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February 7, 2019

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LMHA Section 8 Homeownership Program: 300th Purchase and Closing!

(Louisville, KY---) This month, the Louisville Metro Housing Authority is celebrating the purchase and closing of the 300th home in the Section 8 Homeownership Program. The new homeowner is Vonda Thomas, who is buying a house on Frank Stanley Sr. Court in the Park DuValle neighborhood.

Partners include the U.S. Department of Housing and Urban Development, Republic Bank, the Louisville Metro Office of Housing and Community Development, and the Louisville Urban League.

In 1997, Louisville Metro Housing Authority (LMHA) was the first in the nation to utilize Section 8 subsidy assistance toward mortgage payments for disabled people or employed heads of households without a history of home ownership. Mortgage support is coupled with intensive post-purchase case management and individual development accounts for home maintenance to ensure asset appreciation and prevent foreclosure.

LMHA's Section 8 Homeownership Program allows eligible Section 8 or public housing residents to use their subsidy toward a mortgage payment instead of for rent. Participants must complete pre-purchase Homeownership Counseling to become "mortgage ready." The counseling program covers topics like searching for a house, home maintenance, budgeting and money management, credit counseling, price negotiation, and securing mortgage financing.

As homeownership rates rise across the nation, so do foreclosure rates for low-income homeowners. Spiraling foreclosures, predatory practices, and lack of resources for home maintenance are addressed by LMHA. The purpose is to create long-term savings behavior as a way to maintain home value, arm low-income households with information to protect their equity, provide enough savings for home repair, and encourage routine maintenance.

The positive results are evident. There are now 300 low-income homeowners in the program, 39 of whom no longer need subsidy assistance. These low-income homebuyers are purchasing homes at rates that would be unreachable on their own. Since the program started in 1997, there have been only two defaults by participants.

With appropriate support, low-income families can own and maintain a home. Education and case management support are critical to this. LMHA is dedicated to working with families to achieve the American Dream of homeownership.

Requirements to participate:

- Complete pre-purchase counseling
- First-time homeowner (hasn't owned a home in the last three years)
- Minimum annual income requirement of \$14,500 (minimum wage x 2,000 hours), or for a disabled family, \$9,252 (monthly SSI benefit for x 12 months)
- One or more adult members of the family must be employed full-time and have been continuously employed during the past year (exceptions made for elderly and disabled)
- Has not defaulted on a mortgage under the Homeownership option
- Does not have a present ownership interest in another residence
- Has not been in the termination of assistance process more than once in the last two years
- Have had a stable family composition of at least one year
- Has completed a one-year under lease through Section 8 or Public Housing
- Has been under the current rental lease, in the same unit, for over one year and must be a month-to-month tenant
- Does not owe outstanding debt to the Louisville Metro Housing Authority or any other Housing Authority

Ongoing obligations for participants include:

- Residence in the home
- Participation in Post-Purchase Counseling and Individual Development Account (IDA) for repairs and maintenance
- Compliance with the terms of the mortgage
- Prohibition against conveyance or transfer of the home
- Compliance with all rules and regulations of Housing Choice Voucher program
- Prohibition on ownership interest on a second residence
- Maintain ongoing "full-time" employment (average of 30 hours per week). Except for disabled and elderly households, each household must demonstrate that each person 18 years or older is either employed full-time, is a full-time student, or is medically required to care for a child or disabled person on a full-time basis. The head of household must be employed. For other adults, a combination is allowed as long as the total is not less than an average of 30 hours per week. Self-employment requires a net income that equals the federal minimum hourly wage multiplied by 1,500 hours.
- May not refinance or incur additional debt secured by the home without written approval from LMHA
- Must allow LMHA to conduct annual home inspections for the first five years of assistance

Program Data:

- 300 families have successfully purchased homes – 152 working full-time and 148 disabled families – representing \$30.9 million in home purchases.
- Average adjusted income is \$17,920 at time of purchase (\$23,616 for working families and \$12,031 for disabled/elderly families) with an average of 2.73 people per household.
- Average home sales price is \$103,000, with an average of three bedrooms.
- Average homeowner payment, including utilities, is \$485.
- Since the program started, 39 homeowners have seen incomes increase enough to no longer need Section 8 assistance. Another 10 have voluntarily withdrawn from the program for positive reasons. And two have successfully completed 15 years of assistance and now pay their full mortgage payment.

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