

Chapter 14

Homeownership Program

On March 9, 2011, the AHFC Board of Directors approved a suspension of the Housing Choice Voucher Homeownership Program with Resolution No. 2011-07. AHFC has proposed a down payment alternative in its Moving to Work Plan. When that policy is implemented, this policy will be updated.

The Alaska Housing Finance Corporation (AHFC) Housing Choice Voucher Homeownership Program is designed to expand homeownership opportunities for voucher participants. This program will assist HCV participants to transition from rental assistance to homeownership using their voucher assistance.

The HCV Homeownership Program was originally designed to address the special housing needs of people with disabilities as documented in both the State and Municipality of Anchorage Consolidated Plans. The pilot program targeted qualified families where either the head of the household or spouse was a person with a physical, mental or developmental disability, as defined by HUD at 24 CFR 5.403.

The HCV Homeownership Program is now available to all voucher holders who meet the minimum qualifications set forth in this plan and who have the ability to independently secure a mortgage loan. The number of participants served through the HCV Homeownership program is currently limited to the parameters set forth in the *AHFC Public Housing Moving to Work Annual Plan*.

1. Housing Choice Voucher Rules Apply

With the exception of unique eligibility and “family obligation” procedures identified elsewhere in the chapter, AHFC will administer the HCV Homeownership program in accordance with all the policies and procedures contained in the HCV Administrative Plan and 24 CFR Part 982.

2. Eligibility Requirements for Families

Participation in the HCV Homeownership Program is voluntary. Each participant must meet the general requirements for admission to the HCV rental program as set forth in the AHFC Section 8 Administrative Plan. The family must also meet all eligibility requirements of the HCV Homeownership Program.



2.A General Requirements

Only current participants in the HCV rental program who have received assistance for at least one full year may apply for the homeownership program.

1. An applicant must be in good standing with their landlord and AHFC with regard to their family obligations.
2. The family must satisfy the prerequisite of being in “good standing” prior to receiving a Certificate of Eligibility for the homeownership program. For the purposes of the homeownership program, “good standing” is defined as meeting all of the conditions prior to and during the homeownership shopping period, as outlined below.
3. A landlord reference(s) indicating that during the prior year the family has an uninterrupted record of paying monthly rent in full and on time, and satisfactorily meets all other lease obligations, as documented on *HOP13, Homeownership Landlord Reference* form. All verifications will be completed via third-party written or oral communication with the applicant’s landlord.
4. Within the past year, the family has met all the HUD and AHFC family obligations under the HCV program.
5. Within the past year and throughout the homeownership shopping period, the family may not owe AHFC or any other housing authority any outstanding debt nor enter into a repayment agreement. A participant may become eligible to apply for the homeownership program on the anniversary date of full payment of any debt, subject to meeting the other conditions of good standing.
6. An applicant must be a “first-time homeowner.”

To qualify as a “first-time homeowner,” the assisted family may not include any person with a “present ownership interest” in a residence during the three years before the commencement of homeownership assistance for the family. Cooperative membership shares acquired prior to the commencement of homeownership assistance are exempt from this rule. A single parent or displaced homemaker who, while married, owned a home with his or her spouse, or resided in a home owned by his or her spouse, is considered a “first-time homeowner.”

Other conditions also apply to “first-time homeowner” definition:

- No family member may have a present ownership interest in a second residence while receiving homeownership assistance.
- If AHFC determines that a disabled family requires home-ownership assistance as a reasonable accommodation, the first-time homeowner requirement does not apply.

- AHFC will not commence homeownership assistance for a family if any family member has previously received assistance under the homeownership option, and has defaulted on a mortgage securing debt incurred to purchase the home.

An applicant must demonstrate a minimum down payment of at least three percent (3%) or more. One percent (1%) of the purchase price of the property must come from the family's personal resources.

An applicant must meet the minimum income standards defined below:

- For a family whose head of household or spouse is an individual that experiences permanent disability, the standard is equal to the monthly Federal Supplemental Social Security Income (SSI) benefit for an individual living alone (or paying his or her share of food and housing costs) multiplied by twelve.
- For non-disabled working families, the minimum income standard is the Alaska minimum wage multiplied by 2,000 hours.

For purposes of program eligibility, welfare assistance may only be counted as income in cases where the applicant meets the definition of an elderly or disabled family.

An applicant shall be considered to have satisfied the minimum income requirement if the family can demonstrate that it has been pre-qualified or pre-approved for financing. The pre-qualified or pre-approved financing amount must be sufficient to purchase housing that meets HUD's National Standard for the Physical of Real Estate requirements.

An applicant must attend and satisfactorily complete an AHFC HomeChoice™ pre-assistance housing counseling program, and any other counseling prescribed by AHFC.

2.B Employment Obligations

Except for a disabled family or an elderly family, assistance under the homeownership program is limited to families who demonstrate a stable work history. The employment requirement is used to determine eligibility and is a requirement throughout the period of homeownership assistance.

1. Regular seasonal employees and self-employed workers, who have a demonstrated work history and an annualized income, will be considered continuously employed for purposes of HCV Homeownership program eligibility and subsequent employment requirements.

2. The applicant head of household or spouse is required to document full-time (no less than 30 hours per week), continuous employment for a period of no less than 12 months prior to application.
3. The head of household, spouse or co-head must document earned income of no less than the Alaska minimum wage times 2000 hours during the preceding 12 months.
4. The applicant head of household or spouse must remain continuously employed (no less than 30 hours per week) while participating in the program.

For eligibility purposes, continuous employment is defined as: **“No gap in employment lasting more than four weeks total during the past year.”** Continuous employment for seasonal employees and self-employed workers is defined as two consecutive years of regular seasonal employment where AHFC ‘annualizes’ family income when determining family rent.

Part-time employment by both parties, totaling over 30 hours per week, does not constitute full-time employment by either party.

AHFC has the discretion to interpret small gaps in employment. Permissible gaps can only occur if loss of employment resulted from measures beyond the employee’s control (layoff, medical emergency); and did not result in an employment gap of more than four consecutive weeks.

Documentation of the initial employment requirement for the HCV Homeownership program will be completed using *VF04 Employment Verification* form. All verifications will be completed via third-party written or oral communication with the applicant’s employer. Annual documentation of the full-time employment requirement will be completed using the *HOP14 Work Certification* at annual reexamination.

Lenders may require participants to demonstrate a history of full-time, continuous employment of no less than 24 months.

The employment requirement is not applicable to elderly families or those whose head of household or spouse experience permanent disability.

3. Application Process

Applicants may contact the HCV Program Administrator or a Housing Specialist to receive information about HCV Homeownership Program and a *HOP01b Homeownership Application*.

3.A Application Form

An applicant must complete and submit the *Homeownership Application* to the HCV Program Administrator for review. The application includes information on income, assets, obligations, and family composition.

3.B Application Attachments

1. Documentation of attendance at an AHFC HomeChoice TM Pre-Purchase Housing Seminar. Anchorage Neighborhood Housing Services and Fairbanks Neighborhood Housing Services are partner agencies and will be available to provide one-to-one counseling services specifically targeted for home buyers. A certificate of attendance for HomeChoice TM must be attached to the pre-qualification application.
2. A current bank statement verifying \$1,000 in savings designated toward the one percent (1%) of personal funds down payment requirement. Applicants must document a three percent (3%) down payment with the mortgage lender prior to closing.
3. An AHFC Employment Verification form.
4. A signed Homeownership Landlord Verification form.
5. If applicable, a verification of disability, if not on file.
6. The applicant must document household composition for all individuals who will reside in the household.

3.C Application Review

Upon receipt of a HCV *Homeownership Application*, the HCV Program Administrator determines whether an applicant meets the eligibility criteria for the program. The application review will include:

1. Evaluation of family composition and HCV rental status.
2. Review of income, savings, and disability documentation.
3. Verification that the applicant is in compliance with all lease provisions using the AHFC *Landlord Reference* form.
4. Evaluation of employment history.

All documentation is subject to independent verification by AHFC program staff. The Program Administrator will review the file for discrepancies or omissions. If, at any time throughout the process, the Program Administrator sees a discrepancy in reported income, assets, or family share, he/she shall report it to the Housing Program Specialist. The HPS shall perform an interim reexamination, resolve whether further action is necessary, and report the outcome to the Program Administrator.

If, in the course of a loan application, a loan originator, or other third party, document income not previously reported to AHFC, AHFC will conduct an interim reexamination of income. Should the reexamination result in a debt or proposed repayment agreement, AHFC shall retain sole discretion to withdraw the *HOP04Certificate of Eligibility* subject to the outcome of any grievance procedure related to the income discrepancy. The participant family must remain on the HCV program for an additional year, in good standing, before AHFC may re-issue a *Certificate of Eligibility*.

4. Determining “Mortgage Ready” Applicants

Applications for homeownership are date-stamped. Complete applications – those with all necessary attachments in place – are placed on a waiting list in order of date and time received. A *Certificate of Eligibility* is awarded on a first-come, first-served, basis after a participant is determined eligible and “mortgage ready.” AHFC will issue approximately ten *Certificates* each fiscal year as set forth in the AHFC Public Housing Agency Plan.

The *Certificate* contains an estimate of the amount of HAP available to the family. This estimate is useful to the applicant and lender when determining income and debt ratios.

4.A Incomplete Applications

Incomplete applications will not be reviewed and will be returned to applicants for completion. A checklist of application deficiencies will be attached to the incomplete application. Participants must correct all deficiencies noted on the checklist and resubmit the checklist, complete application, and attachments, for additional consideration. Applications that are returned for incompleteness will be re-stamped and dated when they are returned complete.

4.B Homeownership Counseling

AHFC will provide homeownership counseling prior to application, after a *Certificate of Eligibility* is issued, and post-purchase counseling. An HCV applicant must attend and satisfactorily complete the AHFC *HomeChoice™* counseling program. The counseling program covers the topics listed below. Applicants who AHFC determines are not yet “mortgage ready” may be required to obtain additional information on any of the following issues:

1. Is homeownership right for you?
2. Special needs of disabled home buyers/fair housing issues;
3. Budgeting and money management;
4. Credit counseling;
5. How to negotiate the purchase price of a home;

6. How to obtain homeownership financing and loan pre-approvals, including a description of types of financing that may be available, and the pros and cons of different types of financing;
7. How to find a home, including information about homeownership opportunities, schools, and transportation services in the area;
8. Information about the Real Estate Procedures Act, State and Federal truth-in-lending laws, and how to identify and avoid loans with oppressive terms and conditions;
9. Home maintenance.

5. Certificate of Eligibility

With the expansion of the program to working families, AHFC shall initially use a lottery mechanism to ensure a fair and equitable selection of new applicants. Upon securing a sufficient number of lottery applicants to ensure full utilization of the program, AHFC shall resort to its traditional use of date and time of application.

The lottery is established with Board of Directors' approval and is limited to the initial admissions process whenever AHFC expands its geographic service area or opens a new waitlist. A sufficient window of opportunity shall exist to ensure equal representation of eligible applicants within the lottery pool.

If the HCV Program Administrator determines that a family meets minimum eligibility criteria, he/she may issue a *Certificate of Eligibility* to enable the applicant to shop for a home purchase. The Program Administrator will deliver the *Certificate of Eligibility* and a copy of the *Homeownership Application* to the participant. These documents will assist the applicant in determining the maximum sales price and loan amount in the pre-qualification process in conjunction with their lender.

Whenever an opening occurs in the program, AHFC will select the next available applicant for an intake interview. The Program Administrator will interview the applicant to ensure that all the information contained in their *Homeownership Application* is current and that the applicant is eligible for homeownership.

The issuance of a *Certificate of Eligibility* does not guarantee that a participant will have the ability to secure a home ownership loan. Other considerations such as the housing market, an applicant's credit history, total indebtedness, and current income, will be factors that will determine a participant's ability to secure a home mortgage. All participants will qualify independently through a mortgage lender of their choice.

5.A Changes in Family Size or Composition

All changes in family composition must be reported prior to the change to the Housing Program Specialist and the HCV Homeownership Program Administrator. The *Certificate of Eligibility* will reflect the applicable subsidy standard AHFC assigns to the family based upon the family's size and composition. The final *HOP08 Housing Assistance Payment Certificate* will be issued based upon the subsidy standard applicable on the date of closing.

5.B Changes in the Payment Standards

The payment standard applicable on the date of closing establishes the baseline payment standard for the unit. If the payment standard changes after an offer to purchase has been made, but prior to closing, the payment standard applicable on the date of closing applies. AHFC will reissue a revised *Certificate of Eligibility* effective on the effective date of the new Payment Standard.

Occasionally, a buyer and seller may execute an Earnest Money Agreement prior to a decrease in payment standard, with the closing taking place after the effective date of a decreased payment standard. For families whose head of household, spouse or co-tenant experiences permanent disability, AHFC may request HUD approval to use the payment standard in effect on the date the Earnest Money Agreement was fully executed if the new, decreased, payment standard would jeopardize the sales agreement. This may only occur as a reasonable accommodation to a disabled household.

6. Eligible Units

Eligible homes must be located within the respective geographic boundaries that govern the HCV rental program.

A family approved for homeownership assistance may purchase the following type of homes:

- A new or existing home;
- A single-family home;
- A condominium;
- A home in a planned use development, a cooperative, a loft or live/work unit;
- A manufactured home, if situated on a privately owned lot or on a leased pad in a mobile home park.

If the family does not own fee title to the real property on which the home is located, the family must have the right to occupy the site for a period of at least forty years and the home must have a permanent foundation.

A unit can be under construction at the time a family enters into the contract of sale. A unit is considered to be “under construction” if the footers have been poured. Newly constructed homes are eligible for assistance when the construction is 100% complete, provided a “Certificate of Occupancy” is issued before the family completes the purchase transaction.

7. Family Search and Offer to Purchase

At the time the *Certificate of Eligibility* is issued, the family is placed in “home shopping status.” The family has 180 days to locate and make an offer on a home, and secure a prequalification letter from their lender. The Program Administrator may recommend three additional 30 day extensions not to exceed a total of 270 home shopping days. Additional 30-day extensions are available on a case-by-base basis, subject to approval by the Director of Public Housing or his designee. Applicants must submit housing choice progress reports every 30 days to document progress toward homeownership.

Six progress reports will be included with the *Certificate*. If a participant family is unable to locate and purchase a home within the timeframe approved by AHFC, the family may continue to receive rental assistance through their Housing Choice Voucher.

During a participant’s search for a home, their housing choice voucher rental assistance shall continue. The participant family remains subject to all applicable rules and regulations.

The family may not re-apply for the Homeownership Program until they have completed an additional full year of participation in the rental program following the expiration date of the *Certificate of Eligibility*.

AHFC may require additional homeownership counseling prior to issuance of a second *Certificate of Eligibility*. The participant must meet all other eligibility criteria of the program at the time of resubmission.

A unit is considered “located” if a 90% letter from the lender has been issued to the participant and the buyer and seller have executed an ‘earnest money’ purchase agreement that includes the AHFC *Addendum to the Residential Purchase Agreement*.

8. Contract of Sale

Eligible homes must be located within the boundaries of the HCV Program. The seller cannot be an individual, company, or corporation who has been debarred, suspended, or is subject to a limited denial of participation by HUD or AHFC. AHFC may deny approval of a seller for any reason provided for disapproval of an owner under the voucher rental program regulations.

Before commencement of homeownership assistance, the homeownership applicant must enter into a contract of sale, or earnest money agreement, with the home seller.

AHFC will provide the buyer with an *Addendum to the Residential Purchase Agreement*. Both the buyer and seller must execute the earnest money agreement and *Addendum*.

The Addendum to the Residential Purchase Agreement shall contain the following provisions:

1. Specify price and other terms of sale by the seller to the purchaser.
2. Provide that the purchaser will arrange for a pre-purchase inspection of the dwelling unit by an independent inspector selected by the purchaser.
3. Provide that the purchaser is not obligated to purchase the unit unless the inspection is satisfactory to the purchaser and AHFC.
4. Provide that the purchaser is not obligated to pay for any necessary repairs.
5. Specify that an NSPIRE inspector be granted access to the property to perform an NSPIRE inspection prior to closing. Homeownership assistance is contingent on satisfactory inspections by both inspectors and subject to approval by AHFC.
6. Specify that the seller has not been debarred, suspended, or subject to a limited denial of participation in a HUD program under 24 CFR.

9. Home Inspections

Two home inspections are required prior to purchase: (1) An independent home inspection, and (2) a NSPIRE inspection.

9.A Independent Home Inspection

HUD regulations require a home inspection by an approved independent, professional home inspector. The family is required to select and pay for a home inspector to identify any physical defects and determine the condition of the major building systems and components. The buyer and AHFC must receive a written report of this examination describing the observable major defects, required repairs and/or accessibility modification requirements.

AHFC and the family will discuss the results of the inspection and determine if any pre-purchase repairs are necessary. ICBO inspections performed by an independent inspector, performed at periodic points in the homebuilding process, may be utilized. The cost of the ICBO inspection is included in the cost of the home. AHFC may disapprove the unit for purchase based on the results of the independent inspection.

9.B National Standard for the Physical Inspection of Real Estate

A National Standard for the Physical Inspection of Real Estate (NSPIRE) is required whenever the home is 100% ready for occupancy. The condition of the home must satisfy NSPIRE standards before a sale may occur.

No further NSPIRE inspections are required. However, AHFC reserves the right to conduct interim NSPIRE inspections before continuing to provide yearly homeownership assistance. AHFC may exercise this option if it has reason to believe the home would no longer meet NSPIRE standards, or has reason to believe that unauthorized individuals are living in the household, or other good cause reason necessary to ensure correct subsidy payments on behalf of the family. (Board approved 08/27/09)

Non-compliance with NSPIRE standards may jeopardize a family's housing assistance payment. If the home does not pass the initial NSPIRE inspection, then the Program Administrator will discuss with the purchasing family whether it would be more feasible to locate another home to purchase, or to have the needed repairs completed prior to the sale.

10. Financing and Affordability of Purchase

It is the responsibility of the family to secure financing for the home purchase. The issuance of the *Certificate of Eligibility* does not guarantee that a family has the ability to secure financing for a home purchase. The Program Administrator and/or partner agencies will provide guidance to potential home buyers to ensure they avail themselves of various down payment assistance programs, optimum loan packages, mortgage interest rates, and ways to avoid predatory lending practices.

10.A Down Payment Requirement

The purchasing family is required to invest at least three percent (3%) of the purchase price of the home. This investment can take the form of a down payment, closing costs, or a combination of the two. Of this sum, at least one percent (1%) of the purchase price must come from the family's personal resources. [24 CFR 982.625]

The buyer may acquire financing through any AHFC approved lender. If the home is purchased using FHA mortgage insurance, it is subject to FHA mortgage insurance requirements.

Qualified participants may use the value of rental assistance as a form of “income” to help them qualify for a mortgage. Their assistance may be applied directly against their mortgage payment, therefore enabling a borrower to qualify for a home purchase.

There is no prohibition against using local/state grants or other subsidized financing in conjunction with the Housing Choice Voucher Homeownership Program. The program can be combined with a variety of mortgage loan products and other HUD programs to assist a potential home buyer in achieving the most favorable interest rate and terms of purchase.

10.B Lending Partners

AHFC may not influence a family’s choice of lending options by limiting the use of homeownership assistance to particular units, neighborhoods, developers, lenders or require a family to use a set financing approach. However, HUD encourages local public housing authorities to develop partnerships with lenders to better serve the needs of families. AHFC will counsel the family to avoid predatory lenders or lending practices. AHFC will honor any financing package that arises from any lender approved by the AHFC Mortgage Department.

AHFC will execute a *Servicing Agreement* with the homebuyer at, or immediately after, closing and prior to the issuance of the first housing assistance payment. AHFC will provide a copy to the homebuyer and retain a copy in the file.

10.C Underwriting Options

The following underwriting options are suggested under this program. The lender will decide upon the option based upon income and borrower qualifications determined on a case-by-case basis by the lender, and dependent upon the specific loan products utilized.

10.C.1. Option One: Deduct HAP from Principal, Interest, Taxes, & Insurance (PITI)

The borrower’s HAP is applied directly to the PITI, and the housing debt to income ratio is calculated on the “net housing obligation” of the borrower.

10.C.2. Option Two: Add HAP to Borrower's Income

Calculate total income as a combination of the tax-exempt HAP (grossed up by 25%) and the borrower's income from employment using underwriting ratios specific to the loan product being used.

10.C.3. Option Three: Two Mortgage Approach

Borrower qualifies for the first mortgage (PITI) using only earned income. The HAP is used to pay the full P&I for a second mortgage.

10.D Loan Restrictions

Mortgages with balloon payments or variable interest rates are not allowed under this program. The buyer may not enter into a seller financing or lease-purchase agreement under this program.

AHFC reserves the right to review lender qualifications and the loan terms before authorizing homeownership assistance. AHFC may disapprove proposed financing of the debt if AHFC determines that the debt is unaffordable. In making this determination, AHFC will take into account family expenses such as child care, unreimbursed medical expenses, homeownership expenses, and other family expenses, in addition to the participant's income.

AHFC must approve any proposed refinancing of the property. A loan committee will be convened to review all requests for refinancing.

Refinancing the property, without prior written approval from AHFC, may result in termination of the HCV Homeownership assistance.

In making its determination, AHFC will take into account the reason(s) for the request to refinance, as well as the current assets and liabilities of the family, and how the refinancing will impact the total tenant payment. Homeownership assistance may continue if refinancing is approved, but will be limited to the remaining term on the initial mortgage loan.

11. Continued Assistance: Family Obligations

After a home is located, but before homeownership assistance can begin, the family and AHFC must execute a HUD prescribed "Statement of Homeowner Obligations." In the statement the family agrees to comply with all obligations under the homeownership option. The initial "Statement of Homeowner Obligations, HUD-52649" will be reviewed and executed at the HCV homeownership orientation.

The family must also execute the *AHFC Statement of Family Obligations* which details the additional AHFC HCV Homeownership Program obligations.

11.A Continuous Reporting Requirements

AHFC will reexamine the family's income and composition on an annual basis.

After purchase of the home, the family must continue to adhere to the "HUD Statement of Homeowner Obligations" and the *AHFC Statement of Family Obligations* in order to continue to receive the monthly housing assistance payment. The "HUD Statement of Homeowner Obligations" will be reviewed by the family and signed at each annual reexamination.

A new *Certificate of Housing Assistance Payment* and a new *Servicing Agreement* must be signed prior to any change in the housing assistance payment. Working families are required to annually document continued compliance with the full-time work requirement of the program by annual completion of the *Homeownership Work Certification*.

A family must disclose all changes in income within ten (10) business days of the change and at the annual reexamination. Failure to disclose or accurately report changes will jeopardize a family's continued participation in this program. A family may not add an adult household member without prior AHFC approval. AHFC will deny admission to any individual who would otherwise not qualify for admission to the program due to criminal history, drug related history, or registry on a sex-offender list.

Participant must agree to attend two post-purchase counseling sessions in conjunction with acceptance into this program to continue to receive assistance. AHFC may require families who become delinquent on their mortgage payments to participate in additional homeownership and/or credit counseling classes.

AHFC may deny or terminate assistance for violation of participant obligations as described in the "HUD Statement of Homeowner Obligations" or the *AHFC Statement of Family Obligations*.

11.B Continuous Employment Obligations

The applicant head of household or spouse must remain continuously employed (no less than 30 hours per week) while participating in the program.

Part-time employment by both parties, totaling over 30 hours per week, does not constitute full-time employment by either party.

For continued eligibility purposes, continuous employment is defined two ways. Continuous employment by the head, spouse or co-head defined as full time employment (average of 30 hours per week) with no gap in employment lasting more than four weeks total (30 hours x 48 weeks = 1,440 hours). Or, earned income received by the head, spouse or co-head during the past year greater than the Alaska minimum wage times 2000 hours.

The employment requirement is not applicable to elderly families or those whose head of household or spouse experience permanent disability.

11.C Mitigating Circumstances

If a working family is subsequently determined by AHFC to now qualify as a “disabled family,” as defined by HUD, the full-time employment requirement is no longer applicable to that family.

AHFC will consider mitigating circumstances where certain lapses in employment prohibit the family from meeting its continuous employment obligation. These include receipt of Unemployment Insurance Benefits due to layoff; absences defined under the Family Medical Leave Act; receipt of Workman’s Compensation benefits.

AHFC will allow week-for-week substitutions whenever of any of these benefits are received.

The participant must return to full-time employment within 30 days after exhaustion of unemployment benefits. Failure to return to full-time employment (30 hours per week) within 30 days will generate a 60-day *Notice to Correct*. Failure to correct will result in a correctable 30-day *Notice of Termination*.

A participant who is employed but is on leave from work due to maternity leave, FMLA or is receiving Workman’s Compensation, is exempt from the full-time employment requirement during the period of approved leave from work. A participant must return to full-time employment within 30 days after exhaustion of applicable benefits. Willful failure to return to full-time employment (30 hours per week), after 30 days, will generate a 60-day *Notice to Correct*. Failure to correct will result in a correctable 30-day *Notice of Termination*.

Consideration of other mitigating circumstances is at the discretion of a local Area Coordinator recommendation to the HCV Program Administrator. The Program Administrator will convene a three-person committee to review any additional mitigating circumstances that prevent a participant's return to full-time employment within the time frames allotted. Determinations of the review committee are made on a case-by-case basis. Their decisions are subject to final approval by the Director, AHFC Public Housing Division.

11.D Guests and Changes in Family Composition

All changes in family composition must be reported to the Housing Program Specialist. All new family members must be approved as eligible residents before moving into the residence.

Family guests are permitted for a period not to exceed 30 days in any calendar year. AHFC may consider persons who exceed the 30 day occupancy limit, or who use the residence as a personal mailing address, unauthorized family members. The family may be in violation of their family obligations and AHFC may take appropriate action up to and including termination of assistance.

12. Maximum Term of Homeownership Assistance

For working households, homeownership assistance is available for a maximum 15-year term for mortgages with a 20-year or longer term and a maximum 10-year term in all other cases. The term is calculated from the date of issuance of the first housing assistance payment on the initial mortgage loan.

Families that qualify as a disabled family at the commencement of homeownership assistance, or at any time during the provision of homeownership assistance, are not subject to the 15-year term limitation. Homeownership assistance is available for the entire term of the mortgage loan.

If, during the course of homeownership assistance, the family ceases to qualify as a disabled family, the family will continue to be eligible for the homeownership assistance, subject to eligibility requirements of the Housing Choice Voucher program. The term of assistance will change to a maximum of 15-years for mortgages with a 20 year or longer term and a maximum ten year term in all other cases. This term will be calculated from the date of issuance of the first housing assistance payment on the initial mortgage loan.

In the case of an elderly family, the maximum term is the entire term of the mortgage loan, provided the family qualifies as an elderly family at the start of homeownership assistance.

Upon the death of a family member who holds, in whole or in part, title to the home, homeownership assistance may continue, pending settlement of the decedent's estate. The home must be solely occupied by remaining family members in accordance with 24 CFR 982.551(h).

The total homeownership assistance received by a family, whether on different homes or through different public housing agencies, cannot exceed the term of the initial mortgage loan.

13. Housing Assistance Payment (HAP)

While the family is residing in a homeownership unit, the HAP is equal to the lower of: (1) the payment standard minus the total tenant payment, or (2) the monthly homeownership expenses minus the total tenant payment.

The family is responsible for all monthly homeownership expenses not reimbursed by the housing assistance payment. Homeownership expenses include:

- principal and interest on the initial mortgage debt and any refinancing of such debt;
- any mortgage insurance premium incurred to finance the purchase of the home;
- real estate taxes and public assessments on the home;
- home insurance;
- cooperative or condominium operating charges or maintenance fees assessed by the condominium or cooperative homeowner association;
- the AHFC allowance for maintenance expenses;
- the AHFC allowance for costs of major repairs and replacements;
- the AHFC utility allowance for the home; and
- principal and interest on debt incurred to finance major repairs, replacements or improvements on the home.

For an individual with disabilities, such debt may include those costs incurred by the family to make the home accessible.

14. Payment Standard/Subsidy Standard

For homeownership assistance, the payment standard for the family is the lower of: (1) the payment standard for the family unit size, or (2) the payment standard for the size of the home purchased (number of bedrooms in the house). At the annual anniversary, AHFC will apply a payment standard that is the greater of: (1) the payment as calculated in Section M, above, at the commencement of homeownership assistance, or (2) the AHFC payment standard for family unit size, used at its most recent annual anniversary. [24 CFR 982.635]

The AHFC subsidy standards determine the bedroom-size that AHFC assigns to the family based upon its size and composition. The subsidy standards are approved by the AHFC Board of Directors; they generally remain the same from year to year and are available on the AHFC web page at www.ahfc.us. The initial subsidy standard applied to a homeownership family is the same standard used for the rental program. The standards applicable on the AHFC website at closing are the subsidy and payment standards applicable for the initial homeownership period. The *Certificate of Housing Assistance Payment* will be issued based on the current subsidy and payment standards in effect on the date of closing.

The respective payment and subsidy standard applicable on the date of closing establishes the baseline payment and subsidy standards for the unit. The payment standard for subsequent years is the greater of the payment standard at the commencement of homeownership assistance or the payment standard at the most recent annual re-examination. Unlike the voucher rental program, the initial payment standard shall be the base for future housing payments. The payment standard shall not drop below the initial amount due to changes by HUD or due to changes in family composition.

15. Portability

AHFC will permit portability of HCV homeownership assistance to another jurisdiction subject to AHFC policies governing portability. The receiving jurisdiction must operate a HCV Homeownership Program for which the applicant qualifies and it must be willing to administer new homeownership families. In order to remain eligible for the program, the participant must sell the current home purchased under the HCV Homeownership Program and incur no mortgage default.

AHFC will also accept families from another HCV Homeownership Program subject to AHFC admission requirements for the homeownership program. It will administer the voucher if approved for homeownership.

16. Move with Continued Tenant-Based Assistance

A family receiving homeownership assistance may move to a new unit with continued assistance. A family member must not own any title or other interest in the prior home and may not move more than once per year. AHFC will review all requests to move with continued tenant-based assistance and may deny permission to move based on lack of sufficient funding to provide continued assistance or based upon the violations listed in Section P of this document.

17. Termination of Homeownership Assistance

A family's homeownership assistance may be terminated if a family fails to comply with its obligations under the HCV Homeownership Program or if the family defaults on the mortgage.

17.A Failure to Comply with Homeowner Obligations

The family must comply with the terms of any mortgage incurred to purchase and/or refinance the home. The family must provide AHFC with written notice of any sale or transfer of any interest in the home; any plan to move out of the home prior to the move; notification of the family's household composition and income and homeownership expenses on an annual basis; and any notice of mortgage default received by the family. Except as otherwise specified in this plan, the family may not convey or transfer the home to any entity or person.

Homeownership assistance may be denied or terminated in accordance with any of the provisions listed at 24 CFR 982.638.

17.B Occupancy of Home

Homeownership assistance will only be provided while the family resides in the home. If the family moves out of the home, AHFC will not continue homeownership assistance commencing with the month after the family moves out. Neither the family nor the lender is obligated to reimburse AHFC for homeownership assistance paid for the month the family moves out.

17.C Changes in Income Eligibility

AHFC may adjust a family's homeownership assistance based upon changes in family income. The effective change shall occur 30 days after the month in which a reexamination of income occurred. Participation in the HCV Homeownership Program shall continue until such time as the assistance payment amounts to zero for a period of

six consecutive months. At that time the family will no longer be eligible, and the HAP will be terminated.

17.D Refusal to Meet Continuous Work Requirement

AHFC may terminate a working family's homeownership assistance based on a willful refusal to adhere to, or properly document, the full-time employment requirement.

17.E Family Requests a Return to Rental Assistance

If a family requests to return to rental assistance, AHFC may provide the family with a rental voucher, provided there is no mortgage loan default and the family has met all obligations under the HCV Program. The family must sell the home before AHFC provides rental assistance.

18. Mortgage Default

If a family defaults on a mortgage, AHFC may permit the family to move with continued assistance. The family must demonstrate that it has conveyed title of the home to the lender, or its designee, and moved from the home within the period established and approved by the lender and AHFC [CFR 24 982.638(d)]. Any decision to approve or deny rental assistance is based on HCV rental program policies and procedures addressed in the AHFC Administrative Plan.

If an applicant family previously experienced a mortgage default under the HCV Homeownership program, AHFC will convene a loan committee comprised of Public Housing Division and Mortgage Department staff to review the new application. The panel will review the circumstances of the default, determine whether there were mitigating circumstances, and decide whether the family may qualify as a HCV Homeownership program applicant.

Numbered Memo

25-25 Implementation of the National Standards for the Physical Inspection of Real Estate (NSPIRE) For Voucher Programs