), and "State" (with a dropdown menu set to "--None--"). There is an "OR" button between the "Distance" and "State" fields. Below these fields is a section titled "Select the type of service you are seeking (optional):" with a dropdown menu set to "Select an Option". At the bottom of the search section is a section titled "Use the criteria below to narrow your search results (optional):" with three input fields: "Agency Name", "Counseling Method" (with a dropdown menu set to "--None--"), and "Preferred Language" (with a dropdown menu set to "Select an Option").

U.S. Department of Housing and Urban Development

About Us What We Do Search

HOUSING COUNSELING SERVICES

The nationwide network of HUD participating housing counseling agencies have been helping customers across America for more than 50 years by providing answers needed to make informed housing decision.

Use the search below to find a HUD participating housing counseling agency near you.

Search by zip code or state to find a HUD participating housing counseling agency near you:

Zip Code Distance OR State

--None--

Select the type of service you are seeking (optional):

Select an Option

Use the criteria below to narrow your search results (optional):

Agency Name Counseling Method Preferred Language

--None-- Select an Option

SHA PROCEDURE OVERVIEW

Voucher Issuance & Home Purchase

1. Upon successful completion of pre-purchase counseling and any updates to the original application, the HCV staff issues the Homeownership Voucher and Briefs them on the next steps:
 - a) 180 days to find a home and provide SHA with the Contract for Purchase;
 - b) The Contract for Purchase, Good Faith Estimate and Truth in Lending Statements are submitted to and reviewed by HCV staff for eligibility, affordability, etc.;
 - c) Upon approval of the Contract for Purchase, the independent & HQS inspections are scheduled;
 - d) Schedule closing;
 - e) Attend post-purchase housing counseling; and
 - f) Complete recertification process, annually.



HCV HOMEOWNERSHIP VOUCHER ADMINISTRATION

- ANNUAL/INTERIM RECERTIFICATIONS & DETERMINATION OF ONGOING ELIGIBILITY & HAP
- VMS REPORTING
- FILE MAINTENANCE
- MONITORS TERM OF ASSISTANCE AND PROVIDES RELEVANT NOTICES 180 DAYS PRIOR TO EXPIRATION OF ASSISTANCE



THANK YOU

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