

ANN ARBOR HOUSING COMMISSION
Housing Choice Voucher Homeownership Program



A GUIDE TO HOMEOWNERSHIP
for Ann Arbor Housing Commission participants residing in the
Project Based Voucher and Housing Choice Voucher (Section 8) programs

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INTRODUCTION

Hello, SO YOU ARE INTERESTED in taking the first step towards purchasing a home. AAHC is proud to offer for qualified families monthly assistance payments toward your mortgage.

In order to take the first step toward purchasing your home, please contact us to complete a pre-application. Once you have completed your pre-application return it to AAHC 727 Miller Avenue, Ann Arbor MI 48104, where your application will be reviewed for approval. Once your application is approved you must complete Homeownership Education and Counseling classes.

The Homeownership Education and Counseling classes is provided for you to understand the process and answer some of the questions you may have about homeownership. After you obtain a certification of completion for the homeownership workshop, you must attend Financial Literacy courses with Power Inc. Power Inc., will present options for you to obtaining financing. You must obtain financing on your own.

You will select a local lender of your choice and pre-qualify yourself for a mortgage loan. The lender will determine your ability to repay a mortgage loan by reviewing your employment and income information, total monthly debt obligations and your past experience with credit. Once you have been pre-approved for financing please contact us at 734-794-6720.

Eligible property types include any new or existing home, condominium, or manufactured home and the home must pass a home inspection completed by an independent inspector licensed in the State of Michigan and the home must pass a Housing Quality Standards (HQS) inspection completed by AAHC.

Please carefully review this packet of information and good luck on your path to homeownership.

THE PATH TOWARD HOME OWNERSHIP

In order to qualify for the program, the participant must not have owned or presently have ownership in a home during the past three (3) years and the homebuyer must meet the program guidelines identified in the Program Requirement section provided in this packet for your convenience.

Owning a home has many advantages but there are occasions that one must plan for unexpected situations to arise. The following questions will help guide you through the thought process of purchasing a home. Think about each question carefully. When you answer "yes," go to the next question.



Basic Needs: Do I Have My Basic Needs Met?

Food
Shelter
Medical Care
Work

Some people think about buying a home when they are without the basic necessities of life that are listed above. If you do not have adequate food, shelter, medical care and work for daily living, find ways to meet these basic needs. Once settled, then it is time to think about homeownership.

Are your basic needs likely to change significantly in the foreseeable future?

Buying a home is a long-term commitment so, having established, stable support helps ensure that you can live in this home successfully for a long time. If your needs are varying significantly, you want to be certain to have adequate resources and supports.

If you have your basic needs met, go to the next question about readiness.

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READINESS: AM I READY FOR HOME OWNERSHIP?

Do I want to live in one place for many years?

Home ownership offers stability, a place to call your own. Unlike your rental home. As a homeowner, choosing to move is not as simple. Selling your home brings on many costs. Some home ownership programs require paying back money you borrowed unless you have been in the home for a period of time.

Move forward with home ownership if you feel comfortable about living in the same home for years to come.

Do I understand the cost and maintenance requirements of owning a home?

Ask how well you have been managing financially in your present condition. You must pay for your home for many years to come, and homeownership requires you to commit a portion of your budget each month to your house payment. Without this financial discipline, successful ownership of your own home may be difficult.

Homeowners should have insurance on their unit and belongings. However, at times something may break such as a furnace or refrigerator. You will need to call for repairs or even replace the appliance. Do you have the discipline to keep some savings in case something breaks?

If budgeting is difficult for you, do you have adequate supports to assist you? Are you willing to keep money in the bank so you can make your house payment each month?

If you can answer yes to these questions move on to the next question about knowledge.



KNOWLEDGE: DO I HAVE THE KNOWLEDGE I NEED?

Have I been to a homebuyer workshop or had any home ownership counseling? (required)

Workshops and counseling will help you understand the step-by- step process that leads finally to owning a home of your own.

There are several advantages and some disadvantages of owning a home. Think about the following:

Advantages

- A place of your own and pride of ownership. You'll have security and stability.
- Sense of community belonging. You are ready to settle down and be part of your community.
- Freedom to decorate your home as you want, to have pets, and to make decision about your home.
- Financial motivations because homeownership is a good investment.
- Build equity on your investment and receive tax benefits.

Disadvantages

Homeownership can be more costly. As an owner, you will be responsible for expenses that may have previously been included with your rent such as property taxes, homeowners' insurance and utilities. As an owner, you will be responsible for all home maintenance and repairs. You do not have to do them yourself, but you will have to arrange to have them done and you will have to pay for them. If you do not maintain your house well, you risk reducing the value of your investment. You must make your house payment every month or risk losing your investment or losing your good credit. If you sell your home in the future, it will generally cost an average of 10 percent of the sales price. This covers recording fees, real estate Commissions, taxes, discount points, closing fees, etc.

You know buying a home can take many months?

Buying a home is never a quick process. Getting ready for homeownership can take months, and even after proved for a loan, a property that will meet your needs may not be available immediately. Be patient, stay in touch with your Realtor and support personnel, and keep looking.

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CAN I DOCUMENT MY INCOME, DEBT, CREDIT, AND ASSETS?



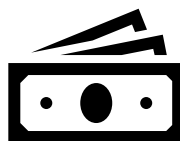
Gathering the necessary documentation of your financial matters can take some time so start now. Each program varies somewhat but in general you will need the following:

Two most recent pay stubs, which include year to date (YTD) from your present employers) and /or proof of any other forms of income.

Do this for everyone who will reside in your home.

- W-2s and complete income tax returns for the last three years.
- Names, addresses, account numbers, and balances of all checking and savings accounts.
- Two months' bank statements for ALL ACCOUNTS.
- Drivers license or identification card.
- Social Security card.
- Proof of immigration status if not U.S. Citizen.
- Names, addresses, account numbers, balances and monthly payments on all installment debts, including charge cards, car loans, student loans, child care expenses and child support payments.
- Names and addresses for landlords for the last two years.
- Any of the following that apply: Complete divorce decree.
- Bankruptcy papers.
- Consumer Credit Counseling papers
- Papers on any pending legal matter.
- Anything else your lender requests.

If you have demonstrated a strong “yes” in answering these questions and understand the commitment you will be making, move on to the question on money.



MONEY: DO I HAVE THE MONEY I NEED?

Do I have my own income?

Lenders want to know how much money you have. These resources have to be in your name or that of your co-applicant. List the income

from all sources and the assets that you have and that your co-applicant has.

Income/Assets Yours Co-applicants

| | Yearly | Yearly |
|--------------------------------|--------|--------|
| Earnings from a job | | |
| SSI or SSDI | | |
| Social Security | | |
| Other income | | |
| TOTAL INCOME | | |
| Checking accounts | | |
| Savings accounts | | |
| Mutual funds, stocks, bonds | | |
| Cash value of insurance policy | | |
| Cash from your family | | |
| Other assets | | |
| TOTAL INCOME AND ASSETS | | |

Do I have good credit?

Good credit is critical for lenders. They need to know that you understand buying something now and paying for it over time and they need to know that you have successfully demonstrated your experience at doing this.

Generally, they will want at least two sources of good credit. Make certain that you pay all your bills including your rent and utilities. If you have a number of debts, you may want to start to pay them off. Meeting with your lender will help you set a plan to take care of any outstanding bills or debts.

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LOAN: AM I READY FOR A LOAN?

Do I have all my documentation in hand?

If you have not done so before this, actually gather all the documentation your lender may need. Lenders do not accept your saying that you just can't find something. Go to the IRS for past records, if necessary. Make copies of everything for your records.

Have I been pre-qualified?

Decide on the lender and program you will use. Bring them every piece of documentation they need. Answer all their questions. You must meet all the qualifications of the program. They want you to be successful, so they have established criteria that they insist that all people meet.

Do I know how much of a mortgage payment I can afford?

When your lender tells you that you have pre-qualified for a loan, he or she will explain how much of a mortgage payment you can afford. This amount can vary a little bit based on changing interest rates, but you will then know the price range of the homes that you can afford.

Do I know what I need in a home?

Potential homeowners usually have dreams of the home they would love to have. List those dreams in writing. Now you also have to get very practical. What must you have in a home? Must it be accessible, close to public transportation or to your support networks? Are you limited to a certain neighborhood? Now list in writing what your home must have or your minimal requirements.

Do I know how to find the home I want?

Once you find the place you want, you may have to move quickly to submit a bid. Sometimes sellers receive several bids and you want to do everything possible to have them select your bid.

PURCHASE A HOME!

Your Realtor will help sort out the next steps. Often there is some negotiation about the price. Programs may require various evaluations of the house. An independent appraiser will likely determine the value of the home. Research will be done to be sure the title to your property is clear. The lender will process a large amount of paperwork.

After about 60 days, a closing will be scheduled. At that time you and the seller will sign all the paperwork. You will discuss any work that needs to be done on the unit. When everything is complete and checks have changed hands, you will finally be given keys to your new home. Congratulations, you have successfully negotiated the path toward owning a home of your own!

The Future: After buying a home, how am I planning for long term success?

Homeownership is a long-term commitment. Some people find it is helpful to have supports to answer questions that come up over the years and make certain that the homeowner budgets successfully and maintains their home. Family members and support service agencies can assist in this role.

In Closing....

Not everyone is cut out to be a homeowner. If you have answered all the questions and considered all the issues involved in these pages, you should have a sense about whether you are a good candidate to become a homeowner. If you determine that you are ready to pursue homeownership, use all the resources and supports available to help make this dream a reality.

Best of luck to those who move forward on the path toward homeownership!

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Finally, the time has come to begin searching for a home. It is strongly suggested that you call a Realtor to assist you in finding the home you want and can afford. Realtors will be very helpful because they watch listings of houses for sale every day. Realtors know all the requirements of a home purchase transaction and can help tremendously with this process.

Now you can go out and look at homes. You know the price you can afford. You have listed your dreams and your minimal requirements. Start visiting homes. At times you will find nothing is available right then so you will have to wait until new listings come.

Contact for further information regarding this program:

Weneshia Brand, Director of Operations
734-794-6720 ext. 47203
wrbrand@a2gov.org



Written inquiries may be sent to:

AAHC-Homeownership Program
Attn: Weneshia Brand
727 Miller Avenue
Ann Arbor, MI 48103



PROGRAM REQUIREMENTS

1. Exclusive to current participants of AAHC's Housing Choice Voucher program or Project-Based Voucher program who have resided in either program for more than a year.
2. Participants must be in good standing with their lease obligations prior to submission of their applications for assistance.
3. Participants must meet the minimum income and employment guidelines, if applicable.
4. Participants must not have owned or presently have a homeownership interest in a residence during the past three (3) years before commencement of homeownership assistance.
5. Participants must be able to **contribute a required minimum 1% of the purchase price of the home as an investment** in the home. This investment shall be applied toward the down payment, closing costs or loan buy down fees.
6. Participants must satisfactorily complete a pre-assistance homeownership and financial literacy class prior to closing of the home.
7. The home must pass an independent inspector licensed in the State of Michigan and HQS inspection.

HOMEOWNERSHIP SERVICE PROVIDERS

- MCCP www.michigan.gov/mshda/0,4641,7-141-45866_45868-216692--,00.html
- HomeReady www.fanniemae.com/singlefamily/homeready
- HomePossible www.freddiemac.com/singlefamily/docs/home_possible_advantage_flyer.pdf
- Habitat for Humanity <https://www.h4h.org/home-ownership-program>
- WHEP <https://www.washtenaw.org/745/Washtenaw-Housing-Education-Partners-WHE>
- Homebuyer Education <https://www.washtenaw.org/738/Homeownership-Education>
- PowerInc - <http://www.powerclf.org/>
- USDA - www.rd.usda.gov/mi