SOME HOMEOWNERSHIP GUIDELINES FOR PHAS

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GUIDE TO HOMEOWNERSHIP FOR PHAS

INTRODUCTION

Most Americans, regardless of income or background, share the goal of owning a home. Public housing authorities (PHAs) have recognized the critical role that they can play in helping low-income families realize this aspiration. In addition to tax advantages, PHA-sponsored and HUD-approved homeownership programs provide three compelling benefits to low-income and moderate-income purchasers:

- *An opportunity to purchase a home*. Many families are prevented from purchasing a home due to some combination of low income, low savings, poor credit history, and lack of awareness of opportunities. By creating affordable homes and helping low-income and moderate-income households to overcome barriers to homeownership, PHAs can create opportunities for families who might otherwise never have had the chance to own their own homes.
- *An asset that can grow in value and generate financial security*. The largest asset of most Americans is the equity in their homes. Helping people to purchase homes can be a key component of a financial asset building strategy. It helps ensure economic integration into the future.
- *Increased physical and psychological security*. Homeownership offers stability while pursuing advancement in education and employment. It provides increased control over one's environment and future, and it gives families a sense of pride and achievement in providing a home for themselves.

PHAs, through the sale of homes already in their inventory or by the development or acquisition of properties for sale, are well positioned to assist households to purchase their own homes. Housing authorities and their partners are able to be creative with respect to developing and implementing a homeownership strategy and program as long as the proposal adheres to and is consistent with specific regulatory requirements.

Section 1 of this introductory guide provides an overview of public housing homeownership. Section 2 describes PHA homeownership proposal requirements and outlines policy considerations for PHAs to consider as they structure homeownership projects. Definitions of commonly used homeownership terms and a table comparing homeownership programs are included in the Appendix.

Section 1: PHA HOMEOWNERSHIP PROGRAMS

There are several homeownership programs which housing authorities and their partners may utilize. The table below serves as a quick reference for homeownership programs and eligible activities, and there are also detailed summaries of Section 32, Middle-Income[1], Section 24(d)(1)(j) and Section 9(d)(1)(j) of the 1937 Housing Act (also known as Section 24/9), and Section 8(y) Housing Choice Voucher homeownership programs included in this section. See the more detailed table in the appendix for a comparison of each element of these homeownership programs.

PHAs currently implement HUD-approved homeownership plans under the Section 5(h), Section 32, Middle-Income, and Section 24/9 programs. *Lease-purchase homeownership plans submitted after April 10, 2003, will*

[1] The Middle-Income homeownership program was formerly called the Nehemiah-like homeownership program.

only be approved under the Section 32 program (which replaces Section 5(h)). The table at Appendix 5 highlights the status and key differences between the Section 32, Middle-Income, and Section 24/9 programs. Affordable homeownership program regulations use a variety of technical terms to describe eligible activities. For reference, a glossary of homeownership terms used throughout this document can be found at Appendix 1.

Homeownership Activity	*Homeownership Program*
To construct or rehabilitate non-ACC units	**Middle-Income** (only for HOPE VI grant recipients from 1993-1999; housing authorities with HOPE VI grants from 2000 and later cannot submit proposals under the Middle-Income program), **or Section 24/9**: See Sections B and C of this Guide.
To sell existing public housing rental units or sell acquired units	**Section 32** which replaces Section 5(h) regulations: See Section A of this Guide
To provide direct financing to purchasers	PHAs may provide direct financing to purchasers in the form of downpayment or closing cost assistance, or subordinate mortgages. **Section 32**: The units sold are ACC units or acquired units, and the purchasers are public housing residents. See Section A of this Guide. **Middle-Income program** (if the PHA is a 1993-1999 HOPE VI grant recipient): The units sold are non-ACC units and the homes are newly constructed or involve substantial rehabilitation. See Section B of this Guide. **Section 24/9** program: The units sold are newly constructed, rehabilitated or acquired. See Section C of this Guide.
To sell units via the lease-purchase method	**Section 32**: The PHA must submit its homeownership proposal under Section 32, as the PHA is selling public housing rental units that are under the ACC contract. The development of these units is governed under 24 CFR 941. See Section A of this Guide.
To create Family Self – Sufficiency (FSS) or Homeownership Counseling Program	Under **every Homeownership Program**, PHAs are encouraged to establish FSS and Homeownership Counseling programs to assist residents in making the transition from renting to homeownership.

A. Section 32 (24 CFR Part 906)

Overview

The Quality Housing and Work Responsibility Act (QHWRA) permits PHAs, through Section 32 of the U.S. Housing Act of 1937 (1937 Act), to make public housing dwelling units available for purchase by low-income families as their principal residence. Under Section 32, a PHA may (1) sell all or a portion of a public housing development to eligible public or non-public housing residents, (2) provide Capital Fund assistance to public housing families to purchase homes, and (3) provide Capital Fund assistance to acquire homes that will be sold to low-income families. <u>The final Section 32 rule replaces the Section 5(h) rule.</u> PHAs interested in developing public housing rental units (including acquisition, construction and rehabilitation) must do so under 24 CFR 941, which may in turn be sold under Section 32.

PHAs with approved 5(h) plans may continue to operate under the 5(h) program regulations, however, PHAs seeking modifications or amendments to existing 5(h) plans will be held to Section 32 regulations. PHAs with approved 5(h) plans may opt to realign their existing plans to incorporate Section 32 regulations at any time. For additional guidance on the Section 32 program, refer to the *Section 32 Desk Guide* found at http://www.hud.gov/offices/pih/centers/sac/homeownership/

Eligible Program Activities

PHAs implementing a Section 32 program may provide the following services:

1. provide subsidy to public housing families (using Capital funds or non-1937 Act funds) or low-income families (using non-1937 Act funds) in the forms of (a) downpayment or closing cost assistance, (b) subordinate mortgages, and/or (c) direct financing;
2. acquire existing homes using Capital funds for sale to income-eligible purchasers without adding these units to the ACC;
3. sell existing public housing rental (ACC) units to income-eligible purchasers; and
4. operate a lease-purchase program.

Key Program Features

- *PHAs must use Davis-Bacon wages for all construction activity.* Except in specific cases of non-routine maintenance, Davis-Bacon prevailing wage rates apply to all construction activities under the program.

- *Section 32 can be implemented in conjunction with the Section 8(y) program.* The Section 8(y) program is described separately in the PHA's Housing Choice Voucher Administrative Plan. See the Housing Choice Voucher (Section 8(y)) homeownership program summary below for details regarding implementation of a homeownership voucher program.

- *Residents must be offered the first right of refusal.* In selling a public housing unit under a homeownership program, the PHA or Purchase and Resale Entity (PRE) must initially offer the unit to the resident occupying the unit if they meet the eligibility requirements. The current residents of the public housing units will be offered comparable housing, and have the option of applying to the program in order to purchase their unit, relocating to another comparable unit, or receiving tenant-based or project-based assistance. PHAs must provide the resident with notice 90 days prior to the date of the sale of their unit, counseling, relocation expenses, and comparable replacement housing options. The right of first refusal does not extend to residents in non-public housing units.

Eligibility Requirements

- *Eligible purchasers may earn up to, but not exceed 80% of Area Median Income (AMI).* Except in the case of a PHA's offer of first refusal to a resident occupying the unit, a PHA must ensure that an applicant's income is not over 80% of AMI at the time the contract to purchase the property is executed.

- *The PHA may sell units to a Purchase and Resale Entity (PRE).* The PHA must demonstrate to HUD that the PRE has the necessary legal capacity and practical capability to carry out its responsibilities under the program and sell the units within five years from the date of acquisition; otherwise it must transfer ownership of the units back to the PHA. The PHA's homeownership program also must contain a written agreement that specifies the respective rights and obligations of the PHA and the PRE.

- *The purchaser must meet affordability standards.* On an average monthly estimate, the sum of the applicant's payments for mortgage principal and interest, insurance, real estate taxes, utilities, maintenance and other recurring homeownership costs will not exceed the sum of 35% of the applicant's adjusted income plus any subsidy that will be available for such payments.

- *Principal residence requirement.* The dwelling unit sold to an eligible family must be used as the principal residence of the family.

- *PHAs must require purchasers to pay a minimum downpayment.* Each household purchasing housing must use its own resources to contribute an amount of the down payment that is not less than one percent (1%) of the purchase price of the housing.

- *Other eligibility restrictions.* A PHA may establish additional limitations for households to purchase housing. Such requirements may include employment, no past criminal activity, participation in homeownership counseling programs, or other requirements.

Recapture and Appreciation Restrictions

- *Recapture.* The PHA must set a policy regarding recapture of government-provided assistance and/or direct financing made to the purchaser to the extent that there are net proceeds upon resale. This includes the PHA downpayment, closing cost assistance, subordinate mortgage financing, or below-market financing (i.e., sale the unit for less than appraised value of the home). This provision must be recorded in the appropriate form of title restriction(s). However, this policy may range from no recapture of assistance to full recapture of assistance.

- *Appreciation.* A PHA must have a policy addressing appreciation generated by the resale of the property to the extent that there are net proceeds if the house is sold within five years after purchase. The PHA's recapture policy on appreciation may range from no recapture to recapture of total appreciation. The PHA may not recapture gains from appreciation if the home is sold after five years from the initial purchase. A gain from appreciation is defined as financial gain solely attributable to the home's appreciation over time and not attributable to below-market financing or government-provided assistance (recapture of that subsidy is discussed in recapture above). The gains from appreciation provision must be recorded as a deed restriction or a restrictive covenant.

- *Resale.* While not required, the Section 32 regulation does permit PHAs to implement a resale provision limiting resale to low-income buyers.

B. Middle-Income Homeownership*

*formerly "Nehemiah-like" Homeownership program

Overview

In 1993, the HUD/VA Appropriations Act stated that HOPE VI funds could be used for housing opportunity programs that meet the requirements of the Nehemiah Housing Opportunity Grants program of 1987. However, due to other restrictions of law, *only HOPE VI grants funded from appropriation acts from FY1993 through FY1999 can be used in this homeownership program that was permitted by the 1987 Housing and Community Development Act*.

Note: Section 24, as authorized under the Quality Housing and Work Responsibilities Act (QHWRA), incorporates most of the activities allowed in the Middle-Income homeownership program, and is available to <u>all</u> HOPE VI grantees regardless of the fiscal year the grant was awarded. (See Section C of this guide)

Eligible Program Activities

PHAs awarded HOPE VI grants in Fiscal Years 1993 through 1999 may implement a Middle-Income program and may provide the following:

1. downpayment or closing cost assistance;
2. subordinate mortgages (including a direct assistance program);
3. construction or permanent financing (i.e., write-downs) for new construction or substantial rehabilitation costs related to homeownership replacement units; and/or
4. other activities in support of the above primary homeownership activities including, but not limited to: (a) demolition to make way for new construction, (b) abatement of environmentally hazardous materials, (c) relocation assistance and mobility counseling, (d) homeownership counseling, (e) site improvements, (f) administration costs, (g) marketing costs, and (h) legal costs associated with the program.

Key Program Features

- *The homes for sale must be newly constructed or substantially rehabilitated.* Substantially rehabilitated means rehabilitation involving costs in excess of 60% of the maximum sales price of a home.
- *The use of Davis-Bacon wage rates is not required under the Middle-Income homeownership program.*
- *A PHA can provide direct financing to purchasers of newly constructed or substantially rehabilitated homes.* The Middle-Income program permits housing authorities to provide direct financing to purchasers to enhance the affordability of the units to eligible purchasers. HOPE VI funds, for example, can be loaned to a purchaser as a soft second mortgage after the household has obtained the maximum first mortgage amount.
- *The Middle-Income program can be implemented in conjunction with the Section 8(y) program.* The Section 8(y) program is described separately in the PHA's Housing Choice Voucher Administrative Plan. See the Housing Choice Voucher (Section 8(y)) homeownership program summary below for details regarding implementation of a homeownership voucher program.

Eligibility Requirements

- *A purchaser must not have owned a home within the 18-month period preceding the purchase of the home.*

- *A household's income cannot exceed the greater of (a) 100% of the area median income (AMI) for a family of four or (b) 100% of the national median income for a family of four on the date of purchase of the home.* However, in order to achieve or maintain neighborhood stability, HUD may permit a PHA to allow up to 15% of households to earn up to 115% of AMI with a letter/certification of support from the local government. Homebuyers can be housing choice voucher recipients as well as public housing and non-public housing residents so long as they meet the eligibility requirements.

- *The homeowner must use the home as their principal residence.* The home cannot be rented or leased to another household.

- *The downpayment must be at least 5% of the purchase price, with at least 1% paid by the purchaser from his/her own fund*, unless the first mortgage on the home is originated or held by a State or unit of general local government under a home loan program of the State or unit of general local government, and the program provides for a lower downpayment. The remaining amount can be paid from other sources, including HOPE VI funds.

Recapture and Appreciation Restrictions

- *Recapture.* A PHA offering direct financing to purchasers must establish recapture requirements. These requirements can be tailored to best fit the program's objectives and goals. The PHA may recapture upon resale all, some or none of the direct financing to the purchaser to the extent that there are net proceeds. PHAs typically enforce this requirement through a promissory note requiring repayment of the assistance if the homeowner sells the house prior to the expiration of the PHA's financing term.
- *Appreciation*. In a Middle-Income program, HUD requires that the covenant or financing documents include an appreciation provision if the development cost is greater than the purchase price of a home (i.e., public housing funds are used to write-down the cost of construction). PHAs may determine how to share the net proceeds, if any, on the sale in a way that allows the purchaser to recover his/her investment in the home and share in the appreciation on the home.

C. Section 24/9 Homeownership

The Quality Housing and Work Responsibility Act (QHWRA) permits PHAs, through Sections 24 and 9 of the U.S. Housing Act of 1937, to engage in "appropriate replacement homeownership activities." PHAs may use construction financing, other private resources, HOPE VI funds, and/or Capital funds to finance the activities included in a Section 24/9 homeownership plan.

The passage of QHWRA in 1998 also incorporated the HOPE VI program into the 1937 Housing Act. As of the Fiscal Year 2000 Notice of Funding Availability (NOFA), the HOPE VI program, like all other public housing activities, must adhere to the 1937 Act's eligibility requirements. Specifically, the 1937 Act only allows persons at 80% of area median income (AMI) or below to receive assistance through any funds appropriated under the Act. Section 24 and 9 regulations define "appropriate replacement homeownership activities" within the parameters of the 1937 Act's requirements. Section 24 is available for all HOPE VI grantees. Section 9 is available to PHAs using Capital funds for homeownership activities.

Eligible Program Activities

The Fiscal Year HOPE VI 2000 NOFA describes eligible revitalization activities appropriate for Section 24. These activities are also eligible under Section 9 using Capital funds. Specifically, PHAs may currently use their funds to provide the following services:

1. downpayment or closing cost assistance;
2. provision of subordinate mortgages (including a direct assistance program);
3. construction or permanent financing (i.e., write-downs) for new construction, acquisition, or rehabilitation costs related to homeownership units; and
4. other activities in support of the above primary homeownership activities including, but not limited to: (a) demolition to make way for new construction, (b) abatement of environmentally hazardous materials, (c) relocation assistance and mobility counseling, (d) homeownership counseling, (e) site improvements, (f) administration costs, (g) marketing costs, and (h) legal costs associated with the program.

Key Program Features

- The use of Davis-Bacon wage rates is required under the Section 24/9 homeownership program.
- *A PHA can provide direct financing to purchasers of newly constructed, existing, or substantially rehabilitated homes.* The Section 24/9 program permits housing authorities to provide direct financing to purchasers to enhance the affordability of the units to eligible purchasers. Capital funds and/or HOPE VI funds can be loaned to a purchaser as a subordinate mortgage after the household has obtained the maximum first mortgage amount. Under the Section 24 and 9 programs, PHAs may use HOPE VI and Capital funds to provide direct assistance to *income-eligible residents*; however, PHAs which own the improvements to the project lots during development may use Capital funds to provide direct assistance to only *public housing residents*.

  Housing authorities also have combined the use of Capital funds and HOPE VI money with funds offered through cities to assist the purchaser with downpayment and/or closing costs. A PHA can also structure a direct financing-only program that does not entail new construction or substantial rehabilitation of homes, but rather only provides subordinate financing to eligible purchasers of homes in the local market.
- *PHA-owned homes developed under a Section 24 or Section 9 program must be sold under a Section 32 program.* Where the PHA owns the improvements to the project lots during construction, acquisition, or rehabilitation, the PHA must receive approval of a Section 32 plan prior to sale or transfer of the units.
- *Section 24/9 can be implemented in conjunction with the Section 8(y) program.* The Section 8(y) program is described separately in the PHA's Housing Choice Voucher Administrative Plan. See the Housing Choice Voucher (Section 8(y)) homeownership program summary below for details regarding implementation of a homeownership voucher program.

Eligibility Requirements

- *Eligible purchasers may earn up to, but not exceed 80% of Area Median Income (AMI).* A PHA must ensure that an applicant's income is not over 80% of AMI at the time the contract to purchase the property is executed.
- *The purchaser must pay a minimum downpayment from his/her own resources that is the greater of 1% of the purchase price or $500.* The PHA or lender may elect to impose a larger downpayment requirement, and the PHA may provide HOPE VI or Capital funds for that portion of the downpayment above the minimum requirement.

- *The homeowner must use the home as their principal residence*. The home cannot be rented or leased to another household.

Recapture and Appreciation Restrictions

- *Recapture.* The PHA must set a policy regarding recapture of government-provided assistance and/or direct financing made to the purchaser to the extent that there are net proceeds upon resale. This includes the PHA downpayment, closing cost assistance, subordinate mortgage financing, or below-market financing (i.e., sale the unit for less than appraised value of the home). This provision must be recorded in the appropriate form of title restriction(s). However, this policy may range from no recapture of assistance to full recapture of assistance.

- *Appreciation.* Where a PHA provides a permanent write-down on newly constructed or substantially rehabilitated homes, HUD requires that the covenant or financing documents include an appreciation provision. PHAs may determine how to share the net proceeds on the sale in a way that allows the purchaser to recover his/her investment in the home and share in the appreciation on the home. The PHA's recapture policy on appreciation may range from no recapture to total recapture of appreciation.

D. Section 8(y) Homeownership Voucher Program

The Section 8(y) Homeownership Option may be offered by PHAs who administer the Housing Choice Voucher Program. Under the homeownership voucher program, the PHA makes monthly assistance payments on behalf of a first-time homeowner to assist a family in meeting their monthly homeownership expenses. The regulations for the Section 8(y) program are found at 24 CFR 982.625-43.

Under the Homeownership Option, PHAs may allow Housing Choice Voucher homeownership participants to purchase eligible units. Eligible units may include units that are owned by a PHA or have received PHA-funded construction write-downs, provided that such units will not continue to be operated as public housing units after the sale or are units receiving project-based assistance under Section 8 of the 1937 Act at the time the family takes title to the unit and the monthly homeownership payments commence.

PHAs are able to combine the monthly homeownership voucher assistance payments with the following subsidies in order to make homes affordable to low-income purchasers:

- PHA-funded construction write-downs to cover the gap between the development cost and the sales price of the home; and/or

- PHA-funded direct assistance made to purchasers in the form of a subordinate mortgage or other downpayment or closing cost assistance[2].

Homeownership voucher assistance may only be provided for the purchase of an eligible unit that is owned by the PHA that administers the voucher assistance (including a unit owned by an entity substantially controlled by the PHA) if all the requirements of 24 CFR 982.628(d) are met. For instance, the PHA must inform the family, both orally and in writing, that the family has the right to purchase any eligible unit and must ensure that the PHA-owned unit is freely selected by the family without PHA pressure or steering. In addition, the PHA must also obtain the services of an independent agency to perform certain PHA administrative functions for PHA-owned

[2] Section 8(y) may not be used to pay debt service on subordinate mortgages funded with public housing funds.

units, such as conducting the housing quality standard inspection, reviewing the independent inspection report, reviewing the contract of sale, and determining the reasonability of the sales price and any PHA provided financing, if applicable.

There is no recapture of homeownership voucher assistance upon sale or refinancing of the family's unit. However, any recapture and gains from appreciation provisions that may be associated with PHA-subsidized public housing homeownership programs remain in effect when a homeownership voucher purchaser uses such programs.

PHAs that wish to administer a Housing Choice Voucher homeownership program must revise their Housing Voucher Administrative Plans to reflect this activity. As the Housing Voucher Administrative Plan is separate from the public housing homeownership programs here described, PHAs should refer to 24 CFR 982.54 and http://www.hud.gov/offices/pih/programs/hcv/forms/guidebook.cfm for further information about Administrative Plans.

By law, homeownership voucher assistance is tenant-based assistance. This means that homeownership voucher participants may purchase an eligible unit anywhere they wish within the PHA's jurisdiction. In addition, homeownership voucher households may, in certain instances, transfer to another PHA that is also operating a homeownership voucher program if that PHA is accepting new participants into its program. PHAs operating public housing homeownership programs cannot rely on homeownership voucher participants to purchase PHA-owned units. Thus Section 8(y) assistance cannot be an assumed form of subsidy in the context of PHA public housing homeownership programs. Additional guidance on the Section 8(y) homeownership voucher program may be found at http://www.hud.gov/offices/pih/programs/hcv/homeownership/index.cfm

Section 2: THE HOMEOWNERSHIP PROPOSAL AND HOMEOWNERSHIP POLICY CONSIDERATIONS

Similar to a rental development proposal, the housing authority should be able to clearly articulate to HUD the goals and viability of its homeownership proposal and present a sound strategy for implementing it. The following section is intended to serve as a guide for PHAs as they develop goals for homeownership projects and consider the policies governing these projects.

A. What Comprises a Homeownership Proposal

PHAs proposing Section 32 programs should complete a Homeownership Plan in accordance with the Section 32 regulations found at 24 CFR 906. If newly constructing or acquiring units (with or without rehabilitation), then PHAs should submit a Development Proposal under 24 CFR 941 in conjunction with their Section 32 Homeownership Plan.

PHAs proposing Section 24/9 programs or Middle-Income programs should submit a homeownership term sheet and applicable closing documents. Submission of the completed term sheet and applicable evidentiaries replaces the requirement for a separate homeownership proposal in narrative form. The term sheet, which also lists required closing documents, can be found at http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho_termsheet.doc and http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho_budget.xls

PHAs proposing a Section 8(y) Homeownership Voucher program should amend their Housing Choice Voucher Administrative Plans. Section 8(y) regulations can be found at 24 CFR 982. Information about Housing Choice Voucher Administrative Plans is available at http://www.hud.gov/offices/pih/programs/hcv/forms/guidebook.cfm

B. Homeownership Policy Issues for PHA Consideration

As a PHA develops the terms of its homeownership project, it will need to consider how to structure specific terms of its project in order to best meet its goals. For guidance regarding business terms between the developer, the PHA, and its consultants, PHAs should refer to the Homeownership Cost Controls and Safe Harbor standards located at http://www.hud.gov/offices/pih/programs/ph/hope6/mfph/ho_safeharbor.pdf These Homeownership Cost Control and Safe Harbor standards only apply to homeownership plans that call for fee-simple sale of newly constructed or rehabilitated units receiving the benefit of public housing funds or public housing land subsidy. Other homeownership-specific policy concerns for PHA consideration include the following. Each is discussed in greater detail below:

(1) Purchaser eligibility—considering the primary market;

(2) Recapture provision—establishing appropriate terms for direct financing to purchasers;

(3) Gains from appreciation provision—protecting against windfall profits;

(4) Resale restrictions—restricting the resale of the home to low-income buyers;

(5) Sale proceeds—using program income for future phases of the project or to further low-income housing opportunities; and

(6) Sustainability—providing support to assist residents with long-term homeownership.

1. Purchaser Eligibility

The PHA should structure purchaser eligibility criteria according to its goals for homeownership. For example, if the PHA wishes to attract higher-income purchasers into a targeted neighborhood, the PHA may wish to establish minimum-income criteria for eligibility. Likewise, if the PHA's goal is to encourage as many public housing residents as possible to become homeowners, the PHA may wish to offer loans only to public housing residents (as opposed to income-eligible, but not necessarily public housing residents). Similarly, PHAs with Section 24/9 or Middle-Income programs that are making second mortgages available should require that first mortgages be substantially maximized before calculating a second mortgage. In addition, the PHA may wish to require successful completion of a homeownership counseling program as an eligibility requirement. Finally, if the PHA wishes to ensure a diversity of incomes amongst project purchasers, it may elect to impose income-tieiring such that portions of the total homes are sold to households within specified income ranges.

There are some eligibility criteria that apply to all programs: with the exception of the Middle-Income program, the PHA must restrict eligibility to households earning no more than 80% AMI corresponding to household size. Additionally, each program has specific downpayment requirements and restrictions of prior homeownership. Refer to the summaries of the homeownership programs in Section 1 for each program's restrictions. The PHA also may add further restrictions such as minimum income corresponding to household size, employment and credit requirements, downpayment requirements, restrictions on prior ownership, homeownership counseling, and other kinds of requirements.

2. Recapture Provision

Where a PHA is providing PHA funds directly to the purchaser in the form of a subordinate mortgage or downpayment and/or closing cost assistance, the PHA must set a policy regarding recapture upon resale of government-provided assistance and/or direct financing made to the purchaser to the extent that there are net proceeds. The recapture provision outlines the repayment terms of direct assistance to a purchaser. However, this policy may range from no recapture of assistance to full recapture of assistance. As the PHA structures the proposed loan and recapture terms it should consider the following:

- Refinancing implications;
- The average first mortgage amount for which targeted purchasers will qualify and the average required amount of PHA financing provided to the purchaser in order to purchase a typical home;
- The purchaser's debt-to-income ratio (where debt includes both first mortgage and PHA financing);
- The availability of other local downpayment/closing cost assistance programs;
- The annual incomes of the purchasers, including possibly targeting differing loan amounts to income tiers;
- Local housing market trends and likely trend in housing values;
- Possible incentives for long-term residence and investment in the home, such as slow forgiveness of the loan;
- Possible future uses of recaptured funds for furthering low income housing opportunities; and
- Plans for administering the recapture provision.

According to its goals, the PHA may structure the direct assistance in a number of ways: no monthly payment and due upon resale, monthly/annual installments, zero to direct interest rates, and/or financing that is forgivable over time. In developing a homeownership proposal, the PHA should explicitly identify the process, terms, and conditions of sale to eligible households and the type, source, and allocation of financing to be offered under the program.[3] The PHA should budget for the type(s) of assistance being provided, (and, if applicable, how much is being provided to each income tier), costs for administering the assistance, and costs of long-term tracking of the assistance. The PHA may recapture upon resale all, some or none of the direct financing to the purchaser to the extent that there are net proceeds. If the financing is forgiven over time, the PHA should also consider the financial implications to the purchaser and to the PHA of that forgiveness rate.

3. Gains from appreciation provision

If the PHA writes down the cost of the home (where the cost to construct the home is greater than the appraised value of the home--i.e., the sales price) it must consider an appreciation provision to share the net proceeds on a home. The PHA's recapture policy on appreciation may range from no recapture to total recapture of appreciation.

The tables below provide a sample model to calculate subordinate mortgage and write-down amounts and establishing gains from appreciation and recapture provisions.

Rationale for PHA Subsidy:

XYZ Housing Authority has decided to offer a Section 24 Homeownership program. It has decided to forgive its second mortgage to the purchaser over time. To close the gap between the construction costs of the unit and the appraised value of the unit, the XYZ Housing Authority will also provide a construction write-down. To determine how much construction write-down and second mortgage is required for the sale of a unit to Jane Doe, a public housing eligible purchaser, the XYZ authority has created the following table:

PHA Subordinate Mortgage Analysis	
Sales Price	$70,000
First Mortgage proceeds (maximum 1st mortgage amount based on purchaser's income)	$52,000
Downpayment (minimum 1% of sales price, here 5%)	$3,500
Closing Costs (from local downpayment/closing cost assistance)	$3,000
PHA Mortgage Needed = (Sales Price – First Mortgage – Downpayment)	**$14,500**
PHA Construction Write-Down Analysis	
Land cost	$5,000
Hard costs (@ $50 per square foot for 1,500 sq. ft.)	$75,000
Soft costs (@10% of construction)	$7,500
Insurance	$500
Marketing costs	$1,000
Construction interest	$2,625
Total Costs	$93,625
Construction Write-down = (Total costs-Sales Price)	**$23,625**
Total PHA Subsidy Required	

[3] Under Section 32 only, PHAs may elect to establish below fair market sale prices for ACC units to be sold. For Middle-Income and Section 24/9, the PHA must assume sale price of the home equals the appraised values when calculating need for subordinate financing and/or write-downs.

Second Mortgage	$14,500
Construction Write-down	+ $23,625
Total Public Contribution	**$38,125**

PHA Recapture Provision

Because the XYZ Housing Authority is implementing its homeownership program in a weak market, it has decided to forgive the second mortgage at the rate of 20% per year beginning in Year 1 (see example below). The XYZ Housing Authority calculates the recapture schedule below:

Sample Calculation of Forgiveness:

Year of Resale	Rates of Forgiveness	Amount of PHA Recapture
Beginning with year 1	0%	$14,500
Beginning with year 2	20%	$11,600
Beginning with year 3	40%	$8,700
Beginning with year 4	60%	$5,800
Beginning with year 5	80%	$2,900
Beginning with year 6	100%	$0

PHA Gains from appreciation Provision

The XYZ Housing Authority has also determined that it will receive a portion of the net proceeds on the resale of a home if the purchaser sells the home within 5 years of the date of purchase. In order to determine how much of Jane Doe's net proceeds to claim, the XYZ Housing Authority has taken into consideration the following factors:

1) The aggregate amount of assistance provided under the homeownership program to the household (in this case, the XYZ Housing Authority provided $38,125 total assistance to the unit and Jane Doe).
2) The contribution of equity by the purchasing household;
3) The period of time elapsed between purchase by the homebuyer under the homeownership program and resale by the homebuyer;
4) The reason for resale;
5) Any improvements made by the household purchasing under the program (in this example, a $5000 porch was added to the home);
6) Any appreciation in the value of the property; and
7) Any other factors that the PHA considers appropriate.

The XYZ Housing Authority has decided to share the net proceeds 50/50 if the home is sold within the first five years, and 25/75 (75% going to the seller) in years six through ten. If Jane Doe chooses to sell her home after three years, the XYZ Housing Authority is entitled to 50% of the net proceeds. In order to determine the net proceeds on the sale, the XYZ Housing Authority has made the following calculation.

Sample Calculation of Net Proceeds:

Resale price	$85,000
Outstanding Balance on First Mortgage	($49,735)
Owner Investment (downpayment + principal paid)	($3,500 + $2,265)
Value of improvements made by the initial purchaser	($ 5,000)
PHA provided second mortgage (60% forgiven within year 4)	($ 5,800)
Net proceeds (to be shared 50/50 between XYZ HA and Ms. Doe)	$18,700

Sample Calculation of Purchaser Proceeds from Sale:

Purchaser's Share of Net proceeds	$ 9,350
Downpayment	$ 3,500
Principal Paid	$ 2,265
Value of improvements made by the initial purchaser	$ 5,000
PHA provided second mortgage (60% forgiven beginning year 4)	$ 5,800
Net proceeds (to be shared 50/50 between XYZ HA and Ms. Doe)	$25,915

4. Resale Restrictions

Depending upon a PHA's homeownership goals, it may wish to implement a deed restriction such that the homes must be resold to low-income purchasers for a determined period of time (30 years, for example). This restriction is optional. If the PHA elects to implement a resale restriction, it must identify the responsible party for long-term implementation of the restriction its homeownership proposal, and it should also include a clause such that the PHA would purchase the home upon resale if the seller cannot obtain an income-eligible purchaser. It should also provide the terms of the restriction in the homeownership term sheet.

5. Sale Proceeds

The PHA should provide an estimate of the anticipated sale proceeds and any other program income. Sale proceeds could occur at the time of the original sale (if the sale price exceeds the development / rehabilitation cost) or upon resale of the home if recapture and/or gains from appreciation provisions apply at the time of resale. The PHA should provide an explanation of how the program income will be used. The restrictions regarding use of sale proceeds varies by program. Section 32, Middle-Income, and Section 24/9 programs permit the use of proceeds for purposes relating to low-income housing that are in accordance with its homeownership plan. (See 24 CFR 906.31 for Section 32 regulations regarding net proceeds.) Funds may be used to provide financial assistance to income-eligible residents and non-residents of public housing. If the homeownership plan utilizes a PRE, the PHA may opt to have the PRE return sale proceeds to the PHA or permit the PRE to use them for low-income housing purposes.

6. Sustainability

A viable homeownership program for public housing residents should consider the barriers that prevent many low-income residents from attaining or sustaining the dream of homeownership. Poor credit history, inability to meet downpayment requirements and unstable employment are a few of the common barriers that impede many low-income and minority populations from achieving homeownership. PHAs committed to helping residents overcome these barriers to homeownership should consider instituting or expanding the following programs and services:

- **Job Training** – Prospective homebuyers unable to secure or maintain employment are often unable to save money for downpayment, closing costs, and other homeownership costs. Existing homeowners without stable employment often struggle to make regular mortgage payments. PHAs interested in supporting employment stability among low-income homebuyers may need to establish partnerships with job placement and job training programs.

- **Family Self-Sufficiency (FSS) program** – Under 24 CFR 984, PHAs are permitted to use public housing funds and allocate PHA staff time in order to establish FSS programs supporting resident self-sufficiency. PHAs may tailor their FSS programs to meet the needs of their resident population, and may include FSS Escrow accounts and Individual Development Accounts (IDA). Through the **FSS Escrow Account** program, a PHA will not increase the rent of a public housing resident whose income has increased due to improved employment circumstances; instead, the incremental increase in income will be set aside by the PHA to fund the resident's downpayment, closing costs and/or other approved homeownership costs. Through the **IDA program**, a government entity, local agency and, in some cases, a faith-based agency, will match each dollar saved by a public housing resident for approved homeownership costs.

- **Money Management** – PHAs may want to consider offering or partnering with outside agencies that offer classes on budgeting, credit counseling and basic homeownership finance.

- **Memo of Understanding (MOU) with Federal Deposit Insurance Corporation (FDIC)** – In 1992, FDIC and HUD signed an MOU to establish a national partnership to promote financial education using Money Smart, FDIC's financial education curriculum. PHAs may order Money Smart curricula from the FDIC web site at www.fdic.gov/consumers/consumer/moneysmart/

- **Free homeownership, credit and banking information** from FDIC, Office of Thrift Supervision (OTS), Office of the Comptroller of the Currency (OCC), and the Federal Reserve (FR).

- **Government Sponsored Enterprises** like the Federal Home Loan Banks, Fannie Mae and Freddie Mac have significant resources to assist PHAs in developing homeownership programs.

- **Home Maintenance** – Similarly, PHAs may offer or partner with agencies to train residents on basic home maintenance skills, and reasonable costs for typical home maintenance tasks.

Appendix 1: Definition of Terms

***Gains from appreciation provision**:* This provision limits the amount the subsidized, original purchaser can realize due to appreciation of the property upon sale. This provision only applies to the sharing of sale proceeds and does not address the recapture of financing the PHA provides directly to the purchaser.

Appreciation: Appreciation means the financial gain on resale attributable solely to the home's increase in value over time, and not attributable to government assistance.

Below-market financing: Below-market financing may include any lawful type of public or private financing, including but not limited to purchase-money mortgages, non-cash second mortgages, promissory notes, guarantees of mortgage loans from other lenders, shared equity, or lease-purchase arrangements.

***Construction write-down**:* This is a temporary source of funds to bridge the gap between the developer's construction financing and the cost of construction. That portion of the construction write-down that covers the difference between the appraised value of the unit and the actual construction cost becomes the permanent write-down and is typically structured as a grant.

Direct financing to the purchaser: This term refers to the provision of a mortgage or some other form of financial assistance such as downpayment or closing costs assistance to a purchaser. Unlike a subsidy that is invested in the unit (such as a permanent write-down), this form of financing is provided directly to the purchaser.

Lease-purchase program: A lease-purchase arrangement generally provides that a tenant enter a contract to purchase the unit which he/she is living within a designated period of time. For PHAs implementing a lease-purchase program, public housing tenants rent units designated as lease-purchase units. After a determined period of the time, the PHA sells the public housing rental unit to the tenant, at which point the PHA must amend its ACC to remove the unit(s) in question from the PHA's portfolio.

Net proceeds: This is the seller's financial gain after he/she has (a) satisfied all unforgiven mortgages (including the PHA's, if it provided one), (b) paid closing costs, and (c) recovered his/her investment (downpayment and other paid-in equity, and the depreciated value of his/her improvements to the home).

Purchase and Resale Entity (PRE): This term is applicable to the Section 32 program, and means an entity that acquires units for resale to low-income families in accordance with this part. A qualified resident organization may qualify as a PRE.

***Permanent write-down**:* A permanent write-down is a grant that makes up the difference between the appraised value of the unit (i.e., sales price) and the actual construction cost.

Recapture provision: This provision outlines the terms of recapture of only the direct financing to the purchaser. It does not address a permanent write-down (if the PHA provided one). The PHA may choose to recapture the entire amount of direct financing to the purchaser (generally in the form of a subordinate mortgage) or to forgive the loan over time.

***Sales proceeds**:* Proceeds realized by the owner entity/developer/PHA from the sale of homeownership units after the payments of the construction loan(s), the developer fee, and all other project costs have been satisfied.

Subordinate mortgage: This is a loan secured by a mortgage against a homeowner's property that is junior to the first loan and secured against the same property. Subordinate mortgages are frequently structured as "soft" (involve no interest and no payments by the purchaser) and are typically forgiven gradually over time. A soft subordinate mortgage is paid according to the loan terms and/or upon resale of the home. Subordinate mortgages also can be used to record restrictions or conditions on the use or resale of the property.

Appendix 2: Documents Required for Initial HUD Review

Section 32 programs - selling newly acquired units

1. Development Proposal under 24 CFR 941 or 968 (submit to Field Office).

2. Acquisition Proposal under 24 CFR 906.41 (submit to Field Office).

3. Homeownership Plan (submit to SAC) as described at:
http://www.hud.gov/offices/pih/centers/sac/homeownership/

Section 32 programs - selling existing units

1. Homeownership Plan (submit to SAC) as described at:
http://www.hud.gov/offices/pih/centers/sac/homeownership/

Middle-Income and Section 24/9 Programs (submit all to Grant Manager)**

*****Where the PHA owns the improvements to the project lots during construction, acquisition, or rehabilitation, the PHA must receive approval of a Section 32 plan prior to sale or transfer of the units.***

1. Homeownership Term Sheet.
2. Unit Mix Worksheet.
3. Construction and Permanent budgets.
4. Sales Financing Schedule Worksheet.
5. PHA Mortgage Analysis (if applicable).
6. Schedule of Monthly Flow of Funds.
7. TDC Worksheets for Construction financing and Permanent financing.
8. Market Study. The PHA should submit a market study if applicable as described in Section (C)(VI) of the Term Sheet.
9. Site plan on 8.5 x 11" paper.
10. Certification of URA compliance or Relocation Requirements under Section 18 (if not previously submitted to HUD).
11. Additional Information. The PHA should submit any additional information requested by HUD to more fully describe any aspect of the homeownership proposal, including schematic drawings and designs of the proposed building and unit plans.

Section 8(y) Housing Choice Voucher Program

1. Housing Choice Voucher Administrative Plan (submit to Field Office).
2. PHA Annual Plan (submit to Field Office).
3. Certification of Compliance with Housing Choice Voucher Administrative Plan and PHA Annual Plan (submit to Grant Manager).

Appendix 3: Documents Required by HUD at Construction or Financial Closing

1. Housing Authority Certifications and Assurances for Projects Involving Homeownership Units (Form to be released April 1, 2004).
2. HOPE VI Grant Addendum and Exhibits or Homeownership ACC Amendment and Exhibits (both in standard form).
3. Updated Homeownership Term Sheet.

Documents Required by HUD Prior to Release of Funds

1. Housing Authority Pre-Funding Certifications (Form to be released April 1, 2004).
2. Declaration of Restrictive Covenants (recorded first and in standard form).
3. Executed HOPE VI Grant Addendum and Exhibits or Homeownership ACC Amendment and Exhibits.
4. Updated Homeownership Term Sheet (if amended since last submission).
5. Legal Opinion (in standard form).

Appendix 4: Public Housing Homeownership Programs

		Section 32 (replaces Section 5(h))	Middle-Income (only for 1993-1999 HOPE VI grantees)	Section 24/9
Program Status		The newly issued ruling for Section 32 of the 1937 Act revises and replaces the existing Section 5(h) regulations. HUD will no longer accept new 5(h) plans. Existing 5(h) programs will continue to be governed by 24 CFR Part 906 dated April 1, 1999, or may be revised in accordance with Section 32. *All citations below for Section 32 refer to the April 10, 2003 edition of 24 CFR Part 906.*	Although Congress repealed the Nehemiah Housing Program in 1991, the 1993 HOPE VI Appropriations Act allowed public housing authorities to implement a homeownership plan that meets "essentially the same" requirements of the Nehemiah homeownership program. *Only PHAs receiving HOPE VI grants in the fiscal years 1993-1999 may propose a Middle-Income homeownership plan.* *Section 605 of the Housing and Community Development Act of 1987 contains the eligibility requirements for the Nehemiah Housing Program.*	The Quality Housing and Work Responsibility Act (QHWRA) permits PHAs, through Section 24 of the U.S. Housing Act of 1937 (1937 Act), to engage in "appropriate replacement homeownership activities." Through Section 9 of the U.S. Housing Act of 1937, QHWRA also permits PHAs to engage in "homeownership activities, including activities under Section 32." PHAs may use construction financing, other private resources, HOPE VI funds, and/or Capital funds to finance the activities included in a Section 24/9 homeownership plan. *Regulations for the program have not yet been issued.*

	Section 32 (replaces Section 5(h))	Middle-Income (only for 1993-1999 HOPE VI grantees)	Section 24/9
Eligible Program Activities	1. The PHA may sell newly constructed, rehabilitated, or existing public housing units to public housing and other low-income residents. This program does not govern the new construction or rehabilitation of public housing units; rather, the PHA must undertake these activities in accordance with 24 CFR 941. 2. The PHA, under Section 32, may also acquire existing homes using Capital funds for sale to income-eligible purchasers without adding these units to the ACC. 3. The PHA may provide direct financing to purchasers for (a) downpayment assistance, (b) closing cost assistance, (c) counseling, and (d) subordinate mortgages. 4. The PHA may operate a lease-purchase program for ACC units. 5. PHAs interested in construction or rehabilitation of units must do so under 24 CFR 941 or 24 CFR 968, respectively. *24 CFR Part 906.5*	1. The PHA may sell newly constructed or substantially rehabilitated units. Substantial rehabilitation involves costs in excess of 60% of home's maximum sales price. 2. The PHA may provide subordinate mortgages (direct assistance to the purchaser); and/or 3. The PHA may provide construction or permanent financing (i.e., write-downs) for new construction, acquisition, or rehabilitation costs related to homeownership units. *Section 605 of the Nehemiah Housing Program*	1. The PHA may provide downpayment or closing cost assistance; 2. The PHA may provide subordinate mortgages (direct assistance to the purchaser); and/or 3. The PHA may provide construction or permanent financing (i.e., write-downs) for new construction, acquisition, or rehabilitation costs related to homeownership units.
Purchaser Requirements Eligible Purchasers	The PHA may sell units directly to public housing residents, low-income residents, or to another entity for resale to low-income families (Purchase and Resale Entity). *24 CFR Part 906.11 and 906.13*	The PHA may sell the units directly to public housing or non-public housing residents. *Section 605 (b) of the Nehemiah Housing Program*	The PHA may sell the units directly to public housing or non-public housing residents.

	Section 32 (replaces Section 5(h))	Middle-Income (only for 1993-1999 HOPE VI grantees)	Section 24/9
Income	Any public or non-public housing resident earning up to 80% AMI is eligible to purchase a home. There is exception to the low-income restriction for current public housing residents offered the right of first refusal. The applicants monthly payments for mortgage, PITI, maintenance, and other regularly recurring homeownership costs (i.e., condominium fees) may not exceed 35% of the applicants adjusted income as defined in 24 CFR 913 plus any other subsidy used for monthly payments. *24 CFR 906.15 (a)*	Eligible purchasers may earn up to 100% AMI. Up to 15% of purchasers may have incomes up to 115% of AMI with a letter/certification of support from the local jurisdiction. *Section 605 (b) of the Nehemiah Housing Program.*	Eligible purchasers may earn up to 80% AMI.
Downpayment	The PHA must establish downpayment requirements and at least 1% of the purchase price of the house must come from the resident's own funds. *24 CFR 906.15 (2)*	Statute requires that homeowners must make a downpayment in the amount of 10% of the sales price. However, as the HOPE VI implementation is "essentially the same," HUD has determined the downpayment must be at least 5% of the purchase price with 1% from the purchaser. The remaining amount can come from other sources including HOPE VI funds. *Section 605 (c) of the Nehemiah Housing Program.*	Purchasers must provide a minimum downpayment of the greater of 1% of the purchase price or $500 from his/her own funds.
Previous Homeownership	There is no first-time homebuyer requirement.	Eligible purchasers may not have owned a home within the 18-month period preceding the purchase of the home. (*Section 605 of the Nehemiah Housing Program requires a 3-year period restriction, but HUD has revised this to allow an 18-month restriction under Middle-Income homeownership.)*	There is no first-time homebuyer requirement.

	Section 32 (replaces Section 5(h))	Middle-Income (only for 1993-1999 HOPE VI grantees)	Section 24/9
Other Eligibility Restrictions	The PHA may establish additional requirements to purchase housing. Such requirements may include employment, no past criminal activity, participation in homeownership counseling programs, or other requirements/restrictions. *24 CFR 906.15 (d)*	The PHA may establish additional requirements to purchase housing. Such requirements may include employment, no past criminal activity, participation in homeownership counseling programs, or other requirements/restrictions.	The PHA may establish additional requirements to purchase housing. Such requirements may include employment, no past criminal activity, participation in homeownership counseling programs, or other requirements/restrictions.
Program Requirements Residency Requirement	The homeowner must use the home as his/her principal residence. *24 CFR 906.15 (b)*	The homeowner must use the home as his/her principal residence.	The homeowner must use the home as his/her principal residence.
Davis-Bacon Wages	Davis-Bacon wage rates apply to all rehabilitation and construction activities except in cases of qualifying non-routine maintenance. *24 CFR 906.37*	Davis-Bacon wage rates do not apply.	Davis-Bacon wage rates apply to all rehabilitation and construction activities using 1937 Act funds.
Recapture	If the purchaser resells the home, the PHA must consider a provision which recaptures all, some or none of the subsidy provided to the purchaser (i.e., downpayment/closing cost assistance, PHA subordinate mortgage, and/or direct financing) to the extent that there are net proceeds. This provision must be recorded in the appropriate form of title restriction(s) and may range from full recapture to no recapture. *24 CFR 906.27 (a)(3-4), (c)*	PHAs have the flexibility to structure the terms of recapture of direct assistance to the purchaser according to their goals and objectives. The PHAs recapture policy on direct assistance may range from no recapture to total recapture of assistance.	PHAs have the flexibility to structure the terms of recapture of direct assistance to the purchaser according to their goals and objectives. The PHAs recapture policy on direct assistance may range from no recapture to total recapture of total assistance.

		Section 32 (replaces Section 5(h))	Middle-Income (only for 1993-1999 HOPE VI grantees)	Section 24/9
Gains from appreciation		The PHA must consider a provision which recaptures all, some or none of the gains from appreciation to the extent that there are net proceeds if the home is resold within five years from the initial purchase. It may not capture gains from appreciation after the initial five-year period. Gains from appreciation is defined as financial gain solely attributable to the home's appreciation over time and not attributable to direct financing or government-provided assistance. This provision must be recorded as a deed restriction or a restrictive covenant and may range from full recapture to no recapture. *24 CFR 906.27 (a)(4)*	HUD requires that the PHA consider a provision which recaptures all, some or none of the gains from appreciation when the development cost is greater than the purchase price (i.e. the appraised market value). This provision will allow the PHA to capture some amount of the appreciation of the home, usually if the resale is during the first ten years after the initial purchase of the home. The PHAs recapture policy on appreciation may range from no recapture to recapture of total appreciation.	HUD requires that the PHA consider a provision which recaptures all, some or none of the gains from appreciation when the development cost is greater than the purchase price (i.e. the appraised market value). This provision will allow the PHA to capture some amount of the appreciation of the home, usually if the resale is during the first ten years after the initial purchase of the home. The PHAs recapture policy on appreciation may range from no recapture to recapture of total appreciation.
Use of Proceeds		The PHA may use the proceeds from the sale of units to fund replacement housing or to further its mission of providing quality affordable housing to income-eligible households. *24 CFR 906.31*	Typically, proceeds of sale are used to retire the construction loan or for the development of additional affordable housing.	The PHA may use the proceeds from the sale of units to fund replacement housing or to further its mission of providing quality affordable housing to income-eligible households.
Market Study/Marketing Strategy		The homeownership plan must describe the number of income-qualified residents interested in purchasing a house and the plan for future consultation with residents during implementation. If the homeownership plan permits the purchase of vacant units by non-public housing residents, the plan must include a Fair Housing marketing strategy. If the homeownership plan permits for acquisition of non-public housing for homeownership, the plan must include a market analysis of the potential purchasers for the homeownership units. *24 CFR 906.39(d) and 24 CFR 906.41(a)(8)*	The homeownership proposal must include a market study or market analysis.	The homeownership proposal must include a market study or market analysis.

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	Section 32 (replaces Section 5(h))	Middle-Income (only for 1993-1999 HOPE VI grantees)	Section 24/9
Non-purchasing Residents	If the PHA or PRE is selling a public housing unit, it must first offer that unit to the resident occupying that unit, if any. This requirement does not apply to sale of non-public housing units. Public housing residents who are not interested in purchasing their unit or are not eligible, are entitled to 90 day notice, counseling, relocation expenses, and comparable housing. *24 CFR 906.23*	Not applicable.	Not applicable.
Financing Restrictions	Housing authorities may provide financing for all eligible families, but they must designate funding sources according to whether the purchaser is a public housing or non-public housing resident. Capital funds may provide financial assistance only to public housing residents. Other income (i.e., loan repayments, proceeds from the sale of units, program income) may be used to provide financial assistance for non-public housing eligible purchasers. *24 CFR 906.5*	HOPE VI funds may be used to support homeownership activities for families earning up to 100% AMI (and, if approved by HUD, up to 15% of purchasers may have incomes up to 115% of AMI). Capital funds may not be used for homeownership activities under Middle-Income programs, unless the homes are sold to families below 80% AMI.	The PHA may use HOPE VI and Capital funds to support homeownership activities for families earning up to 80% AMI. If the PHA owns the units during development, the PHA may use Capital funds to support homeownership activities for only public housing residents.
Resident Consultation	The PHA must consult with residents of the development involved and/or a PHA-wide resident organization. *24 CFR 906.39 (3)(g)*	For projects supported by HOPE VI funds, a PHA should follow HOPE VI's community participation requirements.	For projects supported by Capital funds, the PHA must consult with residents of the development involved and/or a PHA-wide resident organization.

	Section 32 (replaces Section 5(h))	Middle-Income (only for 1993-1999 HOPE VI grantees)	Section 24/9
Record Keeping	The PHA is responsible for keeping and maintaining all relevant records and documentation regarding homeownership activities. The obligation must also be passed on to any third parties assisting the PHA in its homeownership activities (i.e. PRE). The PHA must submit an annual sales report to HUD until all planned sales are complete. *24 CFR 906.33*	The PHA is responsible for keeping and maintaining all relevant records and documentation regarding homeownership activities including all sale and financial records. The obligation must also be passed on to any third parties assisting the PHA in its homeownership activities (i.e. non-profit/developer partners).	The PHA is responsible for keeping and maintaining all relevant records and documentation regarding homeownership activities including all sale and financial records. The obligation must also be passed on to any third parties assisting the PHA in its homeownership activities (i.e. non-profit/developer partners).
Housing Choice Voucher/ Section 8(y)	Housing Choice Voucher homeownership assistance may be used in conjunction with a homeownership program under Section 32 provided the family meets the requirements of both programs. *24 CFR 906.5(3)*	Housing Choice Voucher homeownership assistance may be used in conjunction with a Middle-Income homeownership program provided the family meets the requirements of both programs.	Housing Choice Voucher homeownership assistance may be used in conjunction with a homeownership program under Section 24/9 provided the family meets the requirements of both programs.
Other	A PHA may also elect to implement a lease-purchase program under Section 32. *24 CFR 906.39(a)*		
HUD Reviewer	Special Applications Center (SAC) with copy to HUD Field Office	HOPE VI grant manager	HOPE VI grant manager if project uses public housing funds in conjunction with private or other public funds. HUD Field Office reviews projects using all public housing funds, as well as all Site Acquisition Proposals.