



**DELAWARE STATE HOUSING  
AUTHORITY**

**RESIDENT HOMEOWNERSHIP  
PROGRAM (RHP) MANUAL**

## **INTRODUCTION**

These program guidelines outline the Delaware State Housing Authority's (DSHA) Resident Homeownership Program (RHP). The guidelines include a program overview, as well as a definitional section that defines key terms.

By way of background, the United States Department of Housing & Urban Development (HUD) authorizes public housing agencies, such as DSHA, to implement homeownership programs. DSHA was given specific authorization, under the Moving To Work (MTW) program to implement a RHP in May 2004. The authorization was subsequently restated in the Amended and Restated Moving To Work Agreement dated April 2008.

The RHP provides the opportunity for eligible DSHA Section 8 Housing Choice Voucher and Public Housing Program residents, to participate in a program that will enable them to realize the *American Dream* of owning their own home. With this program, qualified participants will have the opportunity to purchase a home utilizing their rental housing assistance toward the mortgage for a period not to exceed seven (7) years.

As part of this exciting new program, DSHA will coordinate intensive case management and financial literacy. Professional housing counselors also work with the approved RHP families to help them every step of the way.

# **PROGRAM OVERVIEW**

## **I. ELIGIBILITY REQUIREMENTS**

A. **Participation:** Participation in the RHP is voluntary. Any eligible and qualifying DSHA resident (Section 8 Housing Choice Voucher and/or Public Housing participant) may utilize the subsidy to purchase a home.

B. **Employment History:** The head of household or spouse must be employed full-time and have been continuously employed one full year before commencement of participation in the RHP. Continuous employment includes working at least 30 hours per week. DSHA shall have the discretion to determine whether and to what extent any interruptions in employment are considered a break in continuity of employment during the year. DSHA may also consider successive employment during the year or self-employment. Families in which the head of household or spouse is disabled or elderly are exempt from this requirement. Families with a disabled household member must make a written request for an exemption.

C. **Minimum Income Requirement:** The family's yearly income must be equal to or greater than the 60% Average Median Income (AMI) level for a one (1) person family as published by HUD for Kent and/or Sussex Counties. Public assistance income **may not** be used for meeting this requirement, **except** for households in which the head of the household or spouse is elderly or disabled and households that include a disabled person other than head of the household or spouse. (Public assistance includes: Temporary Assistance to Needy Families (TANF) assistance; Supplemental Security Income (SSI) that is subject to an income eligibility test; food stamps; and general assistance or other assistance provided under a federal, state, or local program that provides assistance available to meet family living or housing expenses).

In the case of a disabled family (as defined in 24 CFR Part 5, Subpart D., Section 5.403(b) the monthly Federal Supplemental Security Income (SSI) benefit for an individual living alone (or paying his or her share of food and housing costs) multiplied by twelve shall constitute the minimum income calculation.

D. **First-Time Homeowner**: Each interested family, except families with elderly or disabled members, *must* be a first-time homeowner. A “first-time homeowner” means that *no member* of the household has had an ownership interest in any residence during the three years preceding commencement of participation in the RHP.

However, a single parent or displaced homemaker who, while married, owned a home with a spouse, or resided in a home owned by a spouse is considered a “first-time homeowner” for purposes of the RHP.

The right to purchase title to a residence under a lease-purchase agreement is not considered an “ownership interest” for the purposes of the RHP.

E. **Repayment of Any Housing Authority Debts**: The family must have fully repaid any outstanding debt owed to DSHA, or any other Housing Authority, prior to receiving a Housing Choice Voucher to be used for homeownership assistance.

F. **Completion of Initial Lease Terms**: The family must be in full compliance with their current lease and program requirements. Upon final acceptance into the RHP, the family must terminate their current lease arrangement in compliance with the lease.

## II. **HOMEOWNERSHIP COUNSELING REQUIREMENTS**

A. **Pre-Homeownership Counseling**: When the family is determined eligible- for participation by DSHA, they must:

1. attend and complete pre-homeownership counseling sessions, conducted by a HUD-approved housing counseling agency, and

2. be deemed “mortgage ready” by the housing counseling agency; and DSHA before a homeownership voucher will be issued.

*Pre-homeownership counseling sessions will include, at a minimum, the following topics:*

1. Credit counseling;
2. Budgeting and money management;
3. How to find a home, including information about homeownership opportunities, schools and transportation;
4. How to negotiate the purchase price of a home;
5. Information about state and federal truth-in-lending and how to identify and avoid predatory lenders;
6. Information on fair housing, including fair housing lending and local fair housing enforcement agencies;
7. Information about the Real Estate Settlement Procedures Act, state and federal truth-in-lending laws and how to identify and avoid loans with oppressive terms and agreements;
8. Home and grounds maintenance; and
9. An overview of the RHP program requirements.

A. **Completion of Pre-Homeownership Counseling:** The family must be deemed “mortgage ready” within two years from the date of entering pre-homeownership counseling. If the family is not deemed “mortgage ready” by the housing counseling agency and DSHA, DSHA may, at its sole discretion, extend the time period to allow the family to become “mortgage ready”. If, at anytime, DSHA deems the family will not be “mortgage ready” in a reasonable time, DSHA, at its discretion, may terminate the participant family from the program. A participating family dropped from the program may re-apply one-year from the date of termination.

B. **Post-Homeownership Counseling:** The family will also be required to attend post-homeownership counseling sessions to ensure that the family is successfully adjusting to the responsibilities of homeownership. One session will be required after the first three months of homeownership and two follow-up sessions at six-month intervals during the first 15 months of homeownership. Failure to comply with this provision may result in the loss of subsidy.

### III. **HOUSING SEARCH AND PURCHASE REQUIREMENTS**

A. **Time Frame for Search:** Once determined “mortgage ready”, the family will have 180 days from the “mortgage ready” date to sign a contract to purchase a home. DSHA will require monthly reports from the family on the progress in finding and purchasing a home.

B. **Completion of Search:** If the family does not sign a contract to purchase a home within the 180-day period, DSHA, upon receipt of a written request for an extension (at least 20 calendar days before the aforementioned expiration period) may in its sole discretion, extend the time period for the search.

C. **Time Frame of Notice to advise DSHA of home Purchase:** The family must notify DSHA of their interest in signing a contract to purchase a home prior to signing any agreement. This is to allow DSHA sufficient time to review the proposed purchase and complete an inspection of the property.

### IV. **ELIGIBLE HOMEOWNERSHIP OPTIONS**

A. **Eligible Types of Homes:**

1. An existing or under construction (footers must be poured) single-family home;
2. A home in a planned-use development;
3. A manufactured home on a permanent foundation, with the ownership of the lot included with the home purchase.

**B. Ineligible Types of Homes:**

1. A public housing unit;
2. A unit receiving Section 8 Housing Choice Voucher project-based assistance;
3. A live/work unit;
4. A loft;
5. A nursing home;
6. A facility providing continual psychiatric, medical or nursing services;
7. A unit on the grounds of any public or private institution;
8. A lease-to-purchase unit with a lease-to-purchase agreement is considered rental property and is excluded;
9. A school dormitory;
10. A Condominium; and
11. Any type of home that DSHA, in its sole discretion, determines to be ineligible.

**V. CONTRACT OF SALE**

**Contract of Sale:** The family must execute a RHP contract of sale with the seller of the unit with additional addenda as approved by DSHA. The contract must specify the price and terms of sale and provide that the purchaser will arrange for a pre-purchase independent inspection.

The contract must also provide that the buyer is not obligated to buy the unit unless all inspections are satisfactory. The buyer cannot pay for necessary repairs. Necessary repairs will be determined at the sole discretion of DSHA.

Additionally, the contract must contain a certification from the seller that the seller has not been debarred, suspended or subject to a limited denial of participation under 24 CFR Part 24 (Government Debarment & Suspension and Government wide Requirements for Drug Free Workplace (Grants)). DSHA reserves the right to deny approval of any dwelling.

## VI. INSPECTION

A. **DSHA Housing Quality Standards (HQS) Inspection:** DSHA or its contractor will perform a HQS inspection before an independent home inspection is conducted. *The HQS inspection is for the sole purpose of determining whether the property qualifies for the RHP.*

B. **Independent Home Inspection:** An independent home inspection must be conducted by a member of the American Society of Home Inspectors (ASHI) or the National Association of Home Inspectors (NAHI) that is selected and paid for by the family. The inspection must cover major building systems and components including, but not limited to, the foundation, structure, roofing, interior and exterior surfaces, and plumbing, electrical and heating systems.

C. **Submission of Independent Home Inspection Report:** A copy of the independent inspection report must be provided to the family and DSHA. Based on the information in the report, the family and DSHA will determine if any pre-purchase repairs are necessary. DSHA retains the right, at its sole discretion, to disqualify the home for inclusion in the RHP.

## VII. FINANCING

A. **Family Responsibility:** The family is responsible for obtaining financing.

B. **Down-payment:** The minimum down-payment is three percent of the purchase price. However, the family must pay at least one percent of the down-payment from their own personal resources. For the balance of the required minimum down-payment, the family may obtain down-payment and/or settlement assistance from DSHA through the Second Mortgage Assistance Loan Program (SMAL Program), depending on available funding sources and/or other available first-time homebuyer funds. The down-payment requirement is waived for mortgages provided through the Rural Development Administration (RDA) where 100% of the loan is financed by that agency.

C. **Moving To Work (MTW):** Funds from the family's MTW savings account may be used for the required down-payment.

D. **Individual Development Account (IDA) Participants:** Funds from the family's IDA savings account may be used for the balance of the required down-payment. However, these funds do not qualify as part of the one percent the family is required to pay from their own personal resources. These funds will only be available to the family at settlement.

E. **Homeownership Assistance Payment:** Homeownership Assistance Payment (HAP) is the monthly amount paid to the lender by DSHA. The HAP check is issued to the participant as a co-payee with the master servicer. The HAP amount will be the monthly mortgage payment (including principal, interest, tax and insurance escrows) less the greater of:

1. The amount left after subtracting the applicable utility allowance, from a percentage of the monthly gross income of the family (30%-1<sup>st</sup> & 2<sup>nd</sup> years, 32%-3<sup>rd</sup> & 4<sup>th</sup> years 34%-the 5<sup>th</sup> & 6<sup>th</sup> years and 36% for the 7<sup>th</sup> year), or;
2. A percentage of the mortgage payment (including principal, interest, tax and insurance escrow), 40%-1<sup>st</sup> & 2<sup>nd</sup> years, 50%-3<sup>rd</sup> & 4<sup>th</sup> years, 60%-5<sup>th</sup> & 6<sup>th</sup> years and 70% during the 7<sup>th</sup> year.

F. **Terms of Homeownership Assistance Payment:** The maximum term of Homeownership Assistance Payment is seven (7) years.

G. **Total Family Payment (TFP):** is that portion the family must pay towards the actual mortgage amount. The TFP will be the greater of:

1. The amount left after subtracting the applicable utility allowance, from a percentage of the monthly gross income of the family (30%-1<sup>st</sup> & 2<sup>nd</sup> years, 32%-3<sup>rd</sup> & 4<sup>th</sup> years 34%-the 5<sup>th</sup> & 6<sup>th</sup> years and 36% for the 7<sup>th</sup> year), or;
2. A percentage of the mortgage payment (including principal, interest tax and insurance escrows), 40%-1<sup>st</sup> & 2<sup>nd</sup> years, 50%-3<sup>rd</sup> & 4<sup>th</sup> years, 60%-5<sup>th</sup> & 6<sup>th</sup> years and 70% during the 7<sup>th</sup> year.

H. **Monthly Family Homeownership Expense:** is to be defined as the estimated amount of homeownership expenses (resident portion of the monthly mortgage payment plus the applicable utility allowance). In accordance to HUD regulations, this amount cannot exceed more than 40% of the family's monthly adjusted income.

I. **Prohibited Financing Agreements:** DSHA prohibits the following forms of financing:

1. Balloon payment mortgages;
2. Adjustable rate mortgage loans;
3. Seller or Family financing; and,
4. Predatory lending.

K. **Final Approval of RHP eligibility:** Final approval of a family's RHP assistance will be determined upon receipt of the mortgage payment amount, including any escrows, by DSHA. Because of this, settlement should not be scheduled until DSHA approves the purchase and finalizes eligibility.

L. **Defaults:** If a family in the RHP defaults on the home mortgage loan, the family will not be able to use its homeownership program assistance for rental housing, but may reapply for the waiting list for rental assistance. However, all debt to DSHA must be repaid prior to receiving rental assistance. Any family member who has previously defaulted on a mortgage obtained through the RHP is barred from receiving future RHP assistance.

### **VIII. FAMILY OBLIGATIONS FOR HOMEOWNERSHIP ASSISTANCE**

**Family Obligations:** The HAP will only be paid while the family is residing in the home. Before commencement of the HAP, the family must execute a statement in which the family agrees to comply with the following obligations under the homeownership program:

A. The home must be the family's only residence, and the family must verify this upon request by DSHA;

- B. The family must comply with the terms of the mortgage--securing debt incurred to purchase the home, or any refinancing of such debt, or any subsequent mortgage lien obligations;
- C. The family must supply information to DSHA and HUD, as required, to determine continued homeownership program eligibility and any other information required by DSHA and HUD concerning mortgage financing or refinancing, sale or transfer of any interest in the home or homeownership expenses;
- D. The family must notify DSHA 45 days prior to moving out of the home;
- E. The family must notify DSHA if the family defaults on the mortgage used to buy the home;
- F. No family member may have any ownership interest in any other residential property;
- G. The family must comply with all DSHA and HUD recertification requirements;
- H. The family must supply any information that DSHA determines is necessary in the administration of the program, including submission of required evidence of citizenship or eligible immigrant status;
- I. The family must supply any information requested by DSHA for use in a regularly scheduled reexamination or interim reexamination of family income and composition in accordance with DSHA's requirements;
- J. The family must disclose and verify social security numbers and must sign and submit consent forms for obtaining information in accordance with 24 CFR part 5, subpart B-Disclosure and Verification of Social Security and Employer Identification Numbers;
- K. Any information supplied by the family must be true and complete;

L. Any proposed changes in the composition of the assisted family residing in the unit must receive prior approval by DSHA. The family must promptly inform DSHA of the birth, adoption or court-awarded custody of a child;

M. The family must promptly notify DSHA if a family member no longer lives in the unit;

N. If DSHA has given its approval, a foster child or a live-in-aide may reside in the unit;

O. Members of the household may engage in legal profit-making activities, but only if such activities are incidental to the primary use of the unit for residence by members of the family;

P. The family must not sublease or let the unit;

Q. The family must not assign or transfer the unit;

R. The family must supply any information or certification requested by DSHA to verify that the family is living in the unit, or relating to family absence from the unit, including any DSHA requested information or certification on the purposes of family absences. The family must cooperate with DSHA for this purpose;

S. The members of the family must not commit fraud, bribery or any other corrupt or criminal act in connection with the program;

T. The members of the family may not engage in drug-related criminal activity, violent criminal activity or other criminal activity that threatens the health, safety or rights to peaceful enjoyment of other residents and persons residing in the immediate vicinity of the premises;

U. The members of the household must not abuse alcohol in a way that threatens the health, safety or right to peaceful enjoyment of other residents and persons residing in the immediate vicinity of the premises; and

V. A family or adult member of the family may not receive another housing subsidy for the same unit or for a different unit while participating in the RHP.

**IX. DENIAL OR TERMINATION OF ASSISTANCE**

**Denial/Termination of Assistance:** The HAP may be terminated if the family fails to comply with the obligations listed above. DSHA shall terminate homeownership assistance if the family loses its home due to a judgment or order of foreclosure, but the family may reapply for the waiting list for rental housing assistance.

**X. PORTABILITY**

**Portability:** DSHA will permit portability of the HAP to another housing jurisdiction in Delaware, provided the housing jurisdiction operates a homeownership program, pursuant to HUD regulations and the family otherwise qualifies under the applicable program in the corresponding jurisdiction.

**XI. DSHA DISCRETION**

***PLEASE NOTE THAT DSHA RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO CHANGE THE RESIDENT HOMEOWNERSHIP PROGRAM REQUIREMENTS AT ANY TIME.***

## **DEFINITIONS**

1. Adjustable Rate Mortgage (ARM) - Mortgage loans with interest rates that go up and down. The rate is usually based on the index tied to the nation's economy.
2. Balloon Payment Mortgage - Loans that amortize over a longer period and reduce monthly payments so that at the end of the short loan term there is one large single payment due payable in full.
3. Defaults - The inability to pay monthly mortgage payments in a timely manner or to otherwise meet the mortgage terms.
4. Disabled - Physical or mental impairment which substantially limits one or more of a person's major life activities and certified by a governmental agency.
5. Elderly - age 62 or older.
6. First-Time Homeowner – Requirement that no member of the household has had an ownership interest in any residence during the three years preceding commencement of participation in the RHP. A single parent or displaced homemaker who, while married, owned a home with a spouse (or resided in a home owned by a spouse) is also considered as a “First-Time Homeowner”.
7. Full-Time Employment – Continuous employment for at least 30 hours per week, for one full year.
8. Home Ownership Assistance Payment (HAP) – The monthly amount paid by DSHA to the family and Master Server or to the lender on behalf of the family.
9. Housing Quality Standards - Standards promulgated by HUD to ensure decent, safe and sanitary housing.

10. Mortgage Ready - Successful completion of pre-homeownership counseling and issuance of a housing counseling certificate.
11. Portability – DSHA will permit relocation of DSHA homeownership assistance to another housing jurisdiction in Delaware, provided the housing jurisdiction operates a homeownership program for which the family qualifies.
12. Section 8 Housing Choice Voucher – A document provided to a family which certifies eligibility for a federal subsidy for renting or purchasing a home.