

Helping Section 8 Families Move to Home Ownership

BY ELLEN LAZAR

Within Neighborhood Reinvestment, we often speak of the work we do as “strengthening communities and transforming lives by supporting innovative partnerships.” Very quietly, a new federal option is doing just that.

For nearly 25 years, members of the NeighborWorks® network have been assisting low-income homeowners in many ways – from prepurchase counseling and small second mortgages to rehabilitation loans with affordable terms. Often, potential homebuyers who approach a NeighborWorks® organization for assistance do not have sufficient earned income to cover even a modest mortgage. However, some of these potential homebuyers possess an asset as valuable as earned income – a Section 8 voucher.



Ellen Lazar

The United States Department of Housing and Urban Development's Section 8 program provides assistance to qualified renters, covering a portion of their monthly rent expense. The program has been a mainstay of America's housing policy since 1974; in fiscal year 2000, HUD spent \$17.4 billion on Section 8 rental vouchers. Section 8 vouchers only covered renter households until legislative changes opened the program to certain homeowners in 1998.

While the regulations were in draft form, allowing only a limited number of demonstrations, four NeighborWorks® organizations partnered with their respective public housing authorities (PHAs) to implement the Section 8 home-ownership option. Few PHAs were prepared to take advantage of this opportunity, since most lack formal homebuyer counseling or lending experience. In addition, most private lenders had no experience with the Section 8 program, and, since it is re-appropriated on an annual basis, were unwilling to accept Section 8 vouchers toward a mortgage payment. Of the 15 demonstration sites, only five produced homeowners; all but one of the five included a NeighborWorks® partner.

Advantages of a NeighborWorks® Partner

The advantage of partnering with NeighborWorks® community-based nonprofits was clear – and ultimately produced notable results. NeighborWorks® organizations brought with them knowledge of the home-ownership market and mortgage financing, skills often lacking in many PHAs that focus solely on the rental market. Furthermore, the NeighborWorks® partners specialized in overcoming the particular challenges to home ownership that lower-income families often face. Finally, NeighborWorks® organizations were founded on a belief in local partnership-building and knew how to build bridges with local PHAs.

NeighborWorks® organizations are keenly aware of the mortgage markets. From their inception, NeighborWorks® organizations have had close working relationships with local lenders, using small second mortgages to leverage conventional first mortgages. This model was replicated under the Section 8 home-ownership option. The conventional lender made a first mortgage based solely on the family's earned income, while the NeighborWorks® organization filled the remaining gap toward the purchase price with a second mortgage, paid off by the Section 8 voucher. This scenario frees the lender from having to deal with the voucher and servicing a loan with two repayment sources.

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This quarterly publication of the Neighborhood Reinvestment Corporation assists NeighborWorks® network organizations in their mission to rebuild and revitalize communities. Our intent is to publish success stories and innovative strategies from network organizations and provide information to help community development organizations better serve their communities.

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**Pushing the
Affordability Envelope:**

Section 8 to Home Ownership

In Nashville,

Dimple Simpson is a school cafeteria worker with three daughters. On Long Island, Diane West is a single mother with two school-age children. Once, both were renters, using the U.S. Department of Housing and Urban Development's Section 8 rental assistance program.

BY CATHERINE A. SMITH

ILLUSTRATION BY ERIC WESTBROOK

Now, both are homeowners. Separate stories, below, recount their achievements. They are the vanguard of a growing number of Section 8 recipients across the country who are achieving the American dream through a developing HUD program that allows Section 8 rental vouchers to be used in purchasing a home.

Simpson and West were helped to home ownership through a partnership among their local NeighborWorks® organization, participating lenders, and their area's public housing authority. It's a partnership that began in 1998, when four NeighborWorks® organizations – along with their local public housing agencies – participated in a HUD demonstration pilot allowing Section 8 rental vouchers to be used for purchasing a home. Buyers were produced by all four organizations, and their loans were among the first to close nationally under this program.

In fiscal 2001, Congress appropriated \$5 million for Neighborhood Reinvestment to expand the pilot. An additional \$10 million appropriation followed in fiscal 2002. Twenty-one NeighborWorks® organizations, partnering with 26 public housing authorities, are now operating Section 8 to home ownership programs. By the end of 2001, they had helped more than 90 former renters become owners. Another 172 Section 8 voucher holders are now mortgage-ready and looking for homes, with another 1,500 or so in the pipeline, working toward this goal.

“With this latest infusion of resources, we expect the program to expand to 40 additional organizations and result in an estimated 500 new buyers by 2004,” says Doug Dylla, national coordinator for the NeighborWorks® Campaign for Home Ownership. Fifty-five percent of the new funds will be used for loan capital.

An Ideal Partnership

NeighborWorks® organizations have proven to be an ideal partner in implementing the Section 8 to home ownership program, for several reasons. They typically are very experienced in providing high-quality pre- and post-purchase counseling for low-income clients. Their revolving loan funds (capitalized primarily by lenders and local government) and funds from other sources (such as the Treasury Department's Community Development Financial Institutions Fund) enable them to have access to flexible capital that can be used for first and second mortgages. They have long been a bridge between public-sector agencies and private lenders, with strong and trusting relationships in place.

But while local nonprofits provide the training, technical assistance, outreach and financing mechanisms that help make the program viable, “success really starts and ends with the local Section 8 administrator at the public housing authority or housing finance agency,” according to Marietta Rodriguez, Neighborhood Reinvestment's manager of the Section 8 to home ownership program. “They have to decide to use some of their Section 8 allotment for this program,” Rodriguez says, “and they have to be motivated to partner with the nonprofits.”

“Strong interest and belief in the program among partners is critical,” she says.

Fortunately, word is spreading about the successes thus far. For example, the Lucas Metropolitan Housing Authority (LMHA) jumped on the bandwagon in 2001 by partnering with **Neighborhood Housing Services of Toledo** and National City Bank. This past July, they assisted the first Section 8 homebuyer in Ohio.

“The change in the [Section 8] regulations gives the residents options about where they can buy property and gives them the opportunity to build home equity. And home equity is the cornerstone of personal wealth,” noted Matt Sutter, manager for home ownership and development at LMHA. The staff of Toledo NHS calls the change in HUD regulations “revolutionary.”

There should be little to hold back the involvement of these public agencies, since “there is no extra cost to them,” said E.D. Latimer, executive director of **Affordable Housing Resources** (AHR) of Nashville, the NeighborWorks® organization that assisted Dimple Simpson. “The number of vouchers doesn't change,” Latimer continued, “it's just that, instead of money going to a landlord, it goes toward a mortgage. The only thing that changes is the address.

“And if the nonprofit is already set up to do homebuyer education, then there's no additional cost to them either,” Latimer said. “Nothing extra needs to be given, except attention.”

Still, one of the lessons learned in the early stages of the pilot is that public housing agencies have to want to be involved. “This program can't work if the PHA isn't an enthusiastic participant, and if its Section 8 program isn't well run and of high quality,” says Dylla.

Lenders On Board

Lenders are another set of critical partners.

A two-mortgage structure is the most widely used strategy being employed. Lenders need to be willing to

underwrite the first mortgage using the buyer's earned income, which, for 34 percent of them, is very low. Currently, the median income of these borrowers is \$24,321 and the median house price is \$85,000. Eight-five percent of the buyers are women heads-of-household. With the average first mortgage around \$62,500 and the average second mortgage at about \$9,800, both the lenders and the NeighborWorks® organizations are finding it imperative that prepurchase and postpurchase counseling be comprehensive and include one-on-one sessions.

Four lenders with whom CDC-LI already had a strong partnership, Citibank, Chase, Fleet and HSBC, committed to working with the Section 8 participants. Each contributed \$25,000 to a loan-loss reserve fund. Lenders make the first mortgages, with CDC-LI providing a second. The second mortgage represents the difference between the first mortgage (less the borrower's down payment) and the purchase price. The terms of the second mortgage are 3 percent for 15 years; it is paid for with the Section 8 voucher. Funding for the second mortgages comes from

With motivated clients, an enthusiastic public-agency partner and committed lenders, a Section 8 to home ownership program is easily viable.

What E.D. Latimer of AHR in Nashville finds most surprising is the eagerness and willingness of the Section 8 customers to understand the commitment they are making by assuming a mortgage and to prepare themselves to be mortgage-ready. "I applaud our participants because they come in with the right attitude," he said. "They don't expect a handout. Nobody comes in saying, 'what can you do for me?'"

"Sometimes I estimate their readiness issues – like bad credit – to take six months or more to clear up," Latimer said, "but they turn around and knock these babies off. I'm in awe of their desire to do it."

CDC of Long Island, the NeighborWorks® organization which assisted Diane West, finds that banks also are willing to work hard to serve program participants. One senior CDC staff member described their lender community as "wildly enthusiastic" about the program, because it allows them to reach a group of borrowers they would have trouble serving otherwise.

several sources, including a \$1 million program-related investment from Fannie Mae. An external loan committee made up of representatives from each of the four lenders approves and tracks the loans.

As with any affordable-housing program, the Section 8 program also leverages other subsidies that increase its effectiveness. These may include matching-funds and individual development account programs, funds from the Federal Home Loan Banks, HOME and CDBG funds, construction or development subsidies, reduced-interest mortgage programs (such as Rural Development loans), down-payment and closing-cost grants and loans, and buyer concessions.

Secondary-market opportunities for Section 8 home-ownership loans are also important for both NeighborWorks® organizations and lender-partners. Neighborhood Housing Services of America, Fannie Mae, Freddie Mac and state housing finance agencies are a few that are either in use at NeighborWorks® sites or under

consideration.

With motivated clients, an enthusiastic public-agency partner and committed lenders, a Section 8 to home ownership program is easily viable.

In Rural Settings

Even where income is low and unemployment high, in rural settings NeighborWorks® organizations are showing that Section 8 to home ownership also can be effective. One reason is that buyers can access loan products of the Department of Agriculture's Rural Development program, which include first-mortgage loans with interest as low as 1 percent to 6 percent, depending on income.

In Vermont, another advantage is the state Housing and

works full-time as a counselor for Springfield's Health Care and Rehab Services program. Referred to RACLT by the state's housing authority, Eagles went through the center's homebuyer education program. With the center's guidance, Eagles said, "the process wasn't as difficult as I thought it would be." As for the financing, she acknowledged that "without the Section 8 assistance, it would have been very difficult."

Rockingham's second buyer, a voucher holder in the local PHA, purchased a HUD-foreclosed home for \$39,900, and Bourne expects another closing in April "for a lovely home costing \$96,000, for a family who qualifies for a full subsidy package." Of the 32 homes the center closed last year, three benefited from land trust grants, Bourne said.

In rural settings, NeighborWorks® organizations are showing that Section 8 to home ownership can be effective.

Conservation Board's land trust program. Buyers who choose to participate are eligible for home-purchase grants of between \$17,000 and \$20,000, if their income doesn't exceed the state's median.

Annette Bourne, interim director of the NeighborWorks® HomeOwnership CenterSM operated by the **Rockingham Area Community Land Trust** (RACLT) of Springfield, said the state land trust grant, combined with funds from the Neighborhood Reinvestment Section 8 grant and factoring in the value of the Section 8 voucher, suddenly makes home ownership much more affordable.

Because the average cost of a home is about \$80,000, Bourne said, "we can serve people with yearly incomes even below \$15,000."

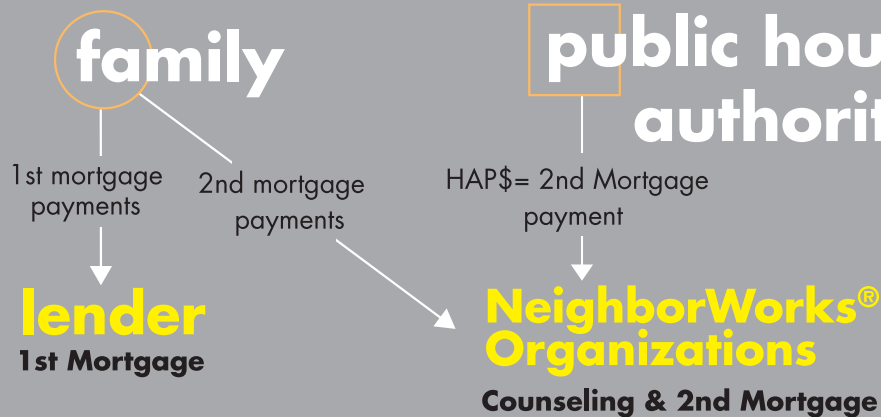
That is exactly what happened for the center's first Section 8 buyer. Karon Eagles, a single mother of three,

Four other NeighborWorks® organizations in Vermont also serve Section 8 homebuyers. They are **Burlington Community Land Trust**, **Central Vermont Land Trust of Barre**, **Gilman Housing Trust of Lyndonville**, and **Rutland West Neighborhood Housing Services** in West Rutland. (Because Rutland West isn't a land trust, it partners with another organization to give its customers access to land trust grants.) As of December 2001, the five Vermont organizations had enabled 30 families formerly living in public housing to move up to home ownership.

Program Components

Neighborhood Reinvestment offers training and technical assistance to nonprofits that are, or want to be, part of the Section 8 to home ownership effort. Experienced housing counselors share their knowledge

Mortgage Structures



Housing Authority sends HAP to the NWO.
The amount of the HAP will vary each year as income changes.

Mortgage Structures



Housing Authority may also send the HAP to family.
The amount of the HAP will vary each year as income changes.

The diagrams illustrate alternate methods for handling home-ownership assistance payments.
Source: Michael Collins, Neighborhood Reinvestment

with participants through group and individual settings. All aspects of buyer readiness are monitored before a customer gets to the point of looking for a home and applying for mortgage financing.

In addition to arranging for financing of loans and preparing clients for ownership, most NeighborWorks® organizations also offer other services, such as home inspections.

Program improvements will come about as the system matures and as data are collected over the next three years. Neighborhood Reinvestment has contracted with Abt Associates, a research-based consulting firm, based in Cambridge, Massachusetts, to track the families who are buying, the time it takes to close on a loan, loan performance, and other quantitative, as well as qualitative, issues.

The Section 8 to home ownership program does have its challenges. Not enough lenders or loan servicers seem ready to manage two sources of debt (the voucher and the income stream) for loans. There's a scarcity of capital for second mortgages and for administrative costs. The program is generally not high volume and may be high risk, while the needs of potential buyers may be long-term and intense.

"But the opportunity to help customers build assets, increase their self-esteem, and experience greater household stability is worth the effort to many organizations and program partners," Rodriguez says. ■

Catherine A. Smith is a freelance writer based in Cheverly, Maryland.

NEIGHBORWORKS® ORGANIZATIONS PARTICIPATING IN SECTION 8 TO HOME OWNERSHIP PROGRAM (FISCAL YEAR 2001)

**Affordable Housing Resources
Nashville, TN**

**Allentown NHS
Allentown, PA**

**Burlington Community Land Trust
Burlington, VT**

**CDC of Long Island
Centereach, NY**

**Central Vermont Community Land Trust
Barre, VT**

**Chattanooga Neighborhood Enterprise
Chattanooga, TN**

**Gilman Housing Trust
Newport, VT**

**Home Headquarters
Syracuse, NY**

**HDC of the Clinch Valley
Oak Ridge, TN**

**Lafayette NHS
Lafayette, IN**

**Little Dixie Community Action Agency
Hugo, OK**

**NHS of Chicago
Chicago, IL**

**NHS of Hamilton
Hamilton, OH**

**NHS of Pueblo
Pueblo, CO**

**NHS of the Inland Empire
San Bernardino, CA**

**NHS of Toledo
Toledo, OH**

**Portage Area Development Corp.
Ravenna, OH**

**Rockingham Area Community Land Trust
Springfield, VT**

**Rutland West NHS
West Rutland, VT**

**Sacramento NHS
Sacramento, CA**

**Vallejo NHS
Vallejo, CA**

Public housing authority staff who are reluctant to enter into the Section 8 to home ownership program are a puzzle to Pat Clark, director of rental assistance for the Metropolitan Development and Housing Agency (MDHA) in Nashville, Tennessee.

“We wish everybody would do it at least once and see how it works,” she said. “At least try it.”

What Clark is referring to specifically is the model for making home ownership achievable and sustainable for Section 8 voucher holders that has emerged from pilot programs established and now replicated in at least 21 communities around the country.

Clark suspects a big reason her fellow PHA administrators may be holding back is that they have not achieved what she found so crucial to the model’s success: a partnership with a local nonprofit that can execute the costly and intensive prepurchase and post-purchase counseling she believes is so essential to the program’s success.

MDHA is fortunate to have had a strong relationship already with **Affordable Housing Resources (AHR)**, the local NeighborWorks® organization in Nashville.

AHR is a housing development and housing counseling organization that has been in existence since the early 1990s. It provides residential lending and development services, homebuyer counseling, and education, plus it works with very low-income customers through a lease-to-purchase program. AHR focuses on several neighborhoods in Nashville where housing costs are moderate. (The median sales price of a home is \$80,000.)

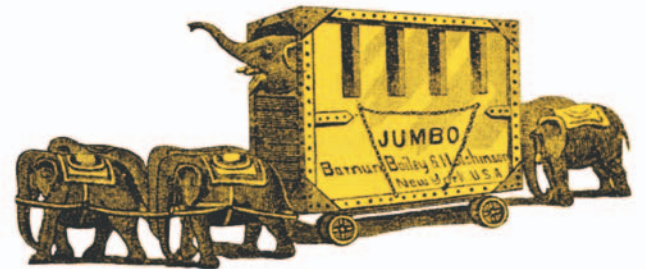
“The Section 8 to home ownership program is a perfect fit with our mission,” said E.D. Latimer, executive director of AHR. “We’re already dealing with potential homeowners who are ready to take the steps necessary to achieve this goal.”

The working relationship between MDHA and AHR is well defined and elegantly simple. MDHA refers to AHR those residents who are already enrolled in MDHA’s Family Self-Sufficiency (FSS) program, have been working for three years, and have a minimum income of \$15,000. AHR then makes a personal assessment and helps the customer make an action plan for reaching their ultimate goal. Since the FSS program encourages residents to put money into an escrow account on a regular basis, all of those referred have at least \$3,000 in their accounts. Some have saved as much as \$18,000 or more.

“We were helping families move up to home ownership through conventional lenders before the new Section 8 rules,” Clark said.

Encouraging PHAs to **Jump** on the **Bandwagon**

BY CATHERINE A. SMITH



“The difference is that now, working with Affordable Housing, we can get more people into the counseling program they all need so they can more readily buy and maintain their homes.”

Once FSS clients make the commitment, they are enrolled in AHR’s Fast Track Buyer Education program, a nine-hour homebuyers education course. AHR also offers a financial literacy course for those who need additional time to improve their credit histories.

AHR provides program participants with pre- and post-purchase counseling and education, plus a gap-filling, second mortgage through its revolving loan fund. A local conventional lender makes the first mortgages, with the

the Section 8 Housing Choice Voucher program to 78 counties in Tennessee.

Latimer attributes AHR’s success in Nashville to a close working relationship with a very committed PHA and a well-run FSS program, factors he calls “essential to the success of the program.”

Also important is having clear lines of communication. “We have this agreement that they [MDHA] don’t do real estate and we don’t do public housing,” Latimer said. “We came up with a three-point statement: that we would know each other, respect each other’s capacity, and work together to achieve a common goal. We know where the lines are drawn, and that way no one gets confused.”

“The Section 8 to home ownership program is a perfect fit with our mission,” said E. D. Latimer, executive director of Affordable Housing Resources. “We’re already dealing with potential homeowners who are ready to take the steps necessary to achieve this goal.”

loan principal, interest, taxes and insurance based on 30 percent of the family’s income. The Section 8 voucher is not used in calculating the mortgage underwriting; only the family’s income is counted.

The difference between the purchase price and the first mortgage (an amount the participant can afford without Section 8 assistance) determines the second mortgage. The second mortgages held by AHR are at a normal mortgage rate for a maximum of 10 years. They are, on average, 25 to 30 percent of the purchase price. The Section 8 voucher amount is paid directly to AHR, making it “invisible” to the traditional lender and the family. When the 10-year term is up, the equity in the home belongs to the owner.

AHR’s loan fund for Section 8 homebuyers is capitalized with grants from Neighborhood Reinvestment and funds from AHR’s revolving loan fund, as well as investments from Fannie Mae and from one local lending institution.

To date, AHR has closed 31 buyers, and three more are under contract. Another seven are “ready to go” and looking for a home, according to Latimer. This level of success led to AHR becoming one of three NeighborWorks® organizations that will now work with the Tennessee Housing Development Agency to expand

It’s important for nonprofits to remember that “this is the PHA’s program, not theirs,” Latimer said. “The nonprofit is just the partner.”

But a critical partner, said Clark. “Affordable Housing brings all their expertise with lower-income people and with homebuyer education, which we could never afford to provide at the intense level that is needed,” she said. AHR also educates lenders about the program, and Realtors, “who a lot of times want things to go just like they do in the open market,” said Clark. “But because these are government funds, certain things have to happen. Section 8 staff has to inspect the home, for example, and certification has to be shown that proves the owner has not defrauded on any other government program.

“Once they understand how it works, and the couple of hoops you have to jump through, having a Section 8 buyer is not a problem,” Clark said.

Clark encourages other PHAs to contact their local HUD office and find out if there is a nonprofit in their area with whom they can work. “Not everybody on Section 8 can become a homeowner,” she said, “but for the ones who can, this is a perfect opportunity.” ■

Dimple Simpson of Nashville and her three daughters were about to be evicted from the house they were renting because the owners decided to move back in.

As luck would have it, though, Simpson (who had been a Section 8 recipient for 16 years) was already enrolled in the Metropolitan Development and Housing Authority's Family Self-Sufficiency program. Further, she had just concluded the Fast Track Homebuyer Education Program offered by **Affordable Housing Resources Inc.**, a NeighborWorks® organization. She had saved about \$3,000 in her Family Self-Sufficiency escrow account.

"The timing was just right for me," Simpson said. "I had gone to other agencies trying to get into homebuying and they took me through a lot of red tape. Affordable Housing was just a blessing."

With her steady income as a cafeteria worker with the school system, Simpson was able to purchase a newly constructed, three-bedroom home in her neighborhood of choice.

The effects of the purchase on her life has been incalculable, but among them are the ways it affected her children, which, she says, was, "Oh, God, a whole lot." Her 17-year-old is aspiring to be a police officer, and her 10-year-old and 7-year-old are "straight-A students," she said. In addition, it's made her "a stronger person."

Simpson chose to move into the neighborhood she grew up in, Hope Gardens, and is now active in the neighborhood association, where her brother serves as president. The association is trying to eliminate "drugs and prostitutes and all that, and improve the neighborhood." It meets every Saturday.

Simpson recommends the Section 8 to home ownership program to others, but says they're scared. "I tell them, 'If you get on Section 8, get on the program, because it's there to help us.' If they do it now, that means in three or four more years they could own a home.

"The Section 8 to home ownership program opened doors for me and I guess I was just blessed to be one of the first to come through it," she said.

"All it takes is faith." ■

From Section 8 to Home Ownership:

Dimple Simpson of Nashville

Dimple Simpson with her three daughters.

COURTESY OF AFFORDABLE HOUSING RESOURCES



From Section 8 to Home Ownership:

Diane West's Story on Long Island

Diane West's journey toward home ownership shows just how far patience and persistence can get you. A single mother of two, West was renting a home using vouchers from HUD's Section 8 program for low-income families. She doubted that she would ever be able to buy a home that was still in her children's school district on Long Island (something they really wanted), since the median price of housing there was around \$170,000.

But then she became a participant in the **Community Development Corporation of Long Island's (CDCLI) NeighborWorks® HomeOwnership CenterSM**. West made contributions into a fund for a down payment. Every dollar she saved was matched by three dollars from the Federal Home Loan Bank of New York's (FHLBNY) First Home Club, which, in her case, was operated through HSBC Bank in partnership with CDC. West became a participant in the town of Brookhaven's Section 8 Family Self-Sufficiency program and began taking pre-home-ownership classes at the CDC of Long Island's HomeOwnership CenterSM. She eventually became eligible for the full \$5,000 match from FHLBNY.

CDCLI was one of four NeighborWorks® organization then developing models for how Section 8 vouchers could be used to help low-income families become homeowners. For two years, West attended classes at CDCLI's HomeOwnership CenterSM so she could learn about the home-purchase process and be prepared to successfully maintain her investment. Finally, CDCLI helped broker a down-payment assistance grant from Suffolk County, a low-interest mortgage from HSBC, and a very low-interest second mortgage from its own revolving loan fund, which is paid back using the Section 8 voucher.

Thus, West was able to buy her home. With this aid, her final purchase price was \$115,000. She has a first mortgage of \$76,781 with HSBC for 30 years at 6.785 percent. Her payment on the HSBC mortgage, with taxes, amounts to \$805. Her second mortgage, with CDC, is \$28,219, for 10 years at 3 percent, with a monthly payment of \$272, resulting in a total monthly mortgage payment of \$1,077.

After searching the real-estate listings on the Internet, West found a house that she knew was "it." And talk about feeling at home: Her new house has a floor plan identical to the one she was renting, and it's in her neighborhood of choice.

CDC of Long Island has been serving the needs of Nassau and Suffolk counties' low-income households for more than 30 years, traditionally focusing on housing development and rehabilitation, weatherization, rental assistance, economic development, and self-sufficiency programs. It has built, repaired and rehabilitated more than 12,000 units of housing, stimulated more than \$250 million in investment in its target communities, counseled more than 1,000 individuals interested in buying a home, and provided \$3 million in loans to small businesses.

Managing a Section 8 to home ownership program has its challenges and risks. Buyers often have low incomes, credit issues, and irregular employment histories. It can take a long time to bring a participant to "mortgage-readiness."

Still, when a resident commits to the program and sees it through, the rewards are great. As Diane West noted: "The CDC program allowed me to buy a house now instead of 10 years from now." ■



Diane West

PHOTO BY SEAN BENNETT

Section 8 Questions and Answers

What is Section 8?

Section 8 tenant-based rental assistance is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing, by subsidizing the rent of apartments they locate in the private market. Two notable aspects of the Section 8 program are residential choice and mobility.

How many families does it serve?

As of May 2001, approximately 1.5 million families receive assistance through the Section 8 program. These families represent approximately 4.1 million household members. (Source: Multifamily Tenant Characteristics System (MTCS) data from HUD.)

What is the annual budget outlay for the program?

Budget outlays have risen steadily over time, from \$6.7 billion in 1980, to \$12.4 billion in 1985, \$14.8 billion in 1990, and \$18.5 billion in 1995, before dipping to \$17.4 billion in 2000. The amounts are in constant calendar year 2000 dollars, and were compiled by the Millennial Housing Commission.

What are the demographic and income profiles of families receiving assistance?

According to HUD's MTCS, as of May 2001, 54 percent of Section 8 households were white, 42 percent, African American, and 16 percent, Hispanic.

Average annual income for families receiving assistance is \$10,773. Of all families, 61 percent are extremely low-income (less than 30 percent of the median), 24 percent are very low-income (less than 50 percent of the median), and 5 percent are low-income (less than 80 percent of the median).

What is the Family Self-Sufficiency Program?

The Family Self-Sufficiency (FSS) program is intended to promote the development of local strategies for coordinating the use of housing choice vouchers with public and private resources to help eligible families achieve economic independence. The program is open to families participating in the housing-choice voucher program who are either unemployed or underemployed. The objective of the program is to assist them in obtaining employment that will allow them to become self-sufficient, that is, not dependent on welfare assistance.

Participation in the FSS program is voluntary. Families entering it work with a case manager to develop goals that will, over a five-year period, lead to self-sufficiency. Goals for each participating family member are set out in individual training and services plans that are attached to the FSS contract of participation.

When a family meets its goals and completes its FSS contract, it becomes eligible to receive funds deposited in an escrow account on its behalf throughout the family's participation in the FSS program. The amount credited to the family's escrow account is based on increases in the family's earned income during the term of the FSS contract. Some key features of the FSS program are noted below:

- ▶ HUD rules require two provisions in each contract: The head of household must become employed, and, if the family receives welfare benefits, each member of the household must become independent of "welfare assistance" and remain so for 12 months prior to the completion of the contract. All other contract provisions are negotiated between the participant and the PHA.
- ▶ A case manager works with participating families to identify and access supportive services in the community. Case managers also help participants cope with crises that may get in the way of achieving employment objectives.
- ▶ As participants achieve the employment-oriented goals in the contract, income is likely to increase. When other public housing or Section 8 tenants experience an income increase, they generally must pay 30 percent of it to the housing agency in higher rent. A FSS participant also pays increased rent, but the PHA each month also deposits an amount equal to the increased rent in an FSS account for the participant, for the duration of the five-year contract.
- ▶ A participant accumulates savings plus interest in the escrow account over the course of the FSS program and can access the money after successfully completing the FSS contract, is employed, and all family members have been off "welfare assistance" for the last 12 months of the contract. PHAs may allow families to withdraw escrow funds during participation in FSS to cover work- or education-related expenses or for other purposes related to the goals in the family's FSS contract.
- ▶ If a participant fails to meet the terms in the contract (despite any extensions the PHA may offer), the funds in the escrow account are forfeited.

What is the Housing Choice Voucher Home Ownership Program?

HUD has adopted a number of policies to promote self-sufficiency and asset development. The escrow accounts provided through the FSS program support asset development, as do Section 8 home-ownership vouchers.

The basic concept behind the Voucher Home Ownership Program is, instead of using the voucher subsidy to help a family with rent payments. It allows first-time homeowners to use the voucher subsidy to meet monthly home-owning expenses. This may include principal and interest on mortgage debt, mortgage insurance, real estate taxes, home insurance, PHA allowance for utilities, PHA allowance for routine maintenance, PHA allowance for major repairs, principle and interest on mortgage debt for major repairs, and (if the home is a co-op or condo) may include operating charges or maintenance fees.

Under the home-ownership voucher option, families are responsible for finding an eligible property they wish to purchase. Home-ownership assistance payments are provided to help the new homeowner with their monthly homeowner's payments. The PHA may make the monthly payment directly to the family or to the lender.

PHAs use the same voucher payment standard amounts for families pursuing the home-ownership option. The monthly home-ownership assistance payment (HAP) is calculated as the lesser of:

- ▶ Payment standard minus family total tenant payment (TTP), or

- ▶ Family's monthly homeowning expenses minus family TTP.

Families are responsible for all home-ownership expenses not covered by the HAP payment. If a family's homeowning expenses exceed the payment standard, the family pays the difference out-of-pocket in addition to TTP. The 40 percent of adjusted monthly income limitation does not apply to homeowning families.

To be eligible for the home-ownership option, a family must be a current voucher-program participant or eligible for admission to the housing-choice voucher program. The minimum income requirement for participation equals the federal minimum wage multiplied by 2000 hours (\$10,300 annual income). Except for elderly or disabled families, welfare assistance may not be considered in the calculation, if a family meets the minimum income requirement. Families must be employed full-time (at least 30 hours a week) and must have been employed for at least a year. Families are not eligible if any family member has previously received home-ownership assistance and has defaulted on a mortgage. PHAs may also establish additional requirements for family eligibility. Eligible families must also satisfactorily complete a home-ownership counseling program required by the PHA. ■

Full details of the Section 8 to Home Ownership Program may be found in 24 CFR Parts 5, 903, and 982. (Federal Register, Vol. 65, No. 177, Sept. 12, 2000).

Additional Resources on Section 8 and Affordable Housing

Center on Budget and Policy Priorities is a nonprofit research and policy institute that conducts research and analysis of government programs and policies that affect low- and middle-income households. **Web site:** www.cbpp.org.

Millennial Housing Commission's mission is to identify, analyze and develop recommendations that highlight the national importance of housing, improve the housing-delivery system, and provide affordable housing for the American people, including recommending possible legislative and regulatory initiatives. **Web site:** www.mhc.gov.

National Housing Conference is a nonprofit membership association dedicated to advancing affordable-housing and community-development causes. NHC members consist of nationally known experts in affordable housing and housing finance, including state and local officials, community-development specialists, builders, bankers, investors, syndicators, insurers, owners, residents, labor leaders, lawyers, accountants, architects and planners and religious leaders. **Web site:** www.nhc.org.

National Low Income Housing Coalition is dedicated solely to ending America's affordable housing crisis. NLIHC was established in 1974 and

educates, organizes and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone. NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and strategies for solutions. **Web site:** www.nlihc.org.

Neighborhood Reinvestment Corporation is a public, nonprofit corporation established by Act of Congress in 1978, and the founder of the national NeighborWorks® network. It has been leading a national effort to help existing Section 8 households use their vouchers in support of home ownership. Publications related to the Section 8 to Home Ownership pilot and other resources are available through its **Web site at** www.nw.org.

Public and Indian Housing Information and Resource Center is staffed to answer questions and inquiries from the public and public housing authorities (PHAs), regarding public housing and housing-choice voucher programs and regulations. Contact the center at **(800) 955-2232**.

U.S. Department of Housing and Urban Development has a number of useful resources available through its **Web sites:** www.hud.gov and www.huduser.org.

Helping Section 8 Families Move to Home Ownership

Continued from inside front cover

NeighborWorks® organizations also are familiar with secondary markets, such as Fannie Mae and Neighborhood Housing Services of America, a secondary market that serves NeighborWorks® organizations. By providing capital to the NeighborWorks® revolving loan funds from which the critical second mortgages are made, Fannie Mae helped bring attention to the great possibilities of the Section 8 home-ownership option. Neighborhood Housing Services of America is preparing to purchase the second mortgages, thereby providing further liquidity to the local revolving loan funds.

Congress recognized the value NeighborWorks® organizations brought to these budding partnerships and wanted to promote them. To further develop partnerships between PHAs and NeighborWorks® organizations in implementing the Section 8 home-ownership option, Congress in fiscal year 2001 provided \$5 million to Neighborhood Reinvestment.

Early Results, Lessons Learned

The potential of this program to reach lower-income households is undeniable. Under the Corporation's pilot funding in fiscal 2001, 75 homebuyers purchased a home using the Section 8 option. The median income of these families was \$24,321, whereas the median family income of the typical U.S. buyer is \$48,991. The early results of the pilot provide a sketch of families many of us are striving to serve:

- ▶ 80 percent are minority;
- ▶ 85 percent are single, female-headed households; and
- ▶ 35 percent are very-low-income households.

Neighborhood Reinvestment has learned some valuable lessons from the 21 sites funded to-date.

- ▶ Strong partnerships between PHAs and nonprofit housing counseling providers are essential to the long-term success of the buyer. PHAs are eager to help a family move off of Section 8 dependency; the second mortgage is paid off in as few as six, but no more than 15 years.
- ▶ Strong and comprehensive homebuyer counseling services are a critical element to the program's and homebuyer's success – elements include financial literacy, prepurchase classes and postpurchase sessions.
- ▶ With the right elements in place, conventional lenders are eager to work with families with lower incomes than they otherwise would have been able to serve.

Recognizing the productive relationships emerging among public housing authorities, NeighborWorks® organizations and local lenders, Congress in fiscal 2002 appropriated an additional \$10 million to Neighborhood Reinvestment to continue support for these local partnerships. With this funding, we will continue to seed potential partnerships, with a particular eye to engaging and educating PHA partners.

As a result, more of America's low- and very low-income families will be able to purchase a home. And, perhaps most importantly, more families will have an opportunity to use home ownership as an asset-building strategy and gain a firm footing in the economic mainstream.

Ellen Lazar is Neighborhood Reinvestment's executive director.