

Knoxville's Community Development Corporation

Housing Choice Voucher Program

Home Ownership Program

Administrative Plan

2017

## ADMINISTRATIVE PLAN

\* \* \*

### SECTION 8 HOME OWNERSHIP PROGRAM

#### 1. **GENERAL PROVISIONS.**

The Section 8 Home Ownership Program of Knoxville's Community Development Corporation (KCDC) permits eligible participants in the Section 8 Housing Choice Voucher Program, including participants with portable vouchers, the option of purchasing a home with their Section 8 assistance rather than renting. The home ownership option is limited to five percent (5%) of the total Section 8 voucher program administered by KCDC in any fiscal year, provided that disabled families shall not be subject to the 5% limit.

Eligible applicants for the Section 8 Home Ownership Program must have completed an initial Section 8 lease term, may not owe KCDC or any other Housing Agency an outstanding debt, and must meet the eligibility criteria set forth herein.

Section 8 home ownership assistance may be used to purchase the following type of homes within the city of Knoxville: existing or under construction single-family home, condominium, cooperatives, manufactured homes, or units not yet under construction at the time the family contracts to purchase the home and contingent upon approval of the environmental review report completed by the responsible entity or HUD prior to commencement of construction. KCDC also will permit portability of Section 8 home ownership assistance to another jurisdiction, provided the receiving jurisdiction operates a Section 8 Home Ownership Program for which the Section 8 home ownership applicant qualifies or authorizes KCDC to administer the home ownership assistance in their jurisdiction if funding is available. KCDC will also permit incoming portability provided the Section 8 Housing Choice Voucher program is not at capacity and if funding is available. If it is at capacity, the family porting in would be placed on a waiting list. If no funding is available, the initial housing agency must allow KCDC to bill the initial housing agency.

KCDC will maintain a list of those participants who call the Section 8 Home Ownership Program office and who are interested in and appear eligible for the program. Once an applicant has been screened and determined qualified for the program, the trainer/counselor will provide them with the time, date, and place of mandatory Financial Fitness Classes and have them complete an intake form for credit counseling offered by a credit counseling agency.

Once the participant has completed the Financial Fitness Classes and credit counseling, the participant will be considered either short term or long term as determined by their credit scores. Participants will work toward improving credit scores and establishing a savings account to acquire the 1% contribution the home buyer must use toward the purchase of a home.

## **2. FAMILY ELIGIBILITY REQUIREMENTS.**

Participation in the Section 8 Home Ownership Program is voluntary. Each Section 8 home ownership participant must meet the general requirements for admission to the Section 8 Housing Choice Voucher Program as set forth in KCDC's Administrative Plan. Such Section 8 family also must be "eligible" to participate in the Section 8 Home Ownership Program. The additional eligibility requirements for participation in KCDC's Section 8 Home Ownership Program include that the family must: (A) be a first-time homeowner or have a member who is a person with disabilities; (B) with the exception of elderly and disabled households, meet a minimum income requirement without counting income from "welfare assistance" sources; (C) with the exception of elderly and disabled households, meet the requisite employment criteria; (D) with the exception of elderly or disabled households, KCDC recommends that a family be enrolled in the Family Self Sufficiency Program prior to purchasing a home (E) have completed an initial lease term in the Section 8 Housing Choice Voucher Program; (F) have fully repaid any outstanding debt owed to KCDC or any other Housing Agency; (G) not defaulted on a mortgage securing debt to purchase a home under the home ownership option; and (H) not have any member who has a present ownership interest in a residence at the commencement of home ownership assistance.

### **A. First-Time Homeowner.**

Each Section 8 family must be a first-time homeowner except for a disabled person requiring home ownership assistance as a reasonable accommodation. A "first-time homeowner" means that no member of the household has had an ownership interest in any residence during the three years preceding commencement of home ownership assistance. However, a single parent or displaced homemaker who, while married, owned a home with a spouse (or resided in a home owned by a spouse) is considered a "first-time homeowner" for purposes of the Section 8 home ownership option; and the right to purchase title to a residence under a lease-purchase agreement is not considered an "ownership interest." A member of a cooperative (as defined in § 982.4) also qualifies as a "first time homeowner."

### **B. Minimum Income Requirement.**

#### **(1) Amount of Income.**

At the time the family begins receiving home ownership assistance, the head of household, spouse, and/or other adult household members who will own the home, must have a gross annual

income of an amount equal to 2000 hours of annual full-time work at the federal minimum wage. The full time employment requirement is mandatory at the initial purchase and, thereafter, in order for the family to be eligible for continued mortgage assistance.

In the event of loss of employment that results in employment income less than the amount equal to 2000 hours of annual full-time work, the household will be offered 60 days to secure new employment earnings in the amount equal to 2000 hours at the federal minimum wage. If at least one household member does not secure new employment income of at least 2000 hours annually at the federal minimum wage within the 60 day time period, the homeowner will be sent a notice of voucher cancellation.

An exception to the 60 day timeframe for securing new employment may be considered when a household member loses his/her job due to no fault of their own or long-term medical incapacitation.

The minimum income for a disabled person can be equal to the monthly Federal Supplemental Security Income benefit multiplied by 12 providing the individual is living alone or paying his or her share of food and housing costs.

(2) Exclusion of Welfare Assistance Income.

With the exception of elderly and disabled families, KCDC will disregard any "welfare assistance" income in determining whether the family meets the minimum income requirement. Welfare assistance includes assistance from Temporary Assistance for Needy Families ("TANF"); Supplemental Security Income ("SSI"); food stamps; general assistance; or other welfare assistance specified by HUD. The disregard of welfare assistance income under this section affects the determination of minimum monthly income in determining initial qualification for the home ownership program. It does not affect the determination of income-eligibility for admission to the Section 8 Housing Choice Voucher Program, calculation of the family's total tenant payment, or calculation of the amount of home ownership assistance payments.

C. Employment History.

With the exception of disabled and elderly households, each family must demonstrate that one or more adult members of the family who will own the home at commencement of home ownership assistance is employed with income equal to 2000 hours annually at the federal minimum wage and has been so continuously employed for one year prior to execution of the sales agreement. KCDC will examine the cause of interruption(s) in employment and the success of self-employment during the previous 12 months and determine on a case-by-case basis whether such

interruptions are justified and self-employment is a reliable source of income. In order to reasonably accommodate a family's participation in the program, KCDC will exempt families that include a person with disabilities and elderly from this requirement.

D. Completion of Initial Lease Term.

Applicants for and new participants in the Section 8 Housing Choice Voucher Program shall be ineligible for participation in the Section 8 Home Ownership Program until completion of an initial Section 8 lease term and the participant's first annual recertification in the Section 8 Housing Choice Voucher Program. Exception to this rule would be families that fell under the Displaced or Involuntarily Displaced preference on the waiting list. These families would be required to have completion of pre-purchase education, mortgage loan approval, and under contract to purchase property before the voucher expiration of 120 days. Tolling: Upon submittal of an accepted purchase contract, KCDC will suspend the term of the voucher. The term will be in suspension until the date KCDC provides notice that the contract and loan terms have been approved or denied. Additional extensions may be granted up to 60 days. This is called a tolling extension. Total voucher time may not exceed 120 calendar days

Section 8 participants that have completed an initial lease term in another jurisdiction may be able to participate in the Section 8 Home Ownership Program.

E. Repayment of Any Housing Agency Debts.

Participants in the Section 8 Housing Choice Voucher Program shall be ineligible for participation in the Section 8 Home Ownership Program in the event any debt or portion of a debt remains owed to KCDC or any other Housing Agency. Nothing in this provision will preclude Section 8 participants that have fully repaid such debt(s) from participating in the Section 8 Home Ownership Program.

F. Additional Eligibility Factors.

(1) Elderly and Disabled Households.

Elderly and disabled families are exempt from the employment requirements set forth in Section 2. C.above. In the case of an elderly or disabled family, KCDC will consider income from all sources, including welfare assistance in evaluating whether the household meets the minimum income required to purchase a home through the Section 8 Home Ownership Program.

(2) Preference for Participation in FSS Program.

Participants in KCDC's Section 8 Family Self-Sufficiency program shall have a preference for participation in the home ownership program.

(3) Prior Mortgage Defaults.

If a head of household, spouse, or other adult household member who execute a contract of sale, mortgage and loan documents has previously defaulted on a mortgage obtained through the Section 8 Home Ownership Program, the family will be ineligible to participate in the home ownership program.

**3. FAMILY PARTICIPATION REQUIREMENTS.**

Once a family is determined to be eligible to participate in the program, it must comply with the following additional requirements:

- (1) Complete a home ownership counseling program approved by KCDC and open to any person regardless of race, color, national origin, religion, sex, familial status, creed, and disability/handicap prior to commencement of home ownership assistance;
- (2) Within a specified time as determined by the lender, locate a home the family proposes to purchase;
- (3) Submit a sales agreement containing specific components to KCDC for approval;
- (4) Allow KCDC or an independent KCDC contracted inspection agency to inspect the proposed home ownership dwelling to assure that the dwelling meets appropriate housing quality standards;
- (5) Obtain a non-KCDC independent home inspection covering major building systems;
- (6) Obtain KCDC approval of the proposed mortgage (which must comply with generally accepted mortgage underwriting requirements); and
- (7) Agree to the terms of KCDC's mortgage payment procedure by reviewing and signing the escrow agreement.
- (8) Enter into a written agreement with KCDC to comply with all of its obligations under the Section 8 program.

A. Home Ownership Counseling Program.

A family's participation in the home ownership program is conditioned on the family attending and successfully completing a minimum of eight hours

of home ownership and housing counseling provided or approved by KCDC prior to commencement of home ownership assistance. If a family sells one home and purchases another one in the same jurisdiction, KCDC may require home ownership counseling. The counseling agency providing the counseling program shall either be approved by HUD or the program shall be consistent with the home ownership counseling provided under HUD's Housing Counseling program. KCDC may require any or all participating family members to participate in a KCDC-approved home ownership counseling program on a continuing basis as a condition of continued assistance in the home ownership program.

The pre-purchase home ownership and counseling program will cover home maintenance; budgeting and money management; credit counseling; fair housing; negotiating purchase price; information about the Real Estate Settlement Procedures Act (RESPA), truth-in-lending laws and avoiding predatory lenders; securing mortgage financing; finding a home; requirement of homeowner's insurance; and home maintenance.

B. Locating and Purchasing a Home.

(1) Locating a Home.

When KCDC determines the family is mortgage ready, a family shall have sixty (60) days to locate a home to purchase in an area of the participant's choice. A home shall be considered located if the family submits a proposed sales agreement with the requisite components to KCDC. For good cause, KCDC may extend a Section 8 family's time to locate the home for two additional thirty-(30) day increments. During a Section 8 participant's search for a home to purchase, their Section 8 rental assistance shall continue pursuant to the Administrative Plan. If a Section 8 participant family is unable to locate a home within the time approved by KCDC, their Section 8 rental assistance through the Section 8 Housing Choice Voucher Program shall continue.

(2) Type of Home.

A family approved for Section 8 home ownership assistance may purchase the following type of homes within Knox County:

- (a) Units not yet under construction at the time the family contracts to purchase the home,
- (b) A home that is existing or under construction,
- (c) A single-family home,
- (d) A condominium,
- (e) A cooperative, or

- (f) A manufactured home to be situated on a privately owned lot or on a site that can be leased for a period of at least forty years and the home must be on a permanent foundation.

Units not yet under construction at the time the family contracts to purchase are contingent upon approval of an environmental review report completed by the responsible entity required under 24 CFR part 58 or by HUD requirements under 24 CFR part 50 prior to the commencement of construction. KCDC will consider a unit “under construction” if the footers have been poured at the time the family signs the contract to purchase.

The family also may purchase a home in a jurisdiction other than Knox County, provided the Housing Agency in the receiving jurisdiction operates a Section 8 Home Ownership Program for which the Section 8 home ownership applicant qualifies and administers the home ownership assistance in their jurisdiction. A family’s participation in the Section 8 Home Ownership Program will be subject to the Section 8 policies of the receiving jurisdiction.

(3) Bedroom Size.

KCDC may increase the payment standard for homeowners up to one bedroom size if a participant chooses to purchase a unit in an area that does not have the voucher size the participant holds. For example, if a participant has a two-bedroom voucher and wants to buy in an area that offers nothing less than three-bedroom units, KCDC may increase the voucher to the higher bedroom size.

(4) Purchasing a Home.

Once a home is located and the family signs a sales agreement approved by KCDC, the family shall close the mortgage as agreed in the sales contract.

(5) Failure to Complete Purchase.

If a Section 8 participant is unable to purchase the home within the maximum time permitted by KCDC, KCDC shall continue the family’s participation in the Section 8 Housing Choice Voucher Program. The family may not re-apply for the Section 8 Home Ownership Program until they have completed an additional year of participation in the Section 8 Housing Choice Voucher Program following the initial determination of their eligibility for the home ownership option.

(6) Lease-Purchase



Families may enter into lease-purchase agreements while receiving Section 8 rental assistance. All requirements of the Housing Choice Voucher Program apply to lease-purchase agreements, except that families are permitted to pay an extra amount to the owner for purchase-related expenses. This is known as a "home ownership premium". Any "home ownership premium," defined as an increment of value attributable to the value of the lease-purchase right or agreement, otherwise known as the down payment, is excluded from KCDC's rent reasonableness determination and subsidy calculation, and must be absorbed by the family. When a lease-purchase participant family is ready to exercise their option to purchase through the Section 8 Housing Choice Voucher Homeownership program, they must notify the Home Ownership Trainer/Counselor at KCDC and apply for the home ownership assistance option. If determined eligible for home ownership assistance, the family may be admitted to the home ownership program and must meet all the requirements of these policies.

- (7) While participating in the Section 8 Home Ownership Program, families may not move more often than one time per year. A participant may purchase another home providing no default exists, but the first home must be sold and the loan closed and the second home must be purchased and the loan closed before housing assistance payments can be made on the second home.

C. Sales Agreement.

The family must provide to KCDC the offer to purchase or a sales agreement including a contingency that KCDC approve the sales contract. The sales agreement must provide for a Housing Quality Standards inspection by KCDC and the independent home inspection referred to in Section 3(D) and must state that the purchaser is not obligated to purchase unless such inspections are satisfactory to KCDC. The contract also must provide that the purchaser is not obligated to pay for any necessary repairs without approval by KCDC. The sales agreement must provide that the purchaser is not obligated to purchase if the mortgage financing terms are not approved by KCDC pursuant to Section 3(E). The sales agreement must also contain a seller certification that the seller is not debarred, suspended, or subject to a limited denial of participation under 24 CFR part 24.

D. Independent Initial Inspection Conducted.

To assure the home complies with the housing quality standards of the Section 8 Home Ownership Program, home ownership assistance payments may not commence until KCDC or an independent KCDC contracted inspection agency first inspects the home. KCDC or an independent KCDC contracted inspection agency reserves the right to inspect the home during the time a homeowner is receiving housing

assistance payments. A professional selected by the family also must complete an independent home inspection of existing homes covering major building systems. The independent home inspector must be a member of the American Society of Home Inspectors (ASHI) or a State of Tennessee licensed contractor and may not be a KCDC employee or contractor or other person under the control of KCDC. KCDC will not pay for the independent home inspection. A copy of the independent home inspection report must be provided to KCDC. KCDC may disapprove the unit due to information contained in the report or for failure to meet federal housing quality standards.

E. Financing Requirements.

The purchaser must pay a minimum down payment of 3% of the sales price if required by the lender, with at least 1% to be paid from the family's personal resources. The proposed financing terms must be submitted to and approved by KCDC prior to close of the loan. KCDC shall determine the affordability of the family's proposed financing. In making such determination, KCDC may take into account other family expenses, including but not limited to child care, unreimbursed medical expenses, education and training expenses, etc. Certain types of financing, including but not limited to balloon payment mortgages and variable rate mortgages, are prohibited and will not be approved by KCDC. KCDC shall consider seller-financed mortgages on a case-by-case basis. If a mortgage is not FHA-insured, KCDC will require the lender to comply with generally accepted mortgage underwriting standards consistent with those of HUD/FHA, Ginnie Mae, Fannie Mae, Freddie Mac, Tennessee Housing Development Agency (THDA), the Federal Home Loan Bank, or other private lending institution.

F. Compliance with Family Obligations.

A family must agree, in writing, to comply with all family obligations under the Section 8 Housing Choice Voucher Program and KCDC's home ownership policies. These obligations include (1) attending ongoing home ownership counseling, as specified by KCDC; (2) complying with the mortgage terms; (3) notifying KCDC if family decides to sell or transfer the home while receiving home ownership assistance payments, (4) not refinancing or adding debt secured by the home without prior approval by KCDC; (5) not obtaining a present ownership interest in another residence while receiving home ownership assistance; (6) supplying all required information to KCDC, including but not limited to annual verification of household income, notice of change in home ownership expenses, notice of move-out, and notice of mortgage default; and (7) having an automatic draft in place from homeowner's checking account to mortgage lender's HAP account to pay monthly mortgage payment. KCDC's Home Ownership Family Obligation policies are set forth in Appendix A.

G. Compliance Lien

Upon purchase of a home, the family must execute documentation as required by HUD and KCDC. Moving to another home in the same PHA jurisdiction, as well as buying another home in another PHA jurisdiction, is permitted with continued use of home ownership assistance.

#### 4. **AMOUNT OF ASSISTANCE.**

The amount of the monthly assistance payment will be based on three factors: the voucher payment standard for which the family is eligible; the monthly home ownership expense; and the family's household income. KCDC will pay the lower of either the payment standard minus the tenant share or the family's monthly home ownership expenses minus the tenant share. The Section 8 family will pay the difference.

##### A. Determining the Payment Standard.

The voucher payment standard is the fixed amount that HUD annually establishes as the "fair market" rent for a unit of a particular size located within the KCDC jurisdiction. In the home ownership program, the initial payment standard will be the lower of either (1) the payment standard for which the family is eligible based on family size; or (2) the payment standard which is applicable to the size of the home the family decides to purchase. The payment standard for subsequent years will be based on the higher of: (1) the payment standard in effect at commencement of the home ownership assistance; or (2) the payment standard in effect at the most recent regular reexamination of the family's income and size. The initial payment standard, for purposes of this comparison, shall not be adjusted even if there is a subsequent decrease in family size. KCDC will request HUD approval of a higher payment standard, up to 120% of the published Fair Market Rent limit, or increase the voucher by one bedroom size where warranted as a reasonable accommodation for a family that includes a person with disabilities. If the area where the family desires to purchase dictates a larger bedroom size than the family is eligible to receive, KCDC may increase the payment standard by one bedroom size.

##### B. Determining the Monthly Home Ownership Expense.

Monthly home ownership expense includes all of the following: principal and interest on the initial mortgage and any mortgage insurance premium (MIP) incurred to finance the purchase and any refinancing of such debt; real estate taxes and public assessments; homeowners insurance; maintenance expenses per KCDC allowance; costs of major repairs and replacements per KCDC allowance (replacement reserves); utility allowance per KCDC's schedule of utility allowances; principal and interest on mortgage debt incurred to finance major repairs, replacements or improvements for the home including changes needed to make the home accessible; and homeowner association dues, fees or regular charges assessed, if any. Home ownership expenses for a cooperative member may only include KCDC-approved amounts for the cooperative

charge under the cooperative occupancy agreement including payment for real estate taxes and public assessments on the home; principal and interest on initial debt incurred to finance purchase of cooperative membership shares and any refinancing of such debt; homeowners insurance; the allowances for maintenance expenses, major repairs and replacements and utilities; and principal and interest on debt incurred to finance major repairs, replacements, or improvements, including changes needed to make the home accessible.

#### C. Determining the Tenant Share

The Tenant Share of rent is that portion of the home ownership expense that the family must pay. It is generally 30% percent of the family's adjusted income, plus any gap between the payment standard and the actual housing cost. All family income (including public assistance), will be counted to determine the family's adjusted monthly income for purposes of determining the amount of assistance.

With the final rule issued by HUD on September 12, 2000 there is a provision regarding the value of the home purchased under the Housing Choice Voucher homeownership option and how the home value is treated for the purpose of determining the family's income. The rule exempts the home purchased with the voucher assistance from being counted as an asset for the first 10 years after the closing date. This exemption terminates after a family's 10<sup>th</sup> year of participation in the program. The value of the home will be included in the "net family assets" starting in the eleventh year following the purchase of the home.

#### D. Home Ownership Assistance Options

KCDC may offer two types of home ownership assistance. The family may choose to receive monthly home ownership assistance payments described in the previous pages of this administrative plan or, when HUD announces in the Federal Register that funds are available, receive a single down payment assistance grant. The grant may not exceed twelve times the difference between the payment standard and the total tenant payment. The grant will be paid in one lump sum to the lender at closing. At that time, the family would relinquish the Section 8 voucher. A family can revert to renting after 18 months of receiving the lump sum payment.

The down payment assistance grant must be applied to the down payment and/or closing cost. Reasonable and customary closing costs are estimated at 4-5% of the total of all the loan amounts (first, second, mortgages, etc.) and include but are not limited to loan origination fee, appraisal fee, credit report, tax service fee, mortgage insurance (MPI/PMI), home inspection fee, title insurance, and flood zone determination.

If a family member was an adult when the family used one form of home ownership assistance, that person cannot use the other form at any PHA.

A PHA may not provide home ownership assistance if any member was an adult member of a family at the time such family received assistance under the home ownership option and defaulted on the mortgage securing purchase of the home.

E. Payment to Lender

KCDC will provide the lender with notice of the amount of the homeownership assistance payment prior to close of the loan and will pay KCDC's contribution toward the family's home ownership expense directly to the lender. KCDC reserves the right to pay the homeownership assistance payment to the homeowner if/when the homeownership assistance payment is less than \$100. It will then become the homeowner's responsibility to make the full mortgage payment to the lender.

If the home ownership assistance payment is more than the mortgage payment, KCDC will pay the mortgage payment to the lender and the balance of the home ownership assistance payment will be paid to the homeowner.

F. Recapture

KCDC will not recapture the Homeownership Voucher payments unless there was an act of fraud or misrepresentation of a material fact in order to obtain benefit.

**5. TERMINATION OF SECTION 8 HOME OWNERSHIP ASSISTANCE.**

A. Grounds for Termination of Home Ownership Assistance.

- (1) Failure to Comply with Family Obligations under the Section 8 Program or KCDC's Home Ownership Policies.

A family's home ownership assistance may be terminated if the family fails to comply with its obligations under the Section 8 Home Ownership Program, KCDC home ownership policies, or if the family defaults on the mortgage. The family must attend and complete ongoing home ownership and housing counseling classes when required by KCDC. The family must comply with the terms of any mortgage incurred to purchase and/or refinance the home. The family must provide KCDC:

- (a) Written notice of any sale or transfer of any interest in the home;
- (b) Any plan to vacate the home prior to the move;
- (c) The family's household income and home ownership

expenses on an annual basis;

- (d) Any notice of mortgage default received by the family; and
- (e) Failure to comply with the KCDC escrow agreement for monthly mortgage payments
- (f) Any other notices which may be required pursuant to KCDC home ownership policies.

Except as otherwise provided in this Section, the family must notify KCDC if family decides to sell or transfer the home while receiving home ownership assistance payments.

(2) Occupancy of Home.

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

(3) Changes in Income Eligibility.

A family's home ownership assistance may be changed in the month following annual recertification of the household income, but participation in the Section 8 Home Ownership Program shall continue until such time as the assistance payment amounts to \$0 for a period of six (6) consecutive months.

(4) Maximum Term of Home Ownership Assistance.

Notwithstanding the provisions of Section 5(A), subparagraphs 1 through 3, except for disabled and elderly families, a family may receive Section 8 home ownership assistance for not longer than ten (10) years from the date of close of the loan unless the initial mortgage incurred to finance purchase of the home has a term that is 20 years or longer, in which case the maximum term is 15 years. Families that qualify as elderly at the commencement of home ownership assistance are not subject to a maximum term limitation. Families that qualify as disabled families at the commencement of home ownership assistance or at any time during the provision of home ownership assistance are not subject to a maximum term limitation. If a disabled family or elderly family ceases to qualify as a disabled or elderly family, the appropriate maximum term becomes applicable from the date home ownership assistance commenced; provided, however, that such family shall be eligible for at least six additional months of home ownership assistance after the

maximum term becomes applicable. The time limit applies to any member of the household who has an ownership interest in the unit during any time that home ownership payments are made, or is a spouse of any member of the household who has an ownership interest. The maximum term is cumulative. If a participant sells one home and buys another, the accumulated time on the first home carries forth to the second.

B. Procedure for Termination of Home Ownership Assistance.

A participant in the Section 8 Home Ownership Program shall be entitled to the same termination notice and informal hearing procedures as set forth in KCDC's Administrative Plan for the Section 8 Housing Choice Voucher Program.

6. **CONTINUED PARTICIPATION IN SECTION 8 HOUSING CHOICE VOUCHER PROGRAM.**

A. Default on FHA and Non-FHA Insured Mortgage.

If the family defaults on a mortgage and any other secured debt that was incurred to purchase the home, they will not be issued a rental assistance voucher and will never be permitted to participate in the homeownership program.

B. Financial Hardship.

When a family may lose their home due to a financial hardship, KCDC may not commence continued tenant-based assistance for occupancy of a new unit so long as the family member owns any title or other interest in a prior home. The family must successfully sell the home and be cleared of all mortgage securing debt incurred to purchase the home, or any refinancing of such debt.

7. **KCDC ADMINISTRATIVE FEE.**

Monthly Assistance: For each month that home ownership assistance is paid by KCDC on behalf of the family, KCDC shall be paid the ongoing administrative fee described in 24 C.F.R. §982.152(b).

Lump Sum Down Payment Grant: For each down payment assistance grant made by the PHA, HUD will pay the PHA a one-time administrative fee in accordance with Section 982.152 (a) (1) (iii). The one-time administrative fee is initially set at an amount equal to six months of a PHAs on-going regular administration fee. (982.152(b)).

# APPENDIX A: SECTION 8 HOME OWNERSHIP OBLIGATIONS

<p><b>Statement of Homeowner Obligations Housing Choice Homeownership Voucher Program</b></p>	<p><b>U.S. Department of Housing and Urban Development Office of Public and Indian Housing</b></p>	<p><b>OMB Approval No. 2577-0169 (Exp. 04/30/2018)</b></p>
<p>Public Reporting Burden for this collection of information is estimated to average 0.25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed and completing and reviewing the collection of information.</p>		
<p>This collection of information is authorized under Section 8(y) of the U.S. Housing Act. The information sets forth the family's obligations participating in the homeownership program under the Housing Choice Voucher Program.</p>		
<p><b>1. Homeowner Obligations.</b> A family participating in the homeownership voucher program of the undersigned public housing agency (PHA) must follow the rules listed below in order to receive homeownership assistance. Any information the family supplies must be true and complete. Each family member (plus any PHA-approved live-in aide for rules associated with criminal activity or alcohol abuse) must:</p> <p><b>A. Disclose and verify social security numbers and employer identification numbers, sign and submit consent forms for obtaining information (including criminal conviction records of adult household members), and supply any other information that the PHA or HUD determines to be necessary (including evidence of citizenship or eligible immigration status, information for use in determining eligibility to receive homeownership assistance, and information for use in a regularly scheduled reexamination or interim reexamination of family income and composition).</b></p> <p><b>B. Submit any PHA-required reports on the family's progress in finding and purchasing a home.</b></p> <p><b>C. Attend and satisfactorily complete any PHA-required homeownership and housing counseling.</b></p> <p><b>D. Select and pay for a pre-purchase inspection by an independent professional inspector. The inspection must be conducted in accordance with PHA requirements.</b></p> <p><b>E. Enter into a contract of sale with the seller of the unit and promptly provide a copy of the contract of sale to the PHA. The provisions of the contract of sale must comply with PHA requirements.</b></p> <p><b>F. Obtain and maintain flood insurance for homes in special flood hazard areas.</b></p> <p><b>G. Comply with the terms of any mortgage securing debt incurred to purchase the home (or any refinancing of such debt).</b></p> <p><b>H. Promptly notify the PHA in writing when (1) the family is away from the home for an extended period of time in accordance with PHA policies, and (2) before the family moves out of the home. Supply any information or certification requested by the PHA to verify that the family is living in the home or information related to family absence from the home.</b></p>	<p><b>I. Only use the assisted home for residence by the PHA-Approved family members, live-in aide or foster child. No other person may reside in the home. The home must be the family's only residence and no family member may have any ownership interest in any other residential property. Any legal profit making activities in the home must be incidental to the primary use of the home as a residence. The family must not lease any portion of the home or grounds.</b></p> <p><b>J. Promptly notify the PHA in writing of the birth, adoption, or court-awarded custody of a child, and request PHA written approval to add any other family member as an occupant of the home. Promptly notify the PHA in writing if any family member no longer lives in the home.</b></p> <p><b>K. Supply any information as required by the PHA or HUD concerning: (1) any mortgage or other debt incurred to purchase the home, any refinancing of such debt (including information needed to determine whether the family has defaulted on the debt, and the nature of any such default), and information on any satisfaction or payment of the mortgage debt; (2) any sale or other transfer of any interest in the home; or (3) the family's homeownership expenses.</b></p> <p><b>L. Promptly notify the PHA in writing if the family defaults on a mortgage securing any debt incurred to purchase the home.</b></p> <p><b>M. Not commit fraud, bribery, or any other corrupt or criminal act in connection with any Federal housing program. Not engage in drug-related criminal activity or violent criminal activity. Not engage in other criminal activity that threatens the health, safety or right to peaceful enjoyment of other residents and persons residing in the immediate vicinity of the premises. Not abuse alcohol in a way that threatens the health, safety or right to peaceful enjoyment of other residents and persons residing in the immediate vicinity of the premises. Not engage in or threaten abusive or violent behavior toward PHA staff. Not engage in other criminal activity which may threaten the health or safety of persons performing a contract administration function or responsibility on behalf of the PHA (including PHA staff and PHA contractor/subcontractor/agent staff).</b></p> <p style="text-align: right;"><b>Form HUD-52649 (04//2015) Ref. Handbook 7420.8</b></p>	



N. Not lease, let, transfer or convey the home except to grant a mortgage on the home for debt incurred to finance purchase of the home or any refinancing of such debt.

O. Not receive homeownership voucher program assistance while receiving another housing subsidy for the same home or a different unit under any duplicative Federal, State or local housing assistance program.

P. Comply with any additional PHA requirements for family search and purchase of a home and continuation of homeownership assistance for the family. The PHA must attach to this document a list of any such requirements.

2. Termination of assistance. Homeownership assistance may only be paid while the family is residing in the home. The PHA may deny or terminate homeownership assistance for any of the reasons listed below:

A. The family violates or has violated any family obligation under section 1.

B. Any member of the family has been evicted from federally assisted housing in the last five years, or any household member has been evicted from federally assisted housing for drug-related criminal activity in the last three years.

C. A PHA has ever terminated assistance under the certificate or voucher program for any member of the family.

D. The family currently owes any money to the PHA or another PHA in connection with Section 8 or public housing assistance. The family has not reimbursed any PHA for amounts paid to an owner under a housing assistance.

payments contract for rent, damages to the unit, or other amounts owed by the family. The family breaches an agreement with the PHA to pay amounts owed to a PHA, or amounts paid to an owner by a PHA.

E. Any household member is subject to a lifetime registration requirement under a State sex offender registration program.

F. Any household member has ever been convicted for manufacture or production of methamphetamine on the premises of federally assisted housing.

G. The family fails to comply, without good cause, with any family self-sufficiency program contract of participation.

H. The family fails, willfully and persistently, to fulfill any welfare-to-work program obligations.

I. The family has been dispossessed from the home pursuant to a judgment order of foreclosure on any mortgage securing debt incurred to purchase the home (or any refinancing of such debt).

J. The PHA determines that homeownership assistance has been provided for the maximum term permitted under the homeownership voucher program, or it has been 180 calendar days since the last homeownership assistance payment on behalf of the family.

K. The PHA determines there is insufficient funding to provide continued homeownership assistance.

**KEEP THIS DOCUMENT FOR YOUR RECORDS**

**FAMILY**

Name of Head of Household	Address, Telephone Number:
---------------------------	----------------------------

Names of Other Family Members

Signature of Family Representative	Date
------------------------------------	------

**Public Housing Agency**

Name of PHA	Address, Telephone Number:
Knoxville's Community Development Corporation	P. O. Box 3550 Knoxville, TN 37927-3550 865-403-1234

PHA Representative Title	Counselor/Trainer
--------------------------	-------------------

Signature of PHA Representative	Date:
---------------------------------	-------

**Form HUD-52649 (04/2015)  
Ref. Handbook 7420.8**

## Addendum to Statement of Homeowner Obligations

The following will become part of the HUD-52649 – Statement of Homeowner Obligations.

1. Family Self-Sufficiency participants have a preference for the Section 8 Housing Choice Voucher Program.
2. Each family must have completed an initial Section 8 lease term before being eligible for the Section 8 Housing Choice Voucher Program.
3. Participants must not have owned a home within the last three years (some exceptions do apply).
4. Family must purchase a home within 60 days of becoming mortgage ready. For good cause, two 30- day extensions will be allowed. Closing will be according to the sales contract.
5. Family members who sign the mortgage agreement must have an earned income of at least an amount equal to 2000 hours of annual full-time work at the federal minimum wage or receive income based on social security disability.
6. At least one person who will sign the mortgage agreement must be employed full-time with at least 2000 of annual income at the federal minimum wage and has been so continuously employed for one year prior to execution of the sales agreement. Full-time employment requirement must continue after initial purchase of home in order for homeowner to remain eligible for continued mortgage assistance.
7. A family approved for Section 8 home ownership assistance may purchase the following type of homes within Knox County: a home that is existing or under construction, a home not yet under construction at the time the family contracts to purchase the home contingent on approval of an environmental review report, a single-family home, a condominium, a cooperative, or a manufactured home to be situated on a privately owned lot or on a site that can be leased for a period of at least forty years and the home must be on a permanent foundation.
8. Families may enter into lease-purchase agreements.
9. The sales contract must provide that the seller certifies that they are not debarred, suspended, or subject to limited denial of participation and allow for a Knoxville's Community Development Corporation (KCDC) Housing Quality Standards inspection or an Independent KCDC Contracted Inspection Agency and an independent inspection conducted by a member of the American Society of Home Inspectors (ASHI).
10. A family may receive Section 8 home ownership assistance for no longer than ten (10) years from the date of close of escrow unless the initial mortgage incurred to finance purchase of the home has a term that is 20 years or longer, in which case the maximum term is 15 years. Families that qualify as elderly at the commencement of home ownership assistance are not subject to a maximum term limitation. Families that qualify as disabled families at the commencement of home ownership assistance or at any time during the provision of home ownership assistance are not subject to a maximum term limitation.

---

Homeowner Signature

---

Date