

CHAPTER 4:

HOME OWNERSHIP

Introduction

Buying a home is a major investment, and it is essential for the potential buyer to consider carefully if homeownership is truly a desirable possibility. Although there are many benefits to homeownership, including added security, independence and asset building, there are also added responsibilities such as maintenance, taxes and insurance. It is important that the buyer is prepared to make a long-term commitment to a home, and be prepared for the time and effort involved in being a homeowner. It is also important to be prepared to afford the costs of home maintenance, property taxes and other costs.

The primary barrier to homeownership for people with disabilities is low income. How much a person can afford depends primarily on income, credit rating, current monthly expenses, down payment and the interest rate. **A housing counselor is a valuable resource to guide you through the process.**

What Is A Housing Counselor?

A housing counselor works one-on-one with potential homebuyers to provide guidance throughout the home buying process. Housing counselors are knowledgeable about affordable mortgage products, down payment assistance and other programs and can link buyers with realtors, lenders and others. A housing counselor can help with budgeting and establishing savings programs, as well as with evaluating a person's readiness for buying a home and addressing barriers to homeownership such as poor credit history.

If you think buying a home is the best options for you or would like more information on whether this is a reasonable option, it is strongly recommended to **contact a housing counselor**.

Ten Steps to Home Ownership

- Step 1: **Education**
- Step 2: **Housing Counseling**
- Step 3: **Credit Review and Repair**
- Step 4: **Pre-qualification**
- Step 5: **Home Selection**
- Step 6: **Contract**
- Step 7: **Financing**
- Step 8: **Home inspection**
- Step 9: **Closing**
- Step 10: **Post-Purchase Counseling**



To find a housing counselor in your area, *see Appendix 2*, call **800-569-4287**, or visit HUD's website at www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm.

Predatory Lending

Every potential homebuyer should be familiar with predatory lending practices to avoid being trapped in an undesirable loan. Predatory loans are loans that are much more expensive than justified by the risk associated with the loan. Characteristics include excessive fees, high interest rates and terms that do not have any benefit to the borrower, but rather trap the borrower in a cycle of debt. Predatory lending is illegal in North Carolina. For more information contact: The Center for Responsible Lending at **919-313-8500** or at **www.responsiblelending.org**.

Homebuyer Assistance Programs

There are programs designed to help make buying a home easier, although all programs have minimum income requirements to qualify for a home mortgage. You must also have a certain amount of savings (usually at least \$1,000) to help cover initial fees. Lenders also generally require at least 12 months of clean credit history, which means in part that you have paid your rent and other bills on time and do not have any outstanding judgments.

North Carolina Housing Finance Agency

The North Carolina Housing Finance Agency (NCHFA) offers a variety of homebuyer assistance programs for first-time homebuyers. If you meet NCHFA's income requirements, which vary by county and are based on family size, you may be eligible for:

- ◆ A below market interest rate mortgage
- ◆ Down payment assistance up to \$7,000 or a second mortgage up to \$20,000
- ◆ A mortgage credit certificate



For more information on these programs, contact NCHFA at **919-877-5700** or visit **www.nchfa.com**.

Section 8 Homeownership

HUD regulations now permit Section 8 tenant-based vouchers to be used to help purchase a home. Public Housing Authorities administering Section 8 programs have the option of participating in the homeownership program, but HUD does not mandate it. As of 2008, in North Carolina there are 35 PHAs participating in the program, although not all are active in assisting tenants to purchase a home.

To participate in the homeownership voucher program, you must be a current participant in the Section 8 tenant-based voucher program. Ask your local PHA for any additional eligibility requirements. Most require you to have been a renter for several years with a demonstrated ability to pay rent regularly. Generally, the family must also attend and satisfactorily complete a housing counseling program.

The PHA uses the same voucher payment schedule as the tenant-based rental vouchers to determine the amount of the mortgage subsidy offered. This homeownership assistance has a term limit of 10-15 years, however, there is no time limit for receiving assistance under this program for an elderly household or a household headed by a person with a disability.

Note: If a PHA does not regularly offer the homeownership option, a person with a disability may be able to request a reasonable accommodation if no appropriate rental unit is available.



For a complete listing of participating PHAs see *Appendix 1* or go to www.hud.gov/offices/pih/programs/hcv/homeownership.

Habitat for Humanity

Habitat for Humanity is a private non-profit organization with over 80 affiliates in North Carolina. Habitat's goal is to provide homeownership for low-income families and individuals. Individuals are eligible to purchase a home by assisting, with family and friends, in building their own home and the homes of other Habitat families as part of their "sweat equity" agreement.

Selection for the program is based on the applicant's need for housing, ability to pay, and willingness to partner. Prospective families also complete an application process that includes an interview, an income and credit screening, a criminal background check, and an employment and rental history check. The application process takes three to six months, and the sweat equity requirements take three to nine months. From the date of orientation to the time of house closing, the process generally takes one year.



For more information on Habitat for Humanity and to find a local affiliate, visit their website at www.habitat.org/cd/local or call **800-422-4828**.

Rural Opportunity Mortgage

The Rural Opportunity Mortgage targets people with low incomes living in rural areas. With a Rural Opportunity Mortgage, the U.S. Department of Agriculture (USDA) originates and closes NCHFA mortgages in combination with its own Rural Housing (Section 502) Direct Loans. These loans target borrowers with low incomes, sometimes below 50 percent of area median income, and offer repayment terms longer than 30 years.



To learn more about Rural Opportunity Mortgages and to find a USDA Rural Development office near you, visit www.rurdev.usda.gov/nc/do-list.htm or call **(919) 873-2000**.

Neighborhood Assistance Corporation of America (NACA)

The Neighborhood Assistance Corporation of America (NACA) is a national non-profit, community advocacy and homeownership organization with offices in Raleigh and Charlotte. NACA's primary goal is to build strong, healthy neighborhoods in urban and rural areas nationwide through affordable homeownership. NACA offers an affordable mortgage program for low and moderate-income people, property renovation assistance, and counseling and assistance for people facing foreclosure.



For more information, visit their website at www.naca.com or call **888-302-NACA**.

Individual Development Accounts

Individual Development Accounts (IDAs) are matched savings accounts to help low-income individuals and families build assets. These matched savings accounts are similar to 401(k) plans, but can serve a broad range of purposes such as buying a first home, paying for post-secondary education, or starting a small business. All IDA program participants are required to enroll in a budget/credit counseling program as a condition to getting the match money. IDA programs are funded by public and private sources and are operated by community-based organizations.



For more information contact The IDA and Asset Building Collaborative of North Carolina at **919-341-6418** or visit **www.ncidacollaborative.org**.

Foreclosure

Foreclosure is when a homeowner does not make the mortgage payments over a period of time, and the lender begins a legal process to take possession of or sell the home to recover money owed on the defaulted loan.

If you are unable to make your mortgage payment, contact a housing counselor at one of the housing counseling agencies listed in *Appendix 2*, and contact your lender to discuss your options. Options are available.

If you are facing foreclosure, call the Homeowner's HOPE Hotline toll free at **888-995-HOPE** (888-995-4673). Counselors will be on hand to provide free assistance to help you avoid foreclosure. More information may be found at **www.ncforeclosurehelp.org**.