

Section 8 Homeownership Program (Housing Choice Voucher)

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Abstract

The Section 8 Home Ownership program basic idea is to approach homeownership for Section 8 participants in a manner similar to other first time homebuyer subsidized housing programs. The object of the program is to reduce the homebuyer's monthly housing cost to an amount they can afford based upon their income. Each buyer's finances are evaluated, so that no more than 30% of their monthly gross income goes toward payment of principal, interest, taxes and insurance (PITI). We calculate the maximum mortgage amount that each participant can afford, and this determines the amount of the first mortgage, for which they will apply from a conventional lenders.

The difference between the conventional mortgage amounts the applicant can afford and the purchase price of the home, less the down payment, determines the amount of a second mortgage. This second mortgage is offered to each purchaser by Neighborhood Housing Services of NYC. NHS makes these mortgage funds available from its Home Buyer Fund, which is capitalized with grant funds from the Neighborhood Reinvestment Corporation (NRC) and other sources, as well as with lines of credit at below market interest rates. NHS offers the second mortgage at 3% interest rate for terms of up to 15 years. It is this second mortgage that is repaid using the section 8 subsidies from New City Housing Preservation and Development (HPD).

Families receiving a Section 8 subsidy generally have a household income below 50% of their area's median income. Many of these families are of minority backgrounds, and many are single female heads of household. Those who have voluntarily enrolled in the Family Self-Sufficiency (FSS) program are particularly motivated to improve their economic condition, and have worked with LaGuardia Community College to improve their education and level of employment. They have actively worked to either establish or improve their credit. Their ultimate goal is homeownership; these are the target group for participation in the project.

Families that wish to participate in the program are referred to the NHS Homeownership Center, a full service center designed to provide assistance to help them achieve homeownership. Families will learn about home maintenance, budgeting, money and credit management, information about mortgage products, how to locate and negotiate the purchase of a house, insurance needs, and related topics. In addition, families are assisted with down payment assistance programs such as the Federal Home Loan Bank's First Home Club.

Executive Summary

My project will involve HPD 1,800 Section 8 Rental Voucher holders who are graduated from HPD Family Self-Sufficiency (FSS) Program and who want to transform their Section 8 Rental Voucher to Homeownership Voucher. The program participants have to graduate from HPD FSS program, they must have a job and Income no less than \$15,000. There is no income limit for disabled and retired participants. The participation is voluntarily, and Neighborhood Housing Services of New York City (NHS), which is the host organization, will provide Homeownership Training to the participants. The project is successful if by April 2005, fifty (50) of the participants have completed their Homeownership training and five (5) out of the 50 have purchased their home.

Section 8 Homeownership program is optional. Only families receiving Section 8 tenant-based assistance from New York City Housing Preservation and Development can be qualified for the program.

The Section 8 tenant-based rental assistance program is one of the US government program to assist very low-income families, the elderly, and the disabled to afford their housing costs by subsidizing the rent of their apartments they are willing to rent in private market.

The Section 8 tenant-based rental program is the product of Housing and Community Development Act of 1974 that amended the Housing Act of 1937 by adding the Section 8 Certificate program to allow very low-income families to use Federal Government subsidies to rent from private landlords.

In 1998, Department of Housing and Urban Development (HUD) and Congress streamlined Section 8 program by merging the certificate and voucher programs into one. With the merger of these two programs, qualified applicants can receive assistance voucher. Section 8 Homeownership program allow very low-income families to convert their rental voucher to homeownership voucher.

New York City Housing Preservation and Development (Public Housing) receives funds from HUD to administer the program. New York City Housing Preservation and Development has determined applicants' eligibility to the program, such as their total gross income, the family size and citizenship. Participants to the program are encouraged to locate the units in one of the five boroughs (Bronx, Brooklyn, Manhattan, Queens and Staten Island). Participants are also advised to buy single- family homes, Cooperatives or Condominiums.

There is an outstanding relationship between New York City Housing Preservation and Development (HPD) and Neighborhood Housing Services of New York City (NHS), as result Section 8 Homeownership Program will be successful.

Community Needs Assessment:

According to United States 2000 census data for New York State, 79% of the extremely low-income resident have 1 or more housing needs; 76% of all the tenants have 1 or more housing problems; 50% of the minority has 1 or more housing needs.

From 1990 to 1998, the New York State housing inventory has increased by 3.2% from 7,226,891 to 7,455,000 units. Nevertheless, this increase in housing units did not solve the

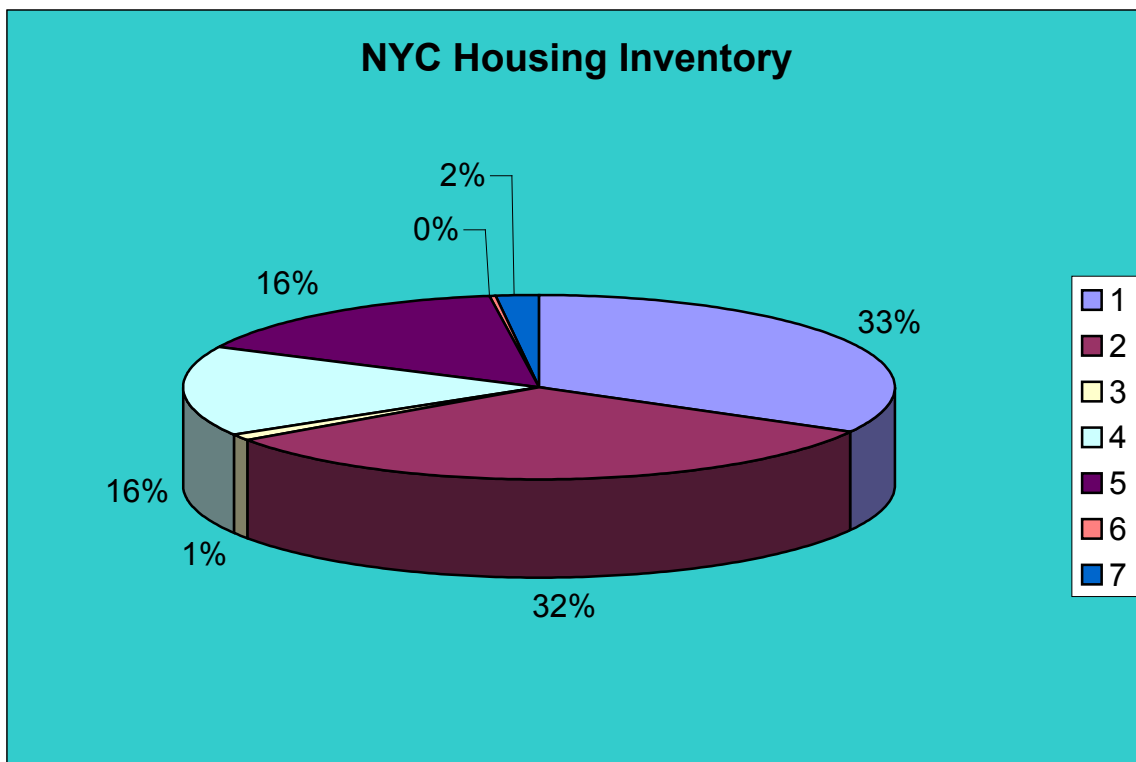
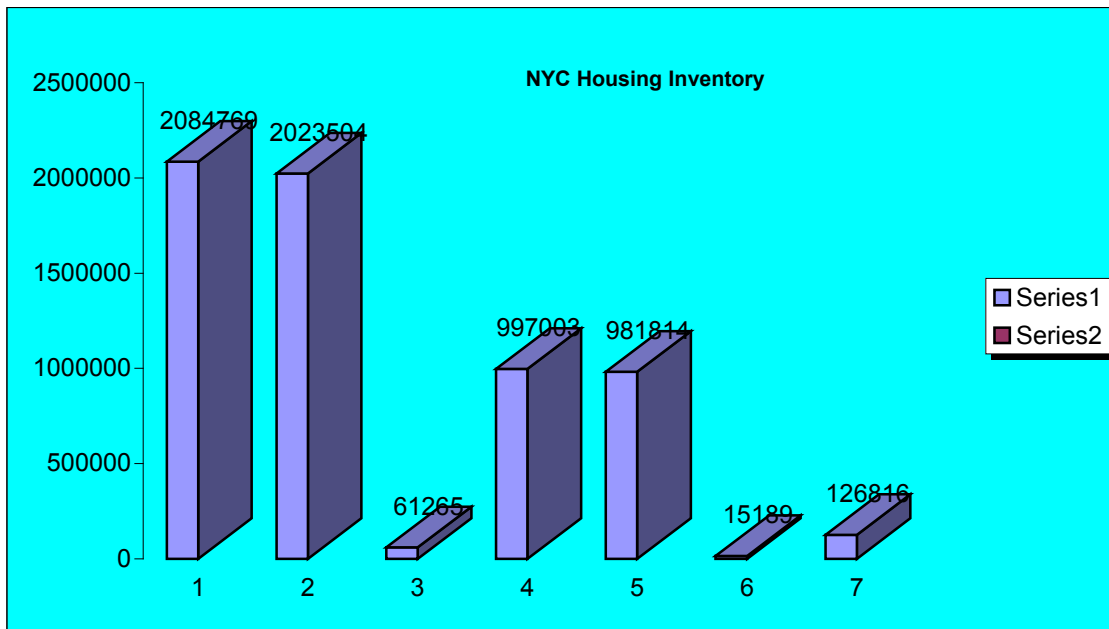
problem of high housing costs, one of the highest in the United States. Currently, New York City is experiencing a significant housing shortage and a serious increase in homelessness. The housing inventory released by Dr. Moon Wha Lee, Assistant Commissioner for Housing Policy Analysis and Statistical Research dated February 7, 2003 (NYC-HPD- Housing and Vacancy Survey), shows:

- The number of housing units in New York City was 3,209,000 in 2002. While this number represents the largest housing stock since the first Housing Vacancy Survey conducted in 1965, the increase in population is equally spectacular, making housing very scarce in the city.
- There are 1,065,000 rent-stabilized units (occupied and vacant available), comprising 51% of the rental stock in 2002.
- Remaining rental unit are neither rent neither controlled nor rent stabilized, with their price a result of market value. These units are out of reach financially for most of the city's population (see table 1).

Table 1
New York City Housing Inventory
NYC2002

	Number of Units
Total Housing Units:	3,208,587
Total Rental Units:	2,084,769
Occupied	2,023,504
Vacant, Available for Rent	61,265
Total Owner Units	997,003
Occupied	981,814
Vacant, available for Sale	15,189
Vacant Units, not available for sale or rent	126,816

Source: U.S. Bureau of Census, 2002 New York Housing and Vacancy Survey.



Notes:

Table 1 shows Housing inventory in the city of New York. In 2002, the total housing units is 3,208,587; the total rental units are 2,084,769 of which we have 61,265 vacant units available for rent. The individual ownership is 997,003 units of which there are 981,814 owner-occupied and 15,189 are available for sale. The housing inventory in the city of New York included the hotel and motel rooms and critics say the motel and hotel rooms should not be considered as units available for rent.

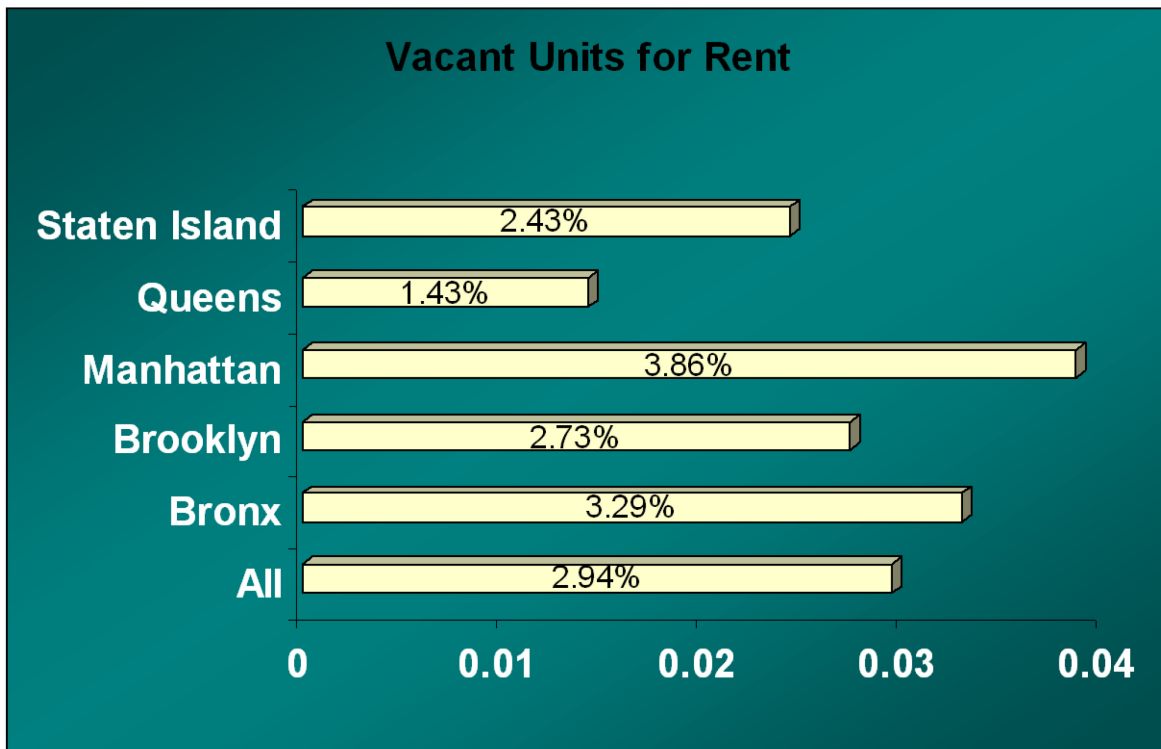
- Citywide, the homeownership rate was 32.7% in 2002. Staten Island had the highest rate (64.6%); followed by Queens (46%); Brooklyn (28.7%); The Bronx (22.6%); and Manhattan (22.5%). In Manhattan, more than 90% of owned units were either condominium or cooperative houses units.
- In 2002, the number of the vacant housing units available for sale or rent was 61,000. The number of vacant housing units not available for sale or for rent was 127,000, the highest rate since 1965.

One significant challenge in the New York City housing environment is the low rate of vacant and unavailable rental units in the city. According to the 2002 Housing Vacancy Survey (HVS), only 2.94% of housing units were vacant and available citywide during the period of February through June 2002. The survey concludes that the vacancy rate in the city of New York violates New York State regulations, which suggest 5% as an acceptable rate (see Table 2).

Table 2
Vacant Units Available for Rent and Vacancy Rates by Borough
New York City, 2002

Vacancy	All Rental Units	Vacant Units Available for Rent	Net Rate
All	2,084,769	61,265	2.94%
Bronx	371,085	12,200	3.29%
Brooklyn	645,147	17,612	2.73%
Manhattan	579,880	22,389	3.86%
Queens	430,864	7,658	1.43%
Staten Island	57,793	*	2.43%

Source: U.S. Bureau of the Census, 2002 New York City Housing and Vacancy Survey



Notes:

Table shows the vacancy rate in the city of New York. The Statewide vacancy rate is more 5% but the total vacancy rate in the city is only 2.94%, with low vacancy rate in Queens and low vacancy rate in Manhattan and the Bronx.

One result of such a low vacancy rate is a serious rent increase in the city. In 2002, the median monthly gross rent, including utility payments, was \$788, while the median monthly contract rent, which includes rent payments for utilities, was \$706. The median contract rent of rent-stabilized units as a whole was \$703, but median contract rent for private non-regulated units (rents that are not controlled or stabilized) was \$850 - 20% higher than the median rent of all units in 2002.

On the other hand, the median contract rent for all other rental units as a whole (including Public Housing, Mitchell-Lama, In Rem, HUD-regulated, Article 4, and Loft Board units) was low.

The median gross rent-income ratio for these units was 28.6% in 2002. Half of tenants paid almost 30% of their household income for gross rent (rent and utility payments). More than a quarter of renter households in New York City paid greater than 50% of their household income for gross rent in 2002. Households in rent-stabilized units fared better. As a whole these tenants paid 28.4% of their income for gross rent.

A second significant challenge in the New York City housing environment is the comparatively low rate of homeownership. In the city of New York, only 32.7% of households own their own homes. While some of the remaining 67.3% may not wish to own a home, many presumably do. Of these, many have difficulty purchasing a home due to the perpetual increase in housing prices, stagnation of the family income, or increasing levels of poverty. In New York City, more than 22% of the population lives below the federal poverty level¹. Many of these individuals cannot afford the city's high rents, and are forced to live with relatives, share an apartment, or face homelessness. As result, the overcrowding situation has become serious. In 2002, the proportion of renter households that are overcrowded (more than one person per room) is 11.1%. In some areas, particularly in rent stabilized housing units and in pre-1947 rent-stabilized units, the problem was much more serious, with overcrowding rates of 13.1% and 14%.

In an effort to increase homeownership, the US Department of Housing and Urban Development (FR-4759-I-01), has given authority to any state Public Housing Agency (PHA) to provide monthly tenant-based assistance to any eligible family that will purchase a dwelling unit that will be occupied by the family (24 CFR Part 982). Housing and Urban Development (HUD) proposed that properties owned or controlled by any state Public Housing Agency could be

¹ U.S Bureau of census 2002 New York City Housing and Vacancy Survey.

eligible for purchase under this homeownership program option. In Section 982.628 of its regulations, HUD proposed that any PHA could provide homeownership assistance to its Section 8 rental voucher holders.

The city of New York has two government housing agencies, the New York City Housing Authority (NYCHA) and the New York City Housing Preservation and Development (HPD). Both are responsible for administering Section 8 funds. NYCHA is the city's largest housing agency, providing housing subsidies to low-income families. NYCHA also administers the Section 8 Lease Housing Program in rental apartments. Created in 1934, NYCHA's Section 8 Leased Housing Program has 85,229 rented apartments as of March 31, 2003; with 27,567 participating private landlords. More than 41% of NYCHA's clients are minors under the age of 21. The waiting list for Public housing on March 31, 2003 was 265,702 applicants for subsidized housing in the City. 146,097 families are on the waiting list for conventional public housing; 149,238 families are on the waiting list for the Section 8 Program; and 29,633 applicants are on both lists.

These long waiting lists are problematic for NYCHA and for the individuals waiting for housing. The turnover rate last year for NYCHA conventional public housing apartments was just 3.73% in 2002. The vacancy rate of apartments available for occupancy was 0.73% as of April 8, 2003. Because of the prioritizing of need as well as the low turnover and vacancy rates of NYCHA apartments, it is virtually impossible to say whether or not families who are on the waiting list can get service from the agency.

New York Housing Preservation and Development (HPD) is the second largest housing agency that administers the Section 8 program. HPD has 20,000 Section 8 rental voucher recipients and spends almost \$10 million per month.

Neither housing agency is currently providing subsidies to low-income families in need unless there are “special needs” such as in cases of displaced families or families living in homeless shelters due to domestic violence.

To help solve the housing shortage and increase homeownership in the city of New York Mayor Bloomberg, in his December 10th, 2002 address, announced a \$3 billion plan to build and preserve housing. Homeownership is the main goal of Mayor Bloomberg’s plan, which envisions at least 4,000 new condos and creates a \$25 million fund to help moderate-income families cover up to \$10,000 of the down payment and closing costs of purchasing a home. Included in the plan is a \$12 million pilot program to help formerly homeless families buy homes. However, Mayor Bloomberg’s plan to increase homeownership will primarily benefit moderate-income families, leaving the 22% low-income families with no hope of homeownership.

President George W. Bush, in his October 5, 2002 address at George Washington University, launched his administration’s drive to add 5.5 million minority American homeowners. “All of us here in America should believe, and I think we do, that we should be, as mentioned, a nation of owners,” Bush told the Conference on Minority Homeownership. “Owning something is freedom, as far as I’m concerned. It’s part of a free society. And ownership of home helps brings stability to neighborhoods.” President Bush has proposed a \$2.4 billion tax credit for lower-

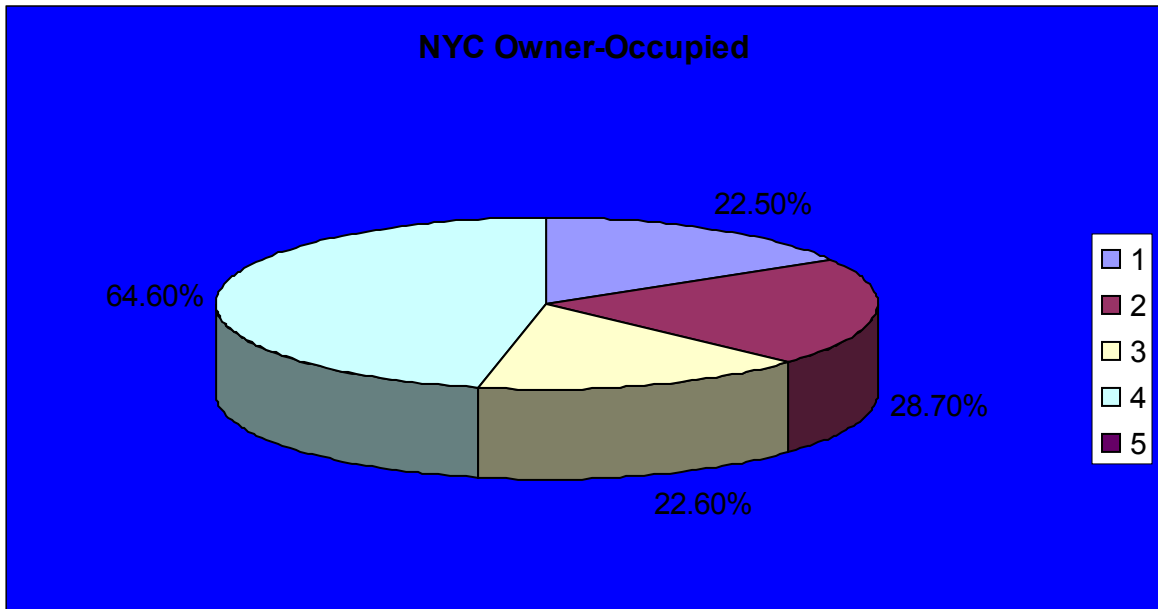
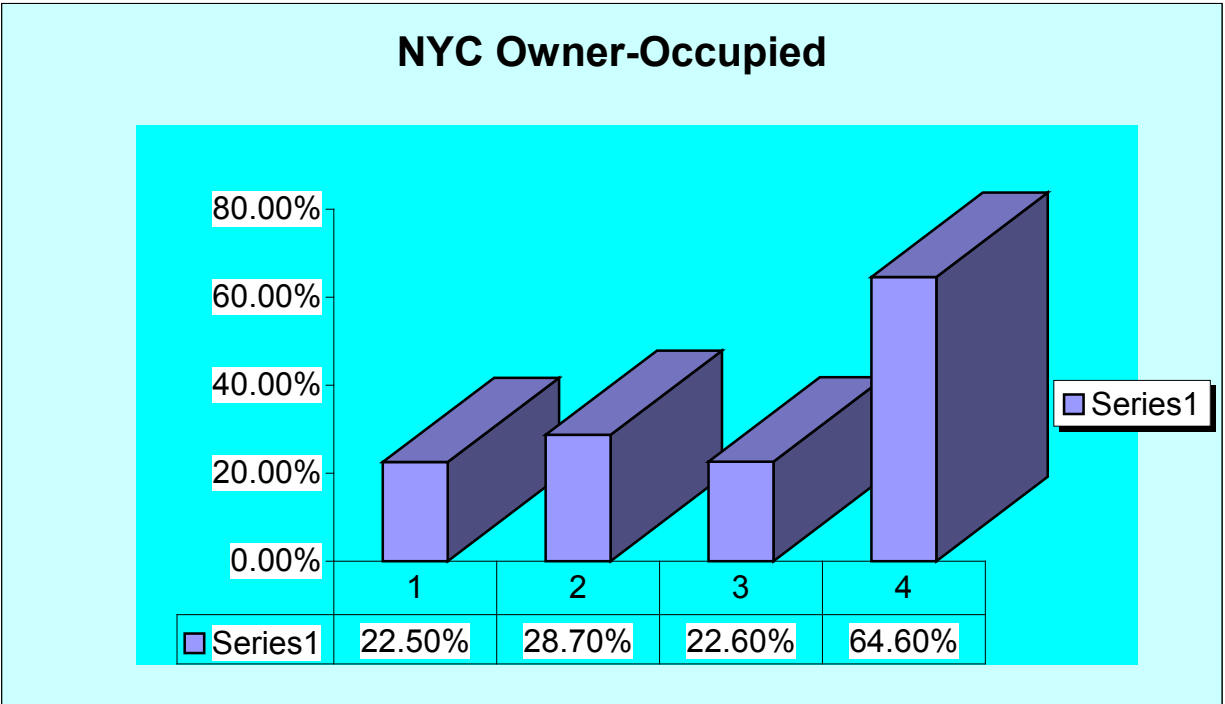
income first-time homebuyers, and a \$200 million fund to help pay down payments for poor prospective homeowners. Fannie Mae and Freddie Mac, the federally chartered home financing corporations, have committed to loan another \$440 billion to minority families over the next nine years.

The politicians are not only ones promoting homeownership, as a panacea for ills like poverty and crime. Support for homeownership has virtually become a religion in modern American politics, with Democrats and Republicans in lockstep, even in New York City, where 70% of households are renters.

Table 3
Number of Owner-Occupied Units and Ownership Rate by Borough
New York City, 2002

Borough	Number of Owner-Occupied Units	Ownership Rate
All Boroughs	981,814	32.7%
Bronx	103,993	22.5%
Brooklyn	252,021	28.7%
Manhattan	162,580	22.6%
Staten Island	102,692	64.6%

Source: U.S. Bureau of the Census, 2002 New York City Housing and Vacancy Survey.



Note:

Table 3 shows the owner-occupied Units in the city of New York. The data show very high ownership in Staten Island when compared to other boroughs.

Problem Identification/Solution

Problem statement

Nationally, the homeownership rate is 70%. Yet New York City has a homeownership rate of only 32.7%, less than half of the national average. As of March 2003, more than 67% of the city of New York residents are tenants, not owners. Most of them are low-income families; half of these tenants live on public assistance and cannot afford to purchase a home because they live below the poverty level or have a poor credit history. Because these individuals do not have financial assets, they face high mortgage interest if they attempt to purchase a home. The majority of these low-income families are single female heads of household with children. Oliver and Shapiro (1997) attribute the cause of the poverty to the historic “inequality” in earning and wealth distribution in United States. Economists argue that racial differences in wealth are the consequence of disparate class and human capital credentials. Sociologists attribute the cause of poverty to the “racialization of state policy” that discourages minorities to invest or to own property. They also stress the “economic detour”, which is a lack of entrepreneurship among minorities, and the “sedimentation of racial inequality” that leaves minorities at the bottom of society’s economic hierarchy.

If nothing is done to assist low-income families to become homeowners, the number of poor people in New York City struggling to afford adequate housing, living in overcrowded conditions or facing homelessness will continue to increase. Increasing rates of homeownership, on the other hand, can work to increase the well being of families, improve the outcomes for children, and stabilize neighborhoods

The homeownership solution is one approach to solve the housing and poverty problems in the city of New York. Since most homes increase in value, homeowners build wealth through

increasing equity. This wealth can be accessed if needed through selling or borrowing, or be passed on to their children. Homeowners can increase their financial assets, their sense of stability, their sense of responsibility and their independence in the community where they live. But homeownership is not a guaranteed avenue to these benefits. The potentially negative consequences of homeownership are highest for low-income people, according to a 2001 review of the homeownership literature by the Research Institute for Housing America. This Research raises questions about the unified push for homeownership that government and financial institutions are barely grappling with, even as they race to add millions of new homeowners.

“The United States has created a housing finance system that makes the direct benefits of owning a home most favorable for high income families and least favorable for low-income families,” writes the Research Institute’s director, Steven Hornburg. In New York City, 13% of all homeowners with federally insured mortgages were late on their payments at the end of 2002, according to the Mortgage Bankers Association. In neighborhoods like Bedford-Stuyvesant, where foreclosures are rampant, 336 homeowners lost their homes in 2000.

The Neighborhood Housing Services of New York City (NHSNYC) is responding to these issues by working to increase and protect investment in underserved city neighborhoods. NHSNYC’s mission is to “help people help themselves” through education. To succeed in its mission, the organization encourages and supports neighborhood self-reliance, while creating, preserving, and promoting affordable housing in the city of New York. NHSNYC focuses on rehabilitation of housing, education to build the capacity of people to help themselves, development of grass-roots leadership that promotes self-sufficiency of neighborhoods, creation of neighborhood revitalization projects that are specially designed for a community’s needs, and development of

new programs, such as foreclosure prevention and reverse mortgage programs, that meet the changing needs of low-income families in the city of New York.

Program Target Community

The target population for the Section 8 to Home Ownership program is Section 8 rental voucher holders in the city of New, whose vouchers are from New York Housing Preservation and Development (HPD), and who wishes to become homeowners.

Project Goals in CED Terms

The project will give 5 of the existing 1,800 Section 8 rental voucher holders the opportunity, by April 31, 2005, to own their own homes and 50 participants to complete homeownership-training programs such as:

Financial Fitness Program (FFP)

Homebuyers' Club workshop

Homeownership counseling program (HCP) (See Appendix I)

Project Objectives

The Section 8 to Homeownership program will continue the savings strategies taught by both housing agencies (HPD's Family Self-Sufficiency Program (FFS) and NHSNYC's Financial Literacy) so that the new homeowners maintain reserves for planned and unplanned housing costs. All participants will also benefit from NHSNYC's post-purchase education programs, which will further protect investment through education regarding insurance, home maintenance, and delinquency prevention.

The Section 8 to Homeownership program will create, preserve and promote affordable housing in New York City by reaching purchasers with less income than many traditional homeowners, and assist them throughout the process of becoming homeowners.

Project Design

1. Literature review

Affordable housing and homeownership initiatives can stabilize neighborhoods, increase real estate values, stimulate local businesses and reduce crime. But no system currently exists to provide empirical evidence of the economic impact of those secondary effects. The U.S. Department of Housing and Urban Development (HUD) states that “Homeowners accumulate wealth as the investment in their homes grows, enjoy better living conditions, are often more involved in their communities, and have children who tend on average to do better in school and are less likely to become involved with crime. Communities benefit from real estate taxes homeowners pay and from stable neighborhoods homeowners create” (US Department of Housing and Urban Development, 2000). Several recent studies show that growing up in a home owning family exerts positive effects on children’s development and outcomes (Green and White 1997; Aaronson 2000; Boehm and Schlottman 1999; Haurin, Parcel 2000). But what accounts for these positive effects, and whether other features may either strengthen or weaken them, is unclear. One such feature is neighborhood. It is important to understand whether neighborhood characteristics play a role in the effects of homeownership on children’s outcomes. To our point of view, only Aaronson (2000) has explored this link. He finds that parental homeownership in low-income census tracts has a more positive effect on high-school graduation than it does in high-income census tracts. This finding suggests that homeownership may buffer children against the damaging effects of growing up in distressed neighborhoods.

Parental homeownership has four important advantages, which are parenting practices, the physical environment, residential mobility, and wealth. Haring, Parcel, and Haurin (2000) find that home owning parents provide a more stimulating and emotionally supportive environment for their children, who significantly improve cognitive ability and reduces behavioral problems. They attribute the improved parenting of homeowners to either greater investment in their properties or residential stability. Another explanation suggested is that homeownership produces greater life satisfaction or self-esteem for adults, which, in turn, provides a more positive home environment for children (Balfour and Smith, 1996; Rossi and Weber, 1996; Rohe and Basolo, 1997; Rohe and Stegman, 1994b). Sherraden (1991) argues that the psychological benefits of homeownership for adults, derives from its function as an asset. Green and White (1997) offer several wide-ranging hypotheses of a potential link between homeownership and children's outcomes, including the possibility that the homeowners' experience with contractors and repair personnel may improve their interpersonal and management skills, which are then transferred to their children. Owned homes are also likely to be more spacious and private. They are more likely to be in better physical condition because owner occupants are more likely to invest in the quality of their dwellings (Galster 1987; Mayer 1981; Spivack 1991). Several studies also demonstrate that moving could harm children's educational outcomes (Haveman, Wolfe, and Spaulding 1991; Astone and McLanahan 1994), so that the stability of homeownership supports a positive educational outcome. Indirect homeownership effects could be better neighborhoods and schools experienced by children of homeowners. Indeed, homeowners generally live in communities characterized by higher incomes, higher rates of homeownership, and greater residential stability; their children will benefit from these positive neighborhood externalities. Homeownership may generate positive neighborhood externalities

through its effect on either physical or social capital. As noted, owner-occupied houses are often better maintained than rental properties (Galster 1987; Mayer 1981; Spivack 1991), providing one form of neighborhood amenity that may benefit children. Because homeowners' financial stake in their properties is illiquid and not easily extracted, homeowners are also more active in maintaining or improving the quality of their neighborhoods, not just their own houses. Research suggests that homeowners are more attached to their communities and more active in community affairs (Rossi and Weber, 1996; DiPasqual and Glaeser, 1999; Blum and Kingston, 1984; Austin and Baba, 1990). Greater community improvement could plausibly lead to greater community social capital. Simpson et al. (1997) argues that homeownership, in conjunction with residential stability, generates social capital in the form of "collective efficacy", which may produce better outcomes for children.

The third effect of homeownership on children's outcomes varies depending on the type of neighborhood. Homeownership could buffer the effects of a distressed neighborhood if, for example, home owning parents more aggressively monitor their children's activities, have higher expectations for their children, and have more social capital to draw on. But children of homeowners might also be more affected by the conditions in their neighborhoods than renter children because of homeowners' relatively greater residential stability. Greater residential stability reduces or eliminates the need to change schools and increases the opportunity to develop closer ties to neighbors. As a result, the characteristics of their neighborhoods, both good and bad, could exert a particularly strong influence. Aaronson's (2000) finding that homeownership has positive effects on high-school graduation in residentially stable neighborhoods, is consistent with this speculation.

The primary economic impact of homeownership is equity. Home equity is the most significant asset held by most American families and, for many, their only asset. One function of assets is that they can be leveraged during times of need, which can benefit children. For example, homeownership can allow parents to borrow money against the equity in their home to finance a child's college education. In addition, inheritable wealth constitutes a child's claim on the future, enabling long-term planning and higher expectations (Conley 1999). As suggested by Aaronson (2000), Boehm and Schlottman (1999), the likelihood of acquiring a college education is linked to parent homeownership. But homeownership can fail to benefit poor children if the down payment and ongoing maintenance costs absorb resources that might otherwise be invested in children's development. The tax advantages of homeownership are also disproportionately reaped by the more affluent, which could lead to better outcomes for their children.

Program.

The "right to housing" is among the basic human rights necessary to preserve the dignity of each individual, as argued by Charles and Gail (1996: 32). This right is at the foundation of the project's goal to provide opportunities for low-income residents in the city of New York to convert their Section 8 rental voucher to homeownership. The pilot program will operate until April 2005, with a possibility of extension depending on the project's success. The program needs financial resources to be successful; and Fannie Mae's New York Partnership Office has been actively working in designing a flexible financing model for the New York City market. Fannie Mae provides three financing models to follow:

1. Deduct HAP from PITI option, where the borrower's Housing Assistance Payment (HAP) from the Section 8 Program is applied directly to the PITI, and the housing debt to income ratio is calculated on the net housing obligation of the borrower.

2. Two mortgage option, where the borrower qualifies for a first mortgage using only earned income, and HAP is used to pay the full principal and interest for a second mortgage.
3. Add HAP to income by grossing up the HAP (it is a tax-exempt payment) and adding it to the borrower's income from employment.

The program's financial partners - Citibank, JP Chase, HSBC, Washington Mutual Funds, and Fleet Bank - have already developed financial products for a Section 8 to Homeownership Program through their participation with CDC Long Island. These products will serve as underwriting guides for the program.

Additional funding for the program, through the CASH and GAP programs of Deutsche Bank and Neighborhood Reinvestment Corporation (NRC) respectively will help to reduce the high cost of housing in the city. Neighborhood Housing Services of New York City is in process of--to obtaining continued funding for the CASH and GAP programs, which provide down payment and closing cost assistance up to \$15,000 through grants and loans.

Finally, we will use capital funding from NRC to write down the interest rate or the principal on the second mortgage (blended first mortgage) for participants in the program. The city of New York has committed \$300,000 in HOME funds over two years to match the NRC capital commitment. HOME funds will be used for closing costs, down payment and/or principal or interest write-down. There is a possibility that the Federal Home Loan Bank will provide funding to reduce the participant's housing costs as the housing prices are out of reach for this population. HPD has committed to provide a \$20,000 grant to each participant who was formerly homeless.

Participants

The target population for the Section 8 to Homeownership Program is voucher holders enrolled in HPD's Family Self-Sufficiency Program ("HPD FSS"), numbering more than 1,800 households as of December 2003. More than 200 of these households hold FSS escrow accounts; those that do not are currently saving 1 to 3% of their income towards a downpayment. Forty households are graduates of the program. All of these participants are employed in permanent jobs.

Community role

The goal of FSS is to encourage households receiving Section 8 rental assistance to set long-term goals for attaining "self-sufficiency" through employment and educational services, and through escrow accounts that promotes savings and increased income. The HPD FSS information sheet includes information about homeownership. Their massive enrollment demonstrates their commitment to the homeownership program.

In addition, more than 50% of HPD-FSS program participants are currently enrolling in HPD Home Base program. The Home Base program is a service-enriched program designed to serve households transitioning from welfare to work whose housing situation presents a significant barrier to employment and financial independence.

Host Organization

The host organization for the Section 8 Homeownership program is Neighborhood Housing Service of New York City (NHS). The NHS of NYC has been very successful in working with

very low-income households, and several of its neighborhood offices are located in communities with high incidences of poverty and very low median income.

Method

In order to participate in the homeownership option, participants must have current Section 8 vouchers and a minimum income from employment of \$15,000 per year. Public assistance income may not be used for meeting this minimum requirement. To build their assets and acquire their home, the participants must enroll and participate in HPD's FSS program for at least 6 months. The minimum down payment is 3% of the purchase price and at least 1% of the purchase price must come from the family's personal resources. The participants must have held a permanent job for at least a year. The household must not default in any prior ownership interest.

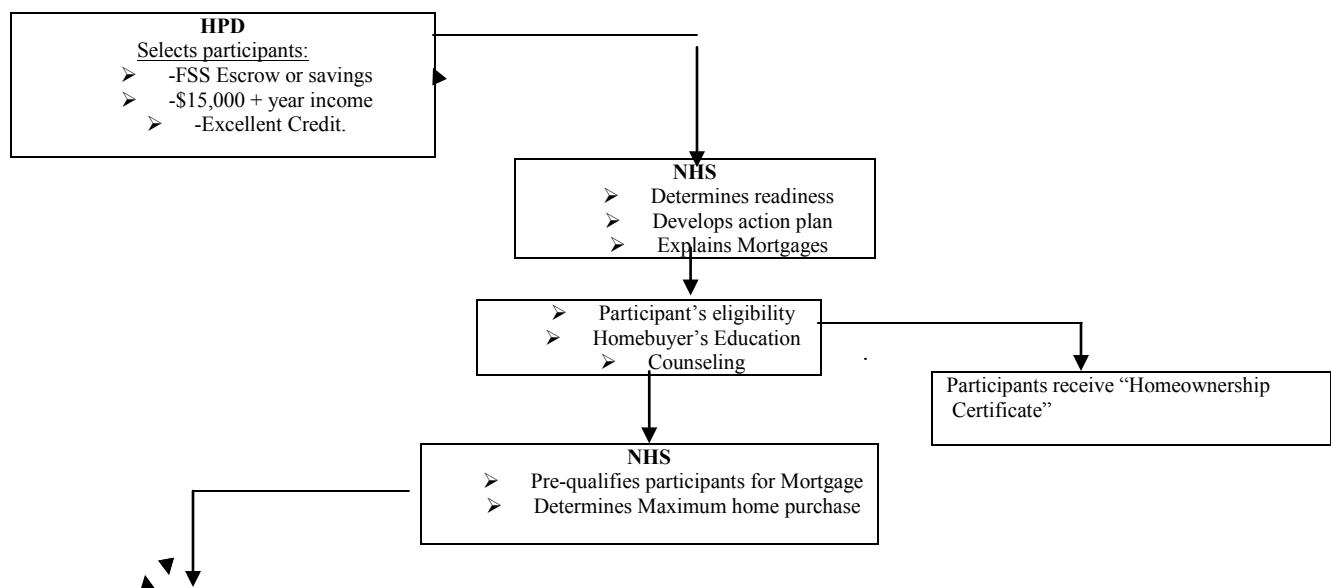
Once the applicants meet the minimum requirements, they will be sent to NHSNYC for pre-purchase counseling. The pre-purchase counseling will include home maintenance, budgeting and money management, credit counseling, financing options, and how to locate and negotiate the purchase of a house. Upon successful completion of the counseling, the applicants will receive the "Certificate of Completion", which deems the family to be mortgage-ready.

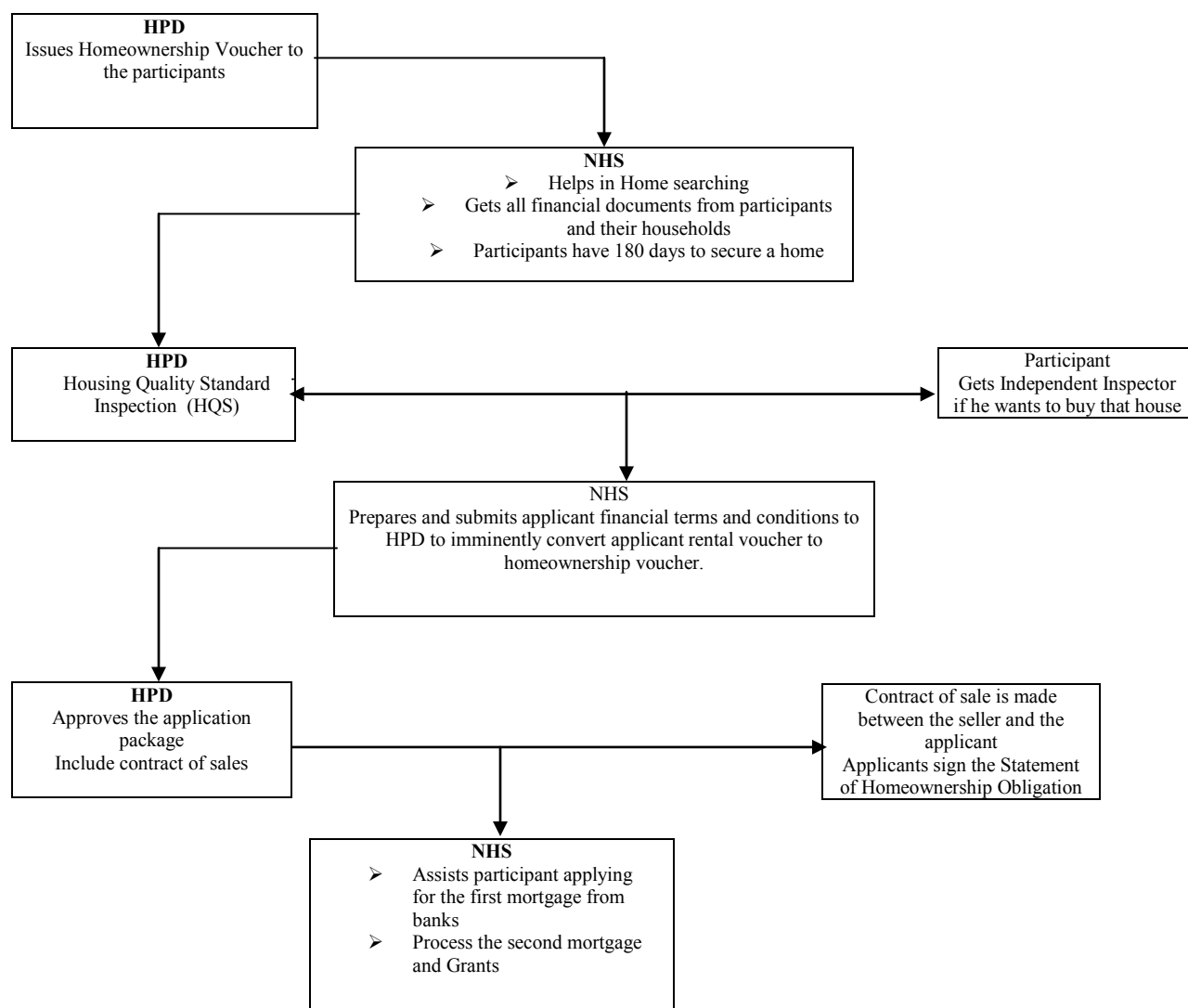
After receipt of the Certificate of Completion, the participant will be issued a "Homeownership Option Voucher" and will have 180 days from that date to find a home and enter into a Contract of Sale. There is an extension of 90 days if the applicant cannot find an appropriate home to purchase. Eligible housing types include those types permitted by HUD under 24 CFR Parts 5, 903, and 982, which at this time include single-family homes, cooperative units, and condominium units. Families determined eligible for the Homeownership Option may exercise

the Option outside of NYC if the receiving PHA is administering a Section 8 Homeownership Option and is accepting new families into their program. When it comes to financing, the family is required to secure a fixed rate fully amortizing first mortgage for an amount which will be supported by its total monthly gross income, and which will meet a conventional lender's underwriting requirements.

Given the very high cost of housing in NYC, a family may not qualify for a first mortgage large enough to cover the purchase price of the home. The term of a second mortgage may not exceed 15 years if the first mortgage is over 20 years or longer, and may not exceed 10 years if the first mortgage is for a term shorter than 20 years. If a family in the Homeownership Option defaults on their first or second home mortgage loan, the family will not be able to use their Homeownership Option Voucher to purchase another house, but may reapply, if eligible for section 8 rental programs.

Section 8 Homeownership Program Process Flow Chart





Products and Outputs

The New York City's Homeownership rate is roughly half the national average, or 30% according to 2002 HUD Census data. The Section 8 to Homeownership program exists to increase the homeownership rate in the city of New York, particularly among low-income households currently on Section 8 rental vouchers. The housing counseling will improve:

- Participants sense of confidence and assertiveness in home buying;
- Participants knowledge of homebuyers' rights in the home buying process;
- Participants ability and preparedness to better maintain their property;
- Participants' ability to own an asset in the form of a home.

Program overview

Section 8 to Homeownership participants will be eligible for Section 8 subsidy today at the allowable 2003 HUD payment standard for New York City of \$1,366 per month for a three-bedroom home. This number is higher than the Fair Market Rent of \$1,243, and includes a \$77 utility allowance, leaving \$1,289 available for housing costs. A house, condominium or cooperative with a mortgage of \$150,000 at 7% for 30 years would result in a monthly principal and interest payment of \$997.95, leaving \$291.05 per month for taxes, insurance, maintenance and reserves.

According to 2002 HMDA data, the average purchase mortgage amount in New York City is \$172,000; a Section 8 to Homeownership program participant will be looking for an ownership unit that is priced at 87% of the citywide average purchase mortgage amount. Since housing prices have risen in most New York City neighborhoods since 1999, we can assume that the housing price will be closer to 75% of the city average for all housing types.

As previously stated, the City of New York's homeownership rate is roughly half the national average, or 30% according to 2002 Census data. The ownership vacancy rate is 1.7 according to the same source, although this does not reflect the number of homes that are occupied but for sale. It is important to note that homeownership rates and markets for available housing vary widely by neighborhood and by housing type. Unlike anywhere else in the country, only 65% of owner-occupied housing stock in New York City is in the form of conventional 1 – 4 family homes. Fully 23.5% are cooperative apartments; 5.3% are state-subsidized Mitchell-Lama cooperatives, and 6.3% are condominiums. The sub-borough variations are striking. For example, in the Morrisania section of the Bronx, fully 72% of all owner-occupied units are state-

subsidized Mitchell-Lama apartments, which generally are targeted to households earning below area median income. These units also have long waiting list, so will not necessarily be available to Section 8 to Homeownership program participants. Another challenge for participants in the program is that much of the “conventional” owned housing stock in New York City consists of 2 – 4 unit- homes, which are not eligible for the Section 8 to Homeownership option under HUD regulations. While currently advocating for a change in this rule to permit a wider form of ownership, the program must currently restrict participants to single unit forms of housing.

HPD’s Division of Housing Policy Analysis and Statistical Research has done further analysis of the New York City market as part of the planning for the Section 8 To Homeownership program. Based on data from 1999 Housing and Vacancy Survey, HPD has found a total of nearly 700,000 one to three- family homes; more than half (379,027) are single family houses, and 575,867 are owner occupied or vacant for sale only. The median owner-estimated market value for a single-family home was \$195,000. Breaking down the data further, HPD has found that there are 133,000 non-Mitchell-Lama owner-occupied housing units with an owner-estimated market value less than \$150,000, with two or more bedrooms. This includes 63,000 units in conventionally owned homes (47.6%), 59,000 units in coops (44, 3%) and 11,000 units in condominiums (8.2%). Units with estimated values less than \$150,000 is in neighborhoods with comparable conditions to those of units of higher estimated market value, as rated by residents. A closer scrutiny of the market reveals opportunities for affordable homeownership in unexpected places. For example, Home Mortgage Disclosure Act data reveals that the average dollar amount of home mortgage purchase loans was \$172,000 in New York City in 2002. Certain neighborhoods, such as East Harlem, Riverdale/Kingsbridge and Forest Hills had notably

lower average purchase mortgage loans, generally less than \$90,000. This may be a result of the fact that the primary form of ownership in those communities is the cooperative.

In 1999, HPD developed an initiative with the New York Police Department called “NYPD Home” which offers some precedent for the Section 8 to Homeownership Program. NYPD Home began in 1999, and is designed to encourage police officers, especially minorities, to live in the neighborhoods in which they work. The program provided 100% financing, and Fannie Mae purchases loans from participating lenders. All of the purchasers previously lived in rental property. To date, there have been more than 300 applications, of which 156 have closed, and more than 23 are in the pipeline. Most people who were denied loans had credit problems. The average mortgage amount is \$173,987. Thirteen of the purchasers bought one family homes with an average mortgage amount of \$177,856; another 13 purchasers bought cooperatives where the average mortgage was \$73,050. The remainder bought two- or three- family houses; two purchasers bought condominiums (average is \$140,000). Like the NYPD Home program, the sources of supply for the Section 8 To Homeownership program are expected to consist of a mix of traditional and non-traditional housing.

The affordability analysis conducted by NHS of NYC in March 14, 2002

shows:

- Scenario A = 30 years fixed at 7% with the Section 8 payments counted toward PITI reduction
- Scenario B = 30 years fixed first mortgage based on income at 7%, plus a 15 years second mortgage based on the Section 8 HAP payment at 3%.

A family with an income of \$25,120 can afford a 3 bedrooms house at \$160,000 under Scenario A, or \$170,000 under Scenario B.

A family with an income of 31,400 can afford a three bedrooms house at \$158,000 under Scenario A or \$163,000 with Scenario B.

A family earning an income of 37,680 can afford to buy a house at a price of \$157,000 with Scenario A and \$160,000 with Scenario B.

A family earning \$43,960 can afford to buy a home at a price of \$155,000 under Scenario A and \$157,000 with Scenario B.

When looking at both scenarios, I came to the conclusion that the higher the family's income, the lower her purchase power. But when the participant's income increases, her/his purchasing power decreases. That is why the minimum income for the Section 8 to Homeownership is set to \$15,000 to maximize their purchasing power.

Three bedrooms payment standard was \$1289 (\$1366 PS-\$77 utility allowance), FMR= \$1242.

Both scenarios assume Fannie Mae underwriting guidelines and a 97% LTV.

Implementation Plan.

Project Baseline Gantt chart:

Activities	Ja 04	Fe 04	Ma 04	Apr 04	Ma 04	Jun 04	Jul 04	Au 04	Sep 04	Oct 04	No 04	Dec 04	Jan 05	Feb 05	Ma 05	Apr 05
-Enrollment in homeowner Ship trainings -Underwriting Training @ HPD -Reporting committee mtg.	D O N E															
Financial Fitness Training Group 1 and 2. Reporting Committee mtg.		D O N E														
Graduation of Group 1 & 2 Financial Fitness training Group 3. Homebuyer's Club work- Shop. Group 1 & 2			D O N E													
Graduation for FF Group 3. Homebuyer's Club workshop G.3				D O N E												
Graduation HOC G.1 & 2 Homeownership Voucher To Graduates. Home finding for graduates			D O N E													
Graduation of HOC. G. 3 Homeownership Voucher To graduates						D O N E										
Home Finding &Mortgage Closing. Meeting with realtors & Banks. 5 loans expected to close							I N	P	P	R	O	G	R	E	S	S

Stakeholder and Community Analysis

Shareholder and Community Analysis show that there is a strong support for the homeownership program for low-income families in the city of New York. New York City Housing Preservation and Development is willing to provide operating costs, HPD will provide a list of some affordable housing to assist participants on home funding.

HUD provides funding for training. There are also massive participants' enrollments to the program. Different lenders, such as Citibank, JP Morgan Chase, Fleet bank, HSBC and Washington Mutual Fund, are willing to support the program, by providing first mortgages and helping with some operating costs.

Name of Stakeholder, group/ Organization	Potential Benefits or Costs	Project has been Discussed with This group or org	What is their Opinion of the Project goals?	What is their Opinion of the Project design?
HPD	Provide operating Cost, provide list Of participants, Houses to graduate Program participants Benefits will be to Increase home-Ownership in NYC	The program has been Been the partnership With HPD.	Very supportive Want to decrease The number of Of residents in Public assistance.	Want the success Of the project so That they can put More money.
HUD	Provide funding to Train the trainers,	Send the project Proposal letter to the Agency.	HUD had approved The proposal.	Supportive to the The program
NYCHA	Supportive to the Program.	Discussed the project Goals with the NYCHA	The goal are fabulous But, want to see the Final result.	Waiting to see the Result of the p Project.
<ul style="list-style-type: none"> ▪ Citibank ▪ Chase bank ▪ Fleet bank ▪ HSBC ▪ Washington Mutual Fund 	Will participate to To program with Mortgage loan And down payment Assistance.	Have meeting with the The bank representative.	Very supportive to The goals. But suggest more Training to the Participants.	Mortgage Funding Committed
The program Participants.	They want to be Homeowners and Like to take every Steps to succeed. But worry about Mortgage payments	Sent outreach letter To the 500 participants And received 350 replies	Understand and like The goals, would like To have more meeting With me for discussion.	Agreed and very Supportive

Program budget

Neighborhood Reinvestment Corporation (NR) has committed \$300,000 capital funds to provide Section 8 Homeownership Program Participants downpayment and closing costs assistance. This fund will be used as Section 8 Deferred Loan and each of the home buyers will receive no more than \$10,000 interest free loan. This loan is fully refundable when the participant sells or transfers the title to a third party.

HPD Home Fund is \$20,000 assistance from HOME Fund that will be given to participants who have been homeless. This program is called NewStart Program. It allows formerly homeless to use the fund to reduce the principal, buy down interest rate, pay for downpayment, or pay for closing costs. It is a grant that is forgiven after residing in the property for 15 years.

HUD has provided \$33,000 to NHS for homeownership counseling when we are in pilot phase. This fund has run out in September 2004.

HPD Home Fund (Operating costs) is \$50,000 is year budget that will be allocated to NHS to pay for the program costs and employee salary.

Sources	Capital fund	<u>Staffing Pattern</u>
Neighborhood Reinvestment Section8 Homeownership Funding	\$300,000 for downpayment Assistance	\$50,000
NHS of NYC GAP and CASH	\$000	\$00
NYC HPD Home Funds	\$20,000 to each applicant for downpayment and closing cost assistance	\$50,000
FHLB, TANF, State of NY HOME	\$150,000	000
Citibank Mortgage Funds	Committed to providing 1st Mortgage	\$000
HSBC Mortgage Funds	Committed to providing 1st Mortgage	
JP Morgan Chase Mortgage Funds	Committed to providing 1st mortgage	\$000
HSBC First Home Club down-Payment assistance	N/A	N/A
US Dept. Of Urban Development	N/A	\$33,000
Total	N/A	\$133,000

Assistant Commissioner:

The assistant is responsible to approve the project implementation and provide funding for the project.

Program Director- HPD:

The HPD program director's responsibility is to make sure that the program is moving forward and the Host Organization has all information and tools they need to achieve the program's goals.

Program Coordinator- NHS:

The program coordinator is responsible to schedule the participants training and make sure they graduate for the program. He has other responsibility to provide Financial Fitness Training,

second mortgage pre-approval and assist the participants with One-on-One counseling. He will make sure that all the program's goals are met.

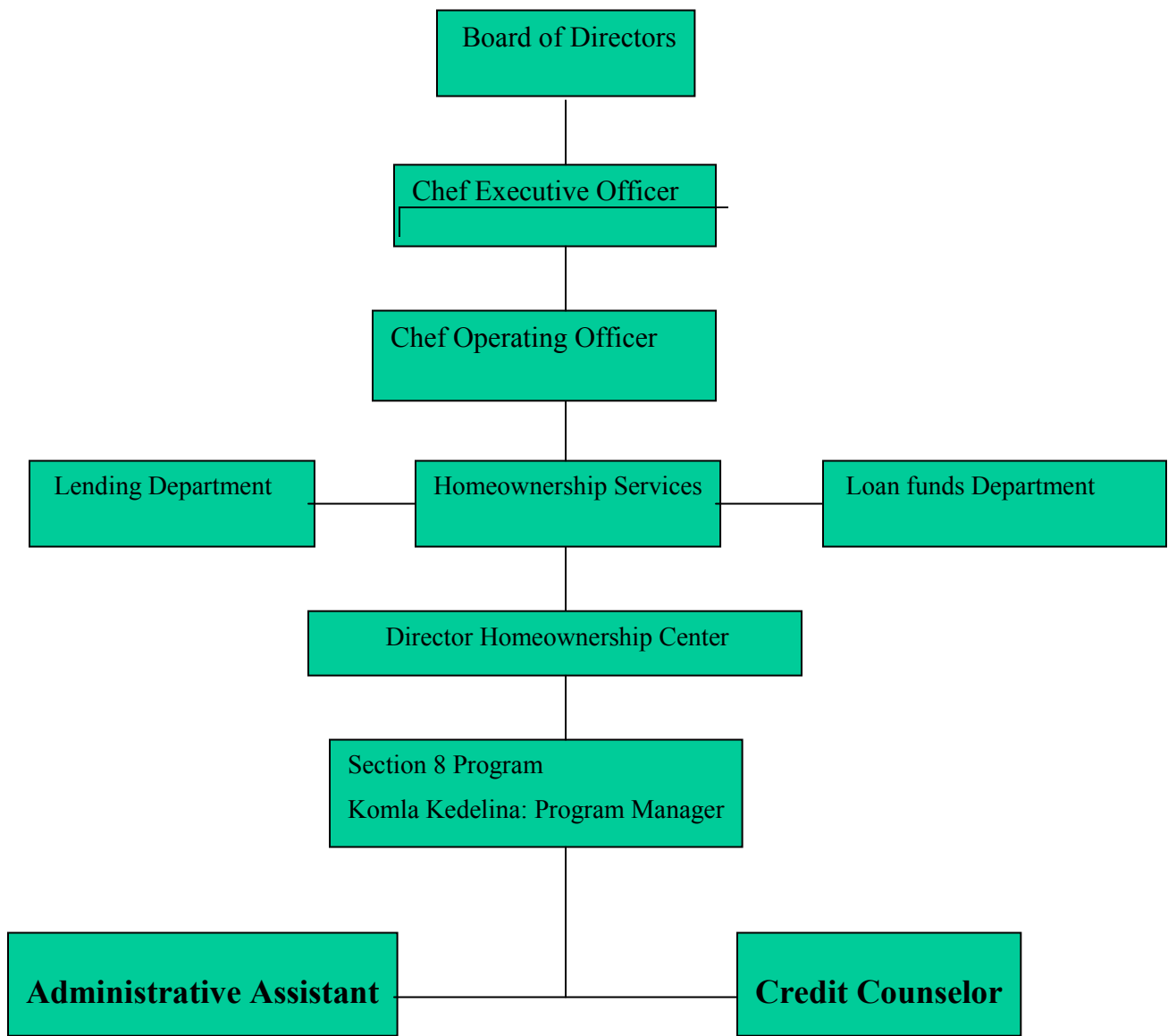
Yves Komla Kedelina: Program Manager

My responsibility is to select the participants from HPD- Family Self-Sufficiency department.

Their selection is based on the criteria imposed by HUD.

I am also responsible for:

- Sending them outreach letters inviting them for the orientation session
- Run their credit report
- Invite the potential good candidates who are not yet FSS participants to enroll
- Run the HUD-50058 Form from HPD
- Meet with the realtors, Housing Developers
- Monitoring the program performance and sending report to the HPD Program Director.
- Work in team with the program Coordinator to achieve the program goals.
- Meet loan officer from
- Manage the Program.



Monitoring/Evaluation.

Performance Indicators:

The project has two primary goals. The first goal of the project is to have 50 of the 1,800 participants in HPD's FSS program complete the pre-purchase counseling that includes home maintenance, budgeting and money management, credit counseling, financing options and how to locate and negotiate the purchase of a house. The second goal is to have 5 participants out of that 50 buy their own home. This project is successful if, by April 2005, 50 of the participants receive their "Certificate of Completion", which deems the families to be mortgage-ready and 5 people out of the 50 are issued the "Homeownership Option Voucher" from HPD. The Homeownership Option Voucher gives the program participants 180 days to look for a home.

Management Information System

I will use Microsoft Project to schedule task and timelines for the program. Microsoft Project will be used to collect data, and set up timing for program evaluation. A database is currently being developed to collect all participants' information for evaluation.

Program evaluation will consider:

- How many Section 8 vouchers holders fill out the participants form
- How many attend the orientation session
- How many are qualified to participate in the program
- How many of the participants do not have credit issue and section 8 "recertification" problems.
- How many completed the homeownership training.

The evaluation also will take in consideration:

- How long it takes for the participants to find a home
- How high housing price in the city of New York impact the low-income families' ability to own a property.
- If the program participants are better off in terms of both wealth and income/expenses

- If the community is improved through the presence of owner occupants who are participating at a greater level.
- If the children of the program participants are doing well at school.
- What to suggest for improvement.

Program Evaluation

	Initial Program goals	Current Situation
Number of Section 8 Voucher holders who filed out the participants form	1,800	770
Number of participants present at the orientation session	500	700
Number participants qualified to participate to the program	N/A	300
Number of the participants who have credit issues	N/A	250
Number of participants of have good credit	150	179
Number of participants who have completed homeownership training	50	81
Number of households who are currently looking for homes to buy	25	20
Number of participants who have Homeownership Voucher Certificate from HPD	25	20
Number of participants qualified for Mortgage	25	17
Number of Participants who are under purchase contract	5	4
Number of participants of have closed on their mortgages	5	0
Time frame to locate a home	180	180
The average price of housing	\$1,70,000	\$250,000
Neighborhood Reinvestment funds spent	\$150,000	\$150,000
Neighborhood Reinvestment capital funds spent	\$300,000	\$50,000
Other funds spent (HUD, Mizuho Bank)	58,000	\$58,000

As of April 2005, 81 participants are graduated from homebuyer education classes and financial fitness classes. Among the 81 participants we have selected 20 who have excellent credit history and less debt burden. Meeting with these participants on One On One basis, we have pre-qualified them and have presented their mortgages application the Citibank Bank of New York and HSBC. Because of the high housing costs in the city, most of them are willing to purchase condo, or cooperative houses.

Citibank has approved 4 applicants. Three of the four applicants have executed purchase contracts with Anderson HDFC Co-op and will each buy 3 bedrooms unit for a price of \$55,000 and the maintenance of \$850 per month. The fourth applicant is buying 2 bedrooms unit at the same Co-op with and the price is \$60,000; the maintenance cost is \$501 (the price is high because the unit is sold by one tenant and not by the Co-op board as of 3 others). Other applicants are still working with their lenders to get mortgage pre-qualification before they can make their purchase offers.

Because of the increased of homeownership demand, the participants number is expected to rise, and we anticipate to having up to 25 participants ready to buy a house by December 2005.

As a result, we are actively working with the some realtors such as Century21, ERA Real Estate who are members of National Association of Realtors to help us locate the cheapest properties they can find in the city.

Goal #1: The first of this program was to have 50 participants out of 1,800 graduates from Family Self-Sufficiency (FSS) program Completed Homeownership Education.

FSS program is intended to promote the development of local strategies for coordinating the use of Section 8 Homeownership with public and private resources to help eligible families achieve economic independence.

The current result shows 80 out of the 1,800 completed their homeownership training. That is an increase of 60% of the program goal.

Goal #2: The second goal of the program was to have 5 graduates out of 50 purchased their homes.

As of April 2005, four (4) participants have found their dream homes, executed the purchase contracts, secured their mortgages from Citibank and waiting for the closing date from their attorneys. The current result will be 80% of the projected goals if the closing takes place within the month of April. The bank has denied the fifth applicant mortgage as a result of some last mistake the applicant has done on her credit report.

Other goals:

Goal #3: The third goal is have at least 25 participants received their Voucher Certificate from HPD by April 2005.

As of April 2005, HPD provided 20 Voucher Certificate to the qualified participants. The result is 80% successful. The most important point is that 17 applicants have been pre-approved by lenders and they are looking for properties to purchase.

Goal # 4: Were the participants better off in terms of both wealth, and income/expense?

Three participants are buying 3 bedrooms units from Anderson Cooperative Board located in the Bronx, NY. The costs of the units are \$55,000 per unit. The appraisal report shows that the value of each this unit is \$109,000. Each participant has equity of \$54,000, when we deduct the costs of the unit.

One participant is buying two bedrooms Cooperative located in Anderson HDFC Co-op. The price of the unit is \$60,000. And the appraisal value is \$90,000. She will have \$30,000 equity for that apartment she is purchasing.

There will be homeownership tax deduction at the end of the year that will provide to them some income increasing their asset.

b). Challenges of Homeownership in New York City and some Recommendations

We are experiencing very high housing cost in the city of New York and lack of affordable housing in the city.

The average price for single-family house in the city of New York is \$250,000.

For example, one of the participants is single parents with 3 kids and makes 27K a year.

Her voucher size is \$1476 for three bedrooms. Her first mortgage, which is based on her income is \$80,000 and her second mortgage is based on HPD Housing Assistance Payment is \$102,000.

In total she has a buying power of \$182,000. With that among, she cannot afford a single -family house in New York City.

The second example is for one participant with 5 kids. Her annual income is \$25K. Her voucher size is \$1654 for 4 bedrooms. Her first mortgage and second mortgage plus grants The possible suggestions will be in the future to have workshop with our partner realtors to educate them give her a total buying power of \$260,000. She cannot afford to buy a single- family house in Brooklyn area where she lives.

- **The realtors are reluctant to deal with such a program, because they are not educated on the program. They also fear that dealing with government is something difficult to do.**

We have made an arrangement to educate those realtors who are willing to participate on Section 8 Homeownership Program.

- **There is low housing inventory in the city of New York.**

Our suggestion is to have HPD set aside some singles families units in their low-income housing development programs that are running in each borough. Other suggestions are to meet with New York Co-op Association, HDFC Co-op members and educate them about the program.

- **There is unwillingness for some participants to move from their neighborhoods, where they have being living for decades to a new neighborhood.**

The possible solutions will be to communicate with participants in regard to the benefit they had in their communities and the benefits they will have in their new neighborhoods. Also make them understand the advantage of homeownership in their children future.

- **Insufficient funding for grant to minimize the housing costs.**

We are currently working with Fannie Mae, Freddie Mac, member banks, Federal and local governments to get more assistance and reduce high housing costs in the city

- **Most Participants to program have very poor credit or do not have credit.**

We have created three categories of participants.

The first group involves those who have good credit and less debt. This people have chance to get mortgage from our participants lenders.

The second group includes participants who have fair credit. This means they have to undergo 6 to 8 months counseling to increase their credit scores before the can meet with banks.

The third group is those who have an extensive delinquencies, bankruptcies, or public records. These people, we will have credit counselor works with them for more than a year.

- **Program Partners as well NHS housing counselors need to learn more about the program**

Neighborhood Reinvestment Corporation (NR) training programs include Managing A Successful Voucher Homeownership Program. The training needs to be extended to housing counselors, loan officers, and other Non- profit organizations.

Long-term evaluation

The long-term evaluation will determine whether or not the community is better through the presence of owner occupants who are participating at a great level in the economic.

The second long-term evaluation will focus on participants' children's situation at school and what to recommend for the success.

Long-term evaluation

Long-term Evaluation	Are participants better off in term of wealth and income/expense?
Long-term Evaluation	Is community better through the presence of owner occupants who are participating at a greater level in the economy
Long-term Evaluation	Are children of program participants doing well at School?
Long-tem Evaluation	What recommendations to make?

Sustainability Plan

Field Observation

Field visits will be conducted to find out how participants feel about the program and whether or not homeownership has had an impact in their lives. Four hours a week will be committed to conduct the field visit.

Participants will have post-purchase counseling and Home Maintenance training.

At post-purchase counseling we will have quarterly meeting with each of homeowners to find out if they are paying their mortgages and homeownership bills on time. Each homeowner is advised to open an escrows account where he/she will put some reserves to help fix the unit in case there is need. Home Maintenance Training will provide home repair skills to Section 8 homeowners. The lenders are also required to inform NHS if the borrower is 15 days late on mortgage payment.

Sustainability Elements

The Section 8 to Homeownership program will be sustainable, even if grants and soft money end. The participants will still have an asset -building program such as the Independent Development Account (IDA) to provide them down payment assistance. The participants in the program are highly motivated to become homeowners; participation is growing due to the fact that most low-income people on Section 8 vouchers are willing to save and own their home. Additionally, strong political support exists to assist low-income people who want to increase their wealth by owning a home. Banks that will be providing mortgage will pay participation fee, and some fees each time they provide mortgage to a borrower.

Appendix I

Section 8 Homeownership training:

Pre-purchase counseling:

Individual counseling: (2 Hours)

- Pre-qualification
- Credit report analysis

Financial Fitness I (4 Hours)

Goal setting
Banking Services
Checking account

Financial Fitness II (4 Hours)

Budgeting
How to save money
Household Management

Homebuyer's club (10 hours)

Home Advance I


Pro & cons of homeownership
Finding a home
Working with realtors
Negotiating an offer
Shopping for a mortgage
Home Inspections

Home Advance II

Homebuyer's Insurance
Loan closing
financial advantage of homeownership
Responsibilities of homeownership
preventative home maintenance

Post-purchasing training (10 Hours)



Financial Fitness III

 Credit repair
Managing debt
Predatory lending

Financial Fitness IV

 Protecting your assets
Investing in your future
Building wealth

Home Maintenance Workshop

 Basic home repairs
Improvements that increase your home value
 Landscaping

Appendix II: HPD Section 8 Payment Standards
Effective October 1, 2003

Number of Bedrooms	With Gas & Electricity	Without Gas & Electricity	With Gas Only	With Electricity Only
SRO	\$700	\$645	\$661	\$684
0	\$933	\$878	\$894	\$917
1	\$1,038	\$976	\$994	\$1,020
2	\$1,180	\$1,110	\$1,129	\$1,161
3	\$1,476	\$1,401	\$1,420	\$1,457
4	\$1,654	\$1,574	\$1,594	\$1,634
5	\$1,903	\$1,823	\$1,843	\$1,883
6	\$2,151	\$2,071	\$2,091	\$2,131
7	\$2,399	\$2,319	\$2,339	\$2,379
8	\$2,647	\$2,567	\$2,587	\$2,627

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