Housing Assistance Council

SECTION 8
HOMEOWNERSHIP:
A GUIDE FOR
RURAL HOUSING
PRACTITIONERS
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EXECUTIVE SUMMARY

The Section 8 Homeownership Program gives low-income families an opportunity to own their own homes. The program is administered by local public housing agencies (PHAs), and community-based organizations have a chance to participate in the creation and implementation of the program, tailoring it to meet the needs of their local communities. Although the Section 8 Homeownership Program is relatively new, it has already provided many families across the country with homes that they might not have been able to attain by other means.

PHAs and community organizations in rural areas experience challenges and barriers specific to those areas in the administration of the Section 8 Homeownership Program. Some of the specific challenges include a lack of affordable housing stock, lack of supportive government programs, and difficulties securing lender cooperation. Successful collaborations can help to overcome these hurdles in order to allow for successful implementation of the program. This publication highlights innovations some community organizations have used to overcome program barriers. The following recommendations can be used by rural community-based organizations as they participate in the implementation of the Section 8 Homeownership Program.

- Provide homeownership counseling for prospective participants.
- Locate homes for voucher recipients to purchase.
- Provide information about the local housing market.
- Conduct outreach and marketing.
- Help define local needs.
- Comment on PHA annual plans.
- Advocate for rural residents.
INTRODUCTION

The Section 8 Housing Choice Voucher Program has provided assistance to low-income families and individuals to rent apartments and homes on the private market since 1987. In 2001 the program was expanded to allow the use of Section 8 voucher assistance for homeownership purposes. The new Section 8 Housing Choice Voucher Program – Homeownership Option (referred to as the Section 8 Homeownership Program throughout this publication) provides participants with the resources needed to own their own homes. For many of these low-income families, homeownership might not be possible without such assistance.

The Housing Assistance Council (HAC) created Section 8 Homeownership: A Guide for Rural Housing Practitioners to facilitate the implementation of this program in rural areas. Rural residents can benefit tremendously from the homeownership program. However, issues such as housing affordability, shortage of units, and inadequate social service linkages inhibit the use of and access to Section 8 vouchers in rural communities (HAC 2001). Consequently, the capacity of Public Housing Agencies (PHAs) to use the homeownership program in rural areas is limited. This guide was drafted primarily to educate nonprofit developers and other community-based organizations about the Section 8 Homeownership Program and to provide them with models and tools. The guide also illustrates the many ways that nonprofit organizations can help local PHAs expand the homeownership program into rural areas, tap into existing resources, and increase homeownership among low-income residents.

In addition to providing a program overview, this guide illustrates the potential for creating partnerships among local PHAs, nonprofit organizations, and other agencies. Several profiles are provided showing partnerships that have been developed to facilitate the creation and the implementation of homeownership programs in rural locations across the country. A location analysis of existing programs and a summary of the experiences of rural PHAs that are administering Section 8 Homeownership Programs are also included. While the guide is intended to be used by rural community-based organizations (CBOs), and local housing developers in particular, USDA Rural Development (RD) staff may also find the guide useful for learning how to use Section 502 homeownership funds in conjunction with the Section 8 Homeownership Program.

This guide was compiled with the use of secondary and primary data. In addition to a review of the regulations governing the program, various analyses of the program by other organizations were also reviewed. Interviews were conducted with PHA staff, as well as HUD and local partners. HAC also did a survey, for which it contacted all rural counties that have created Section 8 Homeownership Programs and profiled several PHAs that have developed partnerships to implement the programs. A mail survey was administered to the eight rural housing authorities that had created homeownership programs (Figure 1, page 7). Respondents were asked to comment on several components of their Section 8 Homeownership Programs, including program requirements, partnerships, and challenges to implementing the programs.

1 Abt Associates has drafted a guide for HUD entitled How-To Guide to Voucher Homeownership, which provides a more in-depth analysis of the program requirements. As of November 2005, this guide is still under review at HUD.
PROGRAM OVERVIEW

The Section 8 rental voucher program was authorized through the Housing and Community Development Act of 1987. The objective of the program was to provide rental housing assistance to low-income families while giving them a choice of housing and anonymity. Since its inception, the program has grown rapidly and quickly gained popularity with Congress, local governments, owners, and families, mainly because it provides assistance quickly and is relatively inexpensive to operate (HUD 2003).

As of 2004, approximately 2.1 million households were being served by the Section 8 rental voucher program (HUD 2004). In 2000, these households included rural and urban households, families with children (64 percent), elderly persons (15 percent), and persons with disabilities (13 percent). There is considerable diversity among Section 8 participants: 40 percent are white, 40 percent are black, 16 percent are Hispanic, 2 percent are Asian, and 1 percent are Native American. While the majority of Section 8 recipients, 54 percent, receive the majority of their incomes from public assistance, Social Security, Supplemental Security Income (SSI), and pensions, 46 percent are among the working poor. Overall, households that receive tenant-based assistance have very low incomes; the median income for Section 8 recipients in 2000 was $8,663.

Congress enacted the Quality Housing and Work Responsibility Act of 1998 (QHWRA)\(^2\) to promote affordable housing for low-income families by providing more flexibility to PHAs and creating incentives to, and economic opportunities for, federally assisted tenants who work and become self-sufficient. In order to achieve this goal, Congress created a homeownership option for people who receive Section 8 tenant-based rental assistance. The Department of Housing and Urban Development (HUD) issued the final rule for the Section 8 Homeownership Program on September 12, 2000 permitting the use of Section 8 voucher assistance for homeownership purposes (HUD 2000). Under these regulations, Section 8 voucher holders can use their federal assistance to purchase single-family homes, manufactured homes, condominiums, or interests in cooperatives (NHLP 2001b).

**Public Housing Authority Eligibility**

HUD provides any local PHA that is interested in providing the program to its constituents with the authority to create and implement the Section 8 Homeownership Program. PHAs are not required by HUD to administer the program. QHWRA gives PHAs a great deal of flexibility in terms of design and implementation. HUD does, however, provide several basic requirements. A PHA establishing a Section 8 homeownership program must:

▷ establish a minimum downpayment requirement of at least 3 percent of the purchase price, with at least 1 percent of the downpayment coming from the family’s personal resources;

The Annual Plan, which is submitted to HUD, describes the mission of the PHA and its long range goals, as well as its approach to providing and managing programs. A list of the PHAs with Section 8 homeownership programs and a map indicating the location of these programs are provided in Appendix A.

The HQS used for the Section 8 rental program is applicable to the homeownership program. The payment standard is an amount that is used to calculate the monthly housing assistance payment and it is based on the Section 8 housing fair market rent. Payment standards are determined by family size and composition and PHA occupancy standards.

Section 8 Homeownership

- require that financing for purchase of the home be provided, insured, or guaranteed by the state or federal government, comply with secondary mortgage market underwriting requirements, or comply with generally accepted private sector underwriting standards; and
- demonstrate in its Annual Plan\(^3\) that the PHA has the capacity, or will acquire the capacity, to successfully operate a Section 8 homeownership program (HUD 2000).

While HUD gives the PHAs discretion in the design and implementation of the Section 8 Homeownership Program, PHAs are not given additional federal funding for their participation. The lack of additional vouchers or funds may be a major barrier for many PHAs that have limited staff or resources to administer current Section 8 case loads. Despite this major challenge, as of July 2002 a total of 47 PHAs had requested authority to create Section 8 Homeownership Programs and were implementing the programs.\(^4\)

**Family Eligibility**

Participating PHAs determine which families participating in the Section 8 Housing Choice Voucher Program will be eligible to use their federal assistance to purchase homes. Thus, eligibility requirements for the program vary from location to location. Section 8 voucher holders must also meet locally determined income, employment, credit, and other requirements in order to qualify for assistance. Families who meet the federal and local criteria must then complete a number of pre-purchase requirements before the housing assistance can begin:

- homeownership counseling,
- a Housing Quality Standards (HQS) inspection,\(^5\)
- an inspection by an independent home inspector selected by the family, and
- a “statement of homeowner obligations” (the family’s agreement to comply with the program obligations) completed by the family and the PHA.

**Homeownership Payments**

The amount of the homeownership housing assistance payment (HAP) is determined by calculating the lower of the payment standard\(^6\) minus the total tenant payment, or the monthly homeownership expense minus the total tenant payment.

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\(^3\)The Annual Plan, which is submitted to HUD, describes the mission of the PHA and its long range goals, as well as its approach to providing and managing programs.

\(^4\)A list of the PHAs with Section 8 homeownership programs and a map indicating the location of these programs are provided in Appendix A.

\(^5\)The HQS used for the Section 8 rental program is applicable to the homeownership program.

\(^6\)The payment standard is an amount that is used to calculate the monthly housing assistance payment and it is based on the Section 8 housing fair market rent. Payment standards are determined by family size and composition and PHA occupancy standards.
Family income is reexamined annually by the PHA and appropriate adjustments (i.e., increases or decreases) are made to the monthly HAP. Any homeownership expenses that are not reimbursed by the HAP must be met by the family. Payments by the PHA follow the same schedule as the Section 8 rental program payments.

**Potential for Nonprofit Participation**

As noted above, local PHAs are required to establish their own policies when administering the Section 8 Homeownership Program. In creating local programs, the PHAs must incorporate the concerns and needs of the local communities. Community-based organizations, which are by definition responsive to the needs of their communities, can provide PHAs with access to information that may help PHAs create programs that will meet community needs. The following are recommendations for community-based organizations and local PHAs that can be used to ensure that the program is implemented in the most beneficial way for the local community.

- **Help Define Needs.** PHAs are encouraged to tailor their programs to address the needs of their local communities as reflected in the local jurisdictions’ and states’ Consolidated Plans. Local nonprofits and other supporters of low-income residents are encouraged to review the Consolidated Plan to determine if the homeownership program addresses the housing needs and concerns that are reflected in this document. An organization should share any concerns about the stated housing needs and the Section 8 program with local PHA staff.

- **Comment on Plans.** In order to implement the Section 8 Homeownership Program, a PHA must amend its PHA annual plan and administrative plan. The PHA’s governing body must conduct an open public hearing, with appropriate notice and publication, prior to the adoption, amendment, or modification of the annual plan. The annual plan process provides the opportunity for critical input at public hearings on issues relating specifically to the Section 8 Homeownership Program. Local organizations should use the public comment period as an opportunity to voice support or concerns. They should also identify themselves to PHAs as resources in their communities.

- **Be Supportive of Rural Residents.** Rural residents may be more likely than urban residents to have work and income circumstances that do not conform with those outlined by the HUD regulations. Local organizations can educate their PHAs about rural issues, such as those below, and help the PHAs design programs that are sensitive to the rural context. For example,

  **Employment Requirements** – Local nonprofits can encourage their local PHAs to permit various types of employment. Rural residents are more likely than urban residents to have sporadic or interrupted employment, successive employment, or self employment. In order to ensure that these types of employment dynamics are acknowledged as eligible, nonprofit groups can work to make certain that they are considered by the local PHA and included in the plans.
Income Requirements - The income standard required by HUD may make it difficult for certain groups of people, such as people with disabilities and seniors, to qualify for the Section 8 homeownership program. Local PHAs should be encouraged to consider alternative ways to ensure that special needs groups can qualify to use the program. For example, some specific loan products are made available to create homeownership opportunities for seniors and people with disabilities.

Local organizations should contact their PHAs and become involved in creating the Section 8 Homeownership Program as early as possible. At the initial program creation stage, the community may have critical input with regard to needs and appropriate methods. In addition to nonprofit housing developers, other types of organizations that can provide important resources as a local program is developed include:

- organizations that provide housing for the disabled;
- legal services programs;
- organizations that deal with income and asset issues;
- real estate professionals; and
- social service organizations.

Local nonprofit groups should contact other nonprofits and approach a PHA as a coalition. These organizations should impress upon PHA staff the importance of meeting community needs, the benefits of the extending and sustaining homeownership, and their willingness to support their efforts.
RURAL EXPERIENCE WITH SECTION 8 HOMEOWNERSHIP

Rural areas have housing affordability, quality, and homeownership issues that differ from those in urban communities. Consequently, the issues affecting rural PHAs attempting to implement the Section 8 Homeownership Program may also be different. As of March 2002, Section 8 homeownership programs had been authorized in a total of 47 housing authorities across the nation; 17 percent of these authorities are located in nonmetropolitan counties. In an effort to illustrate both the challenges and the available resources for implementing a homeownership program in a rural community, HAC surveyed the PHAs in all nonmetro counties that have created Section 8 Homeownership Programs and profiled several that have developed partnerships to implement their programs.

Survey Results

In spring 2002, a mail survey was administered to the eight rural housing authorities that had created homeownership programs (Figure 1). Respondents were asked to comment on several components of their Section 8 homeownership program, including program requirements, partnerships, and challenges to implementing the program. The following is a summary of the information gathered from these sites.

Program Overview

Overall, the rural housing authorities that administer homeownership programs have relatively few housing vouchers (Table 1). The number of vouchers per rural PHA ranged from just 50 vouchers in Wadena County, Minn. to 1,085 in St. Mary's County, Md. Given that the final rule for the Section 8 Homeownership Program was issued on September 12, 2000, at the time of the survey the programs were fairly new and very few closings had occurred. Two housing authorities had not closed on units using the Section 8 subsidy, four had closed on two units each, and one had one closing. Additional closings were pending at all but two of the locations.

The participating housing authorities were asked to estimate how many families in their portfolios could qualify for the homeownership program given their program requirements. Few Section 8 participants were estimated to be qualified for participation in the homeownership program in the rural areas surveyed. With the exception of the Missoula...
Housing Authority, the PHAs estimated that less than 3 percent of the households in their portfolios could qualify for the homeownership program. This indicates that many rural Section 8 recipients do not meet the employment, income, or skill requirements that have been established for the program.

**Table 1**
Section 8 Homeownership Program Activity Among Rural PHAs

<table>
<thead>
<tr>
<th>Housing Authority</th>
<th># of Vouchers in Portfolio</th>
<th># of Households Qualified for Program</th>
<th># of Closings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hugo Housing Authority</td>
<td>179</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Housing and Redevelopment Authority of Austin, Minnesota</td>
<td>177</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Housing Authority of Somerset, Kentucky</td>
<td>221</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Michigan City Housing Authority</td>
<td>251</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Missoula Housing Authority</td>
<td>473</td>
<td>284</td>
<td>6</td>
</tr>
<tr>
<td>Southeast Minnesota Multi-County Housing and Redevelopment Authority</td>
<td>370</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>St. Mary's County Housing Authority</td>
<td>1,085</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Wadena Housing and Redevelopment Authority</td>
<td>50</td>
<td>N/A</td>
<td>2</td>
</tr>
</tbody>
</table>

**Program Requirements**

In an effort to strengthen the skills of borrowers, supportive programs are required for participation in the homeownership program. The required programs are an effort to provide potential homebuyers with the knowledge and skills they will need not only to purchase, but to maintain their homes. Each of the housing authorities mandates housing counseling for participation in the homeownership program. Six of the eight rural housing authorities also require potential Section 8 homebuyers to participate in other types of counseling, including:

- credit,
- financial and budget,
- foreclosure, and
- home maintenance.

Several housing authorities also require participants to take other skill-related workshops and training. One requires that Section 8 homebuyers participate in the Family Self-Sufficiency

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7 Approximately 60 percent of households in the Missoula Housing Authority's portfolio qualify for the program.
Family Self-Sufficiency (FSS) is a HUD program that supports the development of programs to encourage employment and economic independence. Local communities develop strategic plans and provide training and services to improve the skills of the target population. FSS is administered by the local public housing agencies and is available to housing voucher program participants.

Section 8 Homeownership Partnerships

Each of the rural housing authorities surveyed works with other organizations to administer its Section 8 Homeownership Program. Seven of the eight authorities work with nonprofit organizations, specifically, to provide homeownership counseling. The only agency that does not work with a nonprofit is searching for a nonprofit organization to provide housing counseling for its program.

Nonprofit partners provide a range of other resources and services as well. In five cases, nonprofit organizations provide homes for purchase for Section 8 Homeownership Program participants and, in one case, nonprofit organizations help participants locate housing. In one partnership, the nonprofit organization provides underwriting and loan approval for the program. In one of the more developed partnerships, nonprofit organizations provide case management, silent second mortgage loans, financial literacy training, and other services.

PHAs have also created partnerships with other organizations and agencies to implement the homeownership program. One rural housing authority has established a working relationship with a local financial institution and the state housing finance agency. Two of the eight housing authorities are working with USDA Rural Development to implement the program. Several housing authorities across the nation have had success using the Section 8 homeownership voucher in conjunction with the Section 502 subsidy (see Profile #4). Other partners include Habitat for Humanity and Fannie Mae (see Profile #3). Rural PHAs have also collaborated with state and local government agencies to leverage funds to make homeownership affordable for program participants. Five housing authorities have worked with state housing finance agencies, a state housing and development agency, and other organizations to access low interest rate loans.

Challenges to Implementing the Program

Rural housing authorities identified several challenges to administering the homeownership program in rural areas. These challenges were both contextual (i.e., related to the surrounding market) and specific to the families the PHAs are targeting. Four authorities noted the lack of affordable housing stock as a significant barrier to creating homeownership opportunities for Section 8 participants. Related to the lack of affordable stock and the competition for affordable units, one respondent commented that by the time the PHA is able

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8 Family Self-Sufficiency (FSS) is a HUD program that supports the development of programs to encourage employment and economic independence. Local communities develop strategic plans and provide training and services to improve the skills of the target population. FSS is administered by the local public housing agencies and is available to housing voucher program participants.
to move participants through the program, affordable units are off the market. Three respondents identified family issues as a barrier to implementing the program. Among the family issues identified were

- low family incomes,
- high unemployment rates, and
- credit issues.

Other issues identified include a lack of supportive government programs, increased staff demands, and difficulties securing lender cooperation. Only one authority reported that administering the program in rural areas was easier, given the relatively lower cost of housing.
PARTNERSHIP PROFILES: IMPLEMENTING SECTION 8 HOMEOWNERSHIP

Perhaps the greatest impact nonprofit organizations can have on the Section 8 Homeownership Program comes through participation in program implementation. As noted above, PHAs must demonstrate that they have the capacity to implement the program. PHAs have both the vouchers and the administrative authority to create homeownership programs; however, they may lack knowledge regarding homeownership, counseling expertise, or other needed skills. One way for PHAs to demonstrate their capacity to HUD is to develop partnerships with organizations that have the needed skills and knowledge to effectively administer the program.

Mutually supportive partnerships that include supporters of low-income residents can help to increase use of the program and thereby increase homeownership among low-income residents. While much of the onus is on the PHA in terms of creating partnerships and implementing the program, nonprofit organizations can participate and bring a lot to the table to ensure that rural residents have the opportunity to participate.

Rural organizations can assist in the implementation of the Section 8 Homeownership Program by providing services and support. The following profiles illustrate the roles that local nonprofit organizations and other groups can bring to the Section 8 Homeownership Program. Each of the organizations described below is located in a rural area and each has encountered obstacles and challenges that are specific to rural communities. There are four types of collaborations highlighted in this section:

- PHA/USDA,
- national nonprofit organization/community-based organization/PHA,
- Government Sponsored Entity/PHA/local bank, and
- USDA/HUD/PHA.

Profile 1: Missoula Housing Authority

MHA Section 8 Homeownership Program Overview

The Missoula Housing Authority (MHA) in Missoula, Mont., administers the Section 8 Homeownership Program in the city limits of Missoula, in addition to ten miles outside of the city. MHA has developed partnerships with several nonprofit organizations in the community, as well as USDA’s Rural Development, to help administer the Section 8 program. These organizations provide different types of assistance, which include homeownership counseling, providing homes for purchase, case management, marketing of the program, financial literacy courses, and downpayment assistance. As of July 2002, when the program had been implemented in the community for less than a year, MHA had six closings under the program, with two more pending.

Program Requirements

In order to purchase a home using the Section 8 homeownership voucher, participants must undergo:
Section 8 Homeownership

- homeownership counseling (provided by Homeword and Missoula Housing Corporation),
- foreclosure counseling,
- downpayment assistance counseling, and,
- when appropriate, ESL courses.

Profile 2: Neighborhood Reinvestment Corporation and Rockingham Area Community Land Trust

Collaboration

One particularly successful type of collaboration for administering the Section 8 Homeownership Program has been between local nonprofit organizations, national nonprofit organizations, and local PHAs. Congress designated $5 million of the fiscal year 2001 budget of the Neighborhood Reinvestment Corporation (now NeighborWorks® America) to help 21 NeighborWorks® organizations launch and expand Section 8 Homeownership Programs. One of the 21 organizations is the Rockingham Area Community Land Trust (RACLT) in Springfield, Vt. RACLT is a full-service nonprofit affordable housing agency that serves Windsor and Windham counties, two rural counties in southern Vermont.

Neighborhood Reinvestment and RACLT work with the Springfield Housing Authority (SHA) and the Vermont State Housing Agency (VSHA) to create homeownership opportunities for low-income families in Vermont through the Section 8 Homeownership Program. SHA is the PHA that serves the local community in Springfield, while VSHA is the state housing authority. As of June 2002, the collaboration between RACLT and VSHA had resulted in two closings, while the collaboration between RACLT and VSHA had produced one closing.

Program Requirements

In order to qualify for this program, families must maintain the income and employment thresholds established by HUD, which state that each family must work at least 30 hours a week and have an income that is equal to 2,000 hours of annual full-time work at the federal minimum wage ($5.15/hour). Once these requirements have been fulfilled, the family must undergo an eight-hour homebuyer workshop.

Neighborhood Reinvestment Corporation and Section 8 Homeownership Program Partnership

Neighborhood Reinvestment offers training and technical assistance to RACLT and other nonprofit organizations that want to provide the Section 8 Homeownership Program to their communities. Neighborhood Reinvestment also provides housing counselors in group and individual settings to make sure that buyers are prepared to look for homes and apply for mortgages. Neighborhood Reinvestment has contracted with Abt Associates, a research consulting firm in Massachusetts, to maintain a record of which families are buying homes under the program, the time it takes for loans to close, the performance of the loans, and other quantitative and qualitative issues.
RACLT’s portion of the $5 million designation is used by RAACL to provide pre- and post-purchase housing counseling as well as to supply additional financing for Section 8 families through the Section 8 homeownership option. Under the homeownership option, a Section 8 voucher holder applies for a conventional first mortgage through a local lender. The amount of the first mortgage is based on the applicant’s income. RAACL provides a second mortgage, which makes up the difference between the first mortgage and the sale price of the home. The Section 8 voucher payments are used to pay off the second mortgage. In Vermont, the state Housing and Conservation Board provides a land trust program that also contributes to the Section 8 homeownership program. Buyers with incomes below the state's median are eligible for home-purchase grants of between $17,000 and $20,000 through the land trust program.

Profile 3: Michigan City Housing Authority

MCHA Section 8 Homeownership Program Overview

The Michigan City Housing Authority (MCHA) established the Section 8 Homeownership Program in January 2002. The program is a collaborative effort between the housing authority, HUD, Fannie Mae, and Horizon Bank. MCHA administers 251 vouchers for Michigan City, the largest city in La Porte County, Ind. In this city of 32,900, there is considerable unmet housing need. There were over 842 families on the PHA’s waiting lists for public housing (290) and Section 8 (552). Of these families, 69 percent were extremely low-income (30 percent or below area median income), 8 percent were elderly, and 10 percent were families with disabilities.

Recipients of Section 8 homeownership vouchers can qualify for mortgages based on their earned income and the amount of their housing assistance subsidies. The subsidies can then be used to pay the principal, interest, taxes, and insurance on their homes. According to the program handbook, Section 8 homeownership funds are not to be considered income in determining repayment ability. Rather, the Section 8 housing assistance payment is to be used as a direct reduction or a buy down of the house payment.

Program Requirements

In order to purchase a home using the Section 8 homeownership voucher, participants must

- have an annual income of at least $10,300,
- be a first-time homebuyer,
- work full-time,
- graduate from a comprehensive pre-purchase counseling program, and
- have completed at least one year in the Section 8 Housing Assistance Program and be a participant in good standing.

MCHA provides the pre- and post-purchase homebuyer education courses for Michigan City residents. The local nonprofit that provided these services had closed as of July 2002 and the
The housing authority was looking for another group to provide the education courses for its participants.

Those Section 8 participants who meet the homeownership program requirements and are provided with a homeownership voucher may then secure mortgage financing. Households have 180 days from the issuance of the voucher to find a home, secure financing, and close on the purchase. Families will not lose their rental assistance if they fail to find a home in the allotted time. MCHA also administers other homeownership programs that complement the Section 8 program. The housing authority manages several scattered site, rent to own properties that can be purchased using Section 8 vouchers.

For a household who meets all the program requirements and is able to find and close on a property, MCHA will make the homeownership assistance payment directly to the bank at the beginning of each month. The maximum length of homeownership assistance is 15 years for mortgage loans of 10 years or more and 10 years for mortgage loans with less than 10-year terms.

Fannie Mae Corporation and Section 8 Homeownership Program Partnership

The Fannie Mae corporation, as part of its American Dream Commitment, has created partnerships with a number of PHAs across the nation to facilitate the implementation of the Section 8 Homeownership Program. Fannie Mae's work with MCHA is one example of its work with rural communities to extend homeownership opportunities. Fannie Mae's participation in the Section 8 Homeownership Program is a coordinated effort between the Fannie Mae Foundation, the Fannie Mae corporation, and the local partnership offices.

The Fannie Mae Foundation initially approached the Fannie Mae corporation with information regarding the Section 8 program and encouraged the corporation to consider ways that it could work with the program to extend homeownership to low-income residents (Eisenstat 2002). Once the Fannie Mae corporation committed itself to the homeownership program, it provided the overall structure needed (i.e., underwriting criteria) to make Section 8 homeownership loans acceptable in the secondary market. By setting the underwriting criteria for Section 8 homeownership loans, the Fannie Mae corporation’s involvement in the program ensures that additional credit will become available to low-income borrowers. The local Fannie Mae partnership offices also play an instrumental role in creating and extending this program, as they conduct outreach with both local PHAs and local lenders.

Fannie Mae provides additional supports to PHAs with which it has established a working relationship by:

- assisting the PHAs to develop their Section 8 homeownership plans in accordance with the secondary market regulations;
- developing underwriting guidelines that take into account the special needs of Section 8 borrowers;
- identifying lenders who will participate in the program;
- working with these lenders to create products for Section 8 borrowers;
△ collaborating with groups that will provide housing counseling; and
△ working with groups to promote homeownership for people with disabilities.

In order to participate in the MCHA Section 8 homeownership program, each household must secure its mortgage from a Fannie Mae approved lender. Horizon Bank has been identified by Fannie Mae as a local lender with experience in lending in special housing markets. Horizon Bank will originate up to $600,000 in Fannie Mae eligible mortgages through the Section 8 program, and Fannie Mae will purchase these loans from the bank.

Because there are three partners working to implement this program, participants must meet three sets of requirements. However, efforts have been made to make the requirements of the housing authority, the bank, and HUD consistent. Fannie Mae's underwriting guidelines set the standard for administering this program.

As of May 2002, Fannie Mae estimated that through its partnership offices it had communications with at least 42 PHAs to establish partnerships to administer Section 8 homeownership programs. The partnership offices had also established relationships with 25 local lenders, and it anticipated that they would have agreements with at least 25 additional lenders by 2003. Fannie Mae staff noted, however, that recruiting lenders to participate in the program can be a challenge. Some lenders are hesitant to develop programs wherein they will receive payments from more than one source for one mortgage loan.

MCHA staff view the Section 8 Homeownership Program as an integral part of their efforts to create homeownership opportunities for Michigan City residents. As of May 2002, there had been one closing through the MCHA Section 8 Homeownership Program, two closings were pending, and one other participant had qualified. The Section 8 Homeownership Program is part of MCHA's strategic plan, and the PHA has a goal of assisting ten families to purchase homes using their Section 8 assistance.

Profile 4: Southeast Minnesota Multi-County Housing and Redevelopment Authority

SEMMCHRA Section 8 Homeownership Program Overview

The Southeast Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) administers 370 Section 8 vouchers for Fillmore, Houston, Dodge, Wabash, Goodhue, and Winona counties, excluding the City of Winona. SEMMCHRA provides a full range of rental and homeownership programs for low-income residents in its jurisdiction. The PHA administers several subsidy programs, and constructs and manages affordable housing for community residents. In addition to the newly developed Section 8 Homeownership Program, SEMMCHRA provides mortgage loans to first time borrowers.

Program Requirements

Similar to the other PHAs whose Section 8 homeownership programs are profiled here, SEMMCHRA requires that participants be current voucher recipients, first time homebuyers,
and employed full time with an annual income of at least $10,300. SEMMCHRA’s homeownership program includes several other criteria, including:

- the family must not have defaulted on a mortgage using homeownership assistance;
- the family must be in compliance with their current lease; and
- each adult must submit to and pass a criminal background check.

SEMMCHRA has partnered with several nonprofit organizations to administer the Section 8 homeownership program:

- Three Rivers Community Action,
- Southeast Minnesota Community Action,
- Community Housing Partnership, and
- First Homes.

**Merging Section 502 and Section 8 Homeownership Support**

SEMMCHRA is one of several PHAs that have used the Section 8 Homeownership Program with direct or guaranteed mortgage loans from the USDA Rural Housing Service’s Section 502 program. Section 502 direct loans are originated at interest rates as low as 1 percent for 38-year terms, while the Section 502 guaranteed loans’ terms vary depending on the lender. According to RHS staff there are many ways Section 8 and Section 502 can be used together, depending on how the local housing authority designs and implements its program.

A benefit in using guaranteed loans is higher lender participation; lenders tend to be more willing to make such loans because the federal government takes the risk of loss in case of default. Using Section 502 direct or guaranteed loans also benefits borrowers since accessing multiple layers of subsidy makes the cost of homeownership more affordable. The experiences of several borrowers illustrate this point.

As of May 2002, SEMMCHRA had two closings under the Section 8 program, one of which utilized several subsidies, including a Section 502 direct loan. In this case, the borrower used Section 502 as the first loan on the property and a community land trust loan product, First Homes, for the second mortgage. In addition to the Section 8 homeownership voucher, the borrower also received downpayment assistance offered through the community economic development agency. At the time of this research, at least one other closing was pending and at least 10 additional households had qualified for the program.

Several communities have successfully used Section 502 and Section 8 to make homeownership affordable for low-income borrowers. In fact, the first Section 8 purchase, which occurred in Solano County, Calif., was achieved by merging USDA, HUD, and Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds. The $114,741 home was purchased using a Section 502 guaranteed mortgage loan for $66,000, the second mortgage ($40,000) was provided using HOME funds, and the purchaser received over $10,000 in grants from FHLB’s AHP program. The homeowner’s mortgage payments were then subsidized by the Section 8 homeownership program.


**RECOMMENDATIONS**

As the profiles above illustrate, nonprofit organizations can work with other groups and PHAs to implement Section 8 homeownership programs. Nonprofits can provide a number of resources that may facilitate the program, including:

- Counseling for prospective participants (see Figure 2 for a more detailed list of types);
- Homes for purchase;
- Information about the local housing market; and
- Outreach and marketing.

Community-based organizations in rural areas can also take these additional steps to ensure that the Section 8 Homeownership Program is implemented in a way that addresses their communities’ needs for housing:

- **Help Define Needs.** PHAs are encouraged to tailor their programs to address the needs of their local communities as reflected in the local jurisdictions’ consolidated plans.

- **Comment on Annual Plans.** The PHA annual plan process gives local advocates the opportunity to provide critical input at public hearings on issues relating to the Section 8 Homeownership Program. Local organizations should use the public comment period as an opportunity to voice support or concerns. They should also identify themselves as resources in their communities.

- **Advocate for Rural Residents.** Local advocates can educate their PHAs about rural issues and help the PHAs design programs that are sensitive to the rural context.

Source: NHLP 2001a, 104.
CONCLUSION

It is extremely difficult for low-income families to realize the dream of homeownership, given the shortage of affordable and decent housing. The Section 8 Homeownership Program was implemented to give low-income families the opportunity to realize that dream. Although the program is relatively new, it has already provided many families across the country with homes that they might not have been able to attain by other means. Successful collaborations among community groups, national corporations, and federal and state agencies have created possibilities that have increased access to the Section 8 program for low-income families in rural areas. Participation in the program has allowed these families to improve their economic and living conditions, thus improving the conditions in rural communities across the nation.
REFERENCES


APPENDICES
APPENDIX A
SECTION 8 HOMEOWNERSHIP PROGRAM LOCATIONS

As of March 2002, a total of 47 Public Housing Authorities had requested administrative authority to create a Section 8 Homeownership Program (Table 2). Of these PHAs, eight, or 17 percent, were located in rural counties.
Table 2.
Public Housing Authorities with Section 8 Homeownership Programs

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<tr>
<th>Public Housing Authority</th>
<th>State</th>
<th>Number on Map</th>
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<tbody>
<tr>
<td>Colorado Department of Human Services, Supportive Housing and Homeless Programs</td>
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<td>1</td>
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<tr>
<td>Danville Redevelopment and Housing Authority</td>
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<td>2</td>
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<td>Housing Authority of the City of Waco</td>
<td>Texas</td>
<td>3</td>
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<td>Montgomery County Housing Authority</td>
<td>Pennsylvania</td>
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<td>Missoula Housing Authority*</td>
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<td>Bernalillo County Housing Authority</td>
<td>New Mexico</td>
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<tr>
<td>Hickory Housing Authority</td>
<td>North Carolina</td>
<td>7</td>
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<tr>
<td>Housing Authority of Somerset*</td>
<td>Kentucky</td>
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<td>Brown County Housing Authority (Green Bay)</td>
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<td>Austin Housing and Redevelopment Authority*</td>
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<td>Rockford Housing Authority</td>
<td>Illinois</td>
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<td>Housing Authority of the City of Milwaukee</td>
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<td>Mississippi Regional Housing Authority No. VI</td>
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<td>Perth Amboy Housing Authority</td>
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<td>Wadena Housing and Redevelopment Authority*</td>
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<td>Housing Authority of New Orleans</td>
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<td>New Hampshire Housing Finance Authority</td>
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<td>Dubuque Housing Authority</td>
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<tr>
<td>Hocking Housing Authority</td>
<td>Ohio</td>
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* The PHAs with asterisks are located in rural counties.
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<td>South East Minnesota Multicounty Housing and Redevelopment Authority*</td>
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<td>Vermont State Public Housing Authority</td>
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<td>Syracuse Housing Authority</td>
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<td>DHCR/ CDC of Long Island</td>
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<td>San Bernadino County Housing Authority (NHS of the Inland Empire)</td>
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<td>Lucas Metropolitan Housing Authority*</td>
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<td>Hugo Housing Authority</td>
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<td>Lehigh County Housing Authority (Allentown NH)</td>
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<td>Sacramento Housing and Redevelopment Authority</td>
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<td>Pueblo Housing Authority (NHS of Pueblo)</td>
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<td>Butler Housing Authority</td>
<td>Ohio</td>
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APPENDIX B
Section 8 Homeownership Resources on the Internet

Center on Budget and Policy Priorities
http://www.cbpp.org

Fannie Mae
http://www.fanniemae.com

Freddie Mac
http://www.freddiemac.com

Local Initiatives Support Corporation
http://www.lisc.org

Millennial Housing Commission
http://www.mhc.gov

National Association of Housing and Redevelopment Officials
http://www.nahro.org

National Housing Law Project
http://www.nhlp.org

National Low Income Housing Coalition
http://www.nlihc.org

NeighborWorks® America
http://www.nw.org

Public Housing Authorities Directors Association
http://www.phada.org

Technical Assistance Collaborative
http://www.tacinc.org

U.S. Department of Housing and Urban Development
http://www.hud.gov
http://www.huduser.org
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<th>Name</th>
<th>Position</th>
<th>Organization/University</th>
<th>City/Location</th>
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<tbody>
<tr>
<td>Gideon Anders</td>
<td>National Housing Law Project</td>
<td>Oakland, California</td>
<td></td>
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<tr>
<td>Rev. Harry J. Bowie</td>
<td>Hazelhurst, Mississippi</td>
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<tr>
<td>Peter N. Carey</td>
<td>Self-Help Enterprises</td>
<td>Visalia, California</td>
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<tr>
<td>Amancio J. Chapa, Jr.</td>
<td>La Joya High School</td>
<td>La Joya, Texas</td>
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<tr>
<td>Joseph Debro</td>
<td>Trans Bay Engineering &amp; Builders</td>
<td>Oakland, California</td>
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<tr>
<td>Sandra Ferniza</td>
<td>Arizona State University</td>
<td>Tempe, Arizona</td>
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<tr>
<td>John E. Foster</td>
<td>ATS-Chester Engineers</td>
<td>Columbus, Ohio</td>
<td></td>
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<tr>
<td>Ninfa R. Gutierrez</td>
<td>Consultant</td>
<td>Yakima, Washington</td>
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<tr>
<td>Lenin Juarez</td>
<td>Builders Gypsum Supply Company</td>
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<td>H. Lewis Kellom</td>
<td>Homes in Partnership, Inc.</td>
<td>Apopka, Florida</td>
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<tr>
<td>David Lollis, HAC President</td>
<td>Appalbanc</td>
<td>Berea, Kentucky</td>
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<tr>
<td>Arturo Lopez, HAC Chairman</td>
<td>Coalition of Florida Farmworker Organizations</td>
<td>Homestead, Florida</td>
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<tr>
<td>Moises Loza, HAC Second Vice President</td>
<td>Housing Assistance Council</td>
<td>Washington, D.C.</td>
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<tr>
<td>Twila Martin-Kekahbah</td>
<td>Turtle Mountain Band of Chippewa</td>
<td>Bismarck, North Dakota</td>
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<tr>
<td>Maria Luisa Mercado</td>
<td>Mercado Law Offices</td>
<td>Galveston, Texas</td>
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<tr>
<td>Nancy Nichol</td>
<td>Vermont Housing and Conservation Board</td>
<td>Montpelier, Vermont</td>
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<tr>
<td>William Powers</td>
<td>Congress of California Seniors</td>
<td>Sacramento, California</td>
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<tr>
<td>Pedro Rodriguez, J r., HAC Secretary</td>
<td>Job Services of Wisconsin</td>
<td>Milwaukee, Wisconsin</td>
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<tr>
<td>Irene E. Sikelianos</td>
<td>Consultant</td>
<td>Albuquerque, New Mexico</td>
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<tr>
<td>Debra Denise Singletary</td>
<td>Consultant</td>
<td>Delaware, Ohio</td>
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<tr>
<td>Hon. Bennie G. Thompson</td>
<td>U.S. House of Representatives</td>
<td>Bolton, Mississippi</td>
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<tr>
<td>Rebecca Torres-Swanson</td>
<td>Nogales Housing Authority</td>
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<td>Jose Trevino</td>
<td>Lansing, Illinois</td>
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<tr>
<td>Richard Tucker, HAC Treasurer</td>
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<tr>
<td>Lauriette West-Hoff</td>
<td>Southern Real Estate Management &amp; Consultants, Inc.</td>
<td>Durham, North Carolina</td>
<td></td>
</tr>
<tr>
<td>Peggy R. Wright</td>
<td>Arkansas State University - Delta Studies Center</td>
<td>Jonesboro, Arkansas</td>
<td></td>
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</tbody>
</table>
Low-income rural residents can benefit from the ability to use Section 8 Housing Choice Vouchers for homeownership. Barriers specific to rural areas can complicate implementation of the Section 8 homeownership program, however. This guide is intended to educate nonprofit rural housing developers and other community-based organizations about the program and to provide them with models and tools for its use.