

From Subsidy to Equity: Vouchers as a Gateway to Homeownership

Overview

The South Carolina State Housing Finance and Development Authority (SC State Housing) wished to assist individuals receiving rental assistance under the HUD Section 8 Housing Choice Voucher Program to become homeowners when conditions were favorable for this to occur.

In 2000, the U.S. Department of Housing and Urban Development (HUD) initiated a program that would allow current participants under the Section 8 Housing Choice Voucher to purchase a home using their rental assistance as part of their income. The funds continue to assist elderly and disabled households for as long as the family is eligible. For all other families, there is a mandatory term limit of 15 years if the initial mortgage for the home is 20 years or longer. Family incomes are re-certified yearly for compliance with the program rules and regulations.

In 2004, SC State Housing implemented and offered the Housing Choice Voucher Homeownership Program to eligible families in the seven counties where SC State Housing administers the program: Clarendon, Colleton, Dorchester, Fairfield, Kershaw, Lee and Lexington.

Responding to an Important State Housing Need

Early in the process of approving a voucher participant for a mortgage loan, it became evident that the borrowers would often be unable to attain a loan due to low credit scores and low-income. Therefore, the SC State Housing Board adopted a pilot program on February 20, 2007 that addressed these problems by allowing the voucher amount, grossed up by 25%, to be applied to income; which allowed for a lower credit score (600 minimum), removed the requirement for private mortgage insurance and provided forgivable down payment assistance for eligible participants.

The board later approved the continuation of the program through Fiscal Year 2011. On June 21, 2011 the board voted to extend this program for a maximum of five mortgage loans for Fiscal Year 2012.

Positive, Measurable Results

There have been 30 mortgage loans originated in the program thus far. Twenty-nine households remain on the program with one, due to increased income, no longer dependent on agency funding. Perhaps the most encouraging and compelling statistic is that, of the 29 households still on the program, all loans are current at this time. Additionally,:

- The average total monthly mortgage payments are \$598
- The average voucher payment is \$314 with the owner payments being \$284
- Average income is \$22,936.45
- Average loan amount is \$102,836
- Average family members are 3.07
- Six of the households are White
- Two of the households are Hispanic
- 21 of the households are African American

Of these loans:

- Three are elderly/disabled
- There are 11 loans to non-elderly/disabled
- There is one loan to a veteran

Insuring Sustainability

In order to qualify for the program, a potential borrower must meet the following minimum requirement:

- Must be a participant in good standing on the Voucher Program for a minimum of one year.
- Must be a first-time home buyer.
- Must be employed and have been continuously employed, working a minimum of 30 hours per week.
- Must have a minimum income of \$10,400 per year.
- Must have a middle credit score of no less than 600.
- Must meet all county requirements.
- The home must pass an independent home inspection as well as a HUD Housing Quality Standards Inspection.
- Maximum ratios for qualifying are 29/36.
- All accounts on a credit report must be current with no delinquencies in the last 24 months.
- Collection accounts will be reviewed on a case by case basis, but in no case can a potential borrower have more than \$5000 in unpaid collections.
- Must have no judgment, tax liens or defaulted students loans.
- Must be referred by and have a letter of recommendation from the South Carolina State Housing Finance and Development Authority's Voucher Program Division.

Effective Use of Resources

Mortgage funds come from Earned Income, and Down Payment Funds come from HOME Funds. The program offers a 4% mortgage rate for the first mortgage loan. A forgivable down payment assistance grant from \$5,000 to \$20,000 is also available, with most participants receiving \$10,000. To further increase affordability, the loans are uninsured; therefore, there is no monthly mortgage insurance premium. Consequently, participants are saving \$100 per month on their monthly mortgage payment.

SC State Housing has contracted with one lending partner to process these applications, allowing us to keep control of the process and costs.

We feel this program has been a complete success. There are 30 families in homes due to our program, and they have realized the American dream of being a homeowner.

We are now executing a 12 month extension to the program from July 1, 2011 to June 30, 2012 with a total of five loans to be completed in that timeframe.

Fulfilling Our Vision

It is clear that this program is greatly appreciated by the recipients. A member of the SC State Housing staff attends all closings. The excitement and tears of joy witnessed time and again at the completion of the home closing bears testament to the vision of SC State Housing that all South Carolinians have the opportunity to live in safe, decent and affordable housing.

Visual of a Housing Choice Voucher Homeownership Program Highlight on SC State Housing's Website

Innovative Homeownership Program Offers a Hand Up for Many Families

When Trixie Eden went on the South Carolina State Housing Authority's Section 8 Housing Choice Voucher program in 2002, she knew that she really wanted to own her own home especially for her two children.

The housing program coordinator assigned to Trixie and her family realized right away that she was a hard worker. She showed responsibility, a determination to succeed, and a desire to improve her situation - the ingredients needed in becoming a candidate for the Homeownership Voucher program.

In six short years and after much hard work and determination, Trixie was placed on the Homeownership Voucher program. Things were definitely turning around for Trixie; her goal to become independent and become a homeowner was just about within her reach. In June, her dream finally became a reality when she and her children moved into their very own home.

This federally funded program allows qualified families currently using the Section 8 Housing Choice Voucher program to purchase a home rather than rent. This innovative program, allows qualified families to use their rental assistance voucher to subsidize a portion of the mortgage, the same way they use their voucher to subsidize a portion of their rent. This volunteer program is designed to help individuals and families attain economic independence in preparation for their journey to homeownership.

It is targeted to first time homebuyers and provides homeownership assistance for 15 years if the term of the loan exceeds 20 years. In all other cases, the family will receive assistance for 10 years. The program is open to families who agree to purchase a single family home, town house or condominium in one of the seven counties where the Authority administers the program: Clarendon, Colleton, Dorchester, Fairfield, Kershaw, Lee, or Lexington. This is a wonderful opportunity for eligible families utilizing the Voucher program, offering a long-term solution to their housing needs and providing substantial financial benefits. The program is another way in which the Authority is striving to increase affordable housing options for low and moderate-income families in South Carolina.

