



SECTION 8 HOME CHOICE PROGRAM FACT SHEET

WHAT IS THE SECTION 8 HOME CHOICE PROGRAM?

The Section 8 Home Choice Program allows eligible tenants who wish to purchase their own homes to use their Section 8 Housing Choice Vouchers towards a monthly mortgage payment.

WHO IS ELIGIBLE?

Current N.J. Department of Community Affairs (DCA) Section 8 Housing Choice Voucher (“HCV”) program participants are eligible and must meet **ALL** of the following criteria:

- Minimum annual household income of \$20,300; welfare assistance may not be considered.
- At least one adult in the household must be employed full-time for over 30 hours per week continuously for at least one year.
- Be a first-time homebuyer (never purchased a home or have not had ownership interest in a home in the past three years).
- Borrowers purchasing in statewide areas must be first-time homebuyers. Borrowers purchasing properties located in the targeted areas do not have to be first time homebuyers; however, at the time of loan closing no other residential properties may be owned.

Individuals who are Disabled/Elderly must meet **ALL** of the following criteria to be eligible:

- Have a DCA Section 8 HCV.
- Annual income is the monthly federal Supplemental Security Income (SSI) benefit for an individual living alone multiplied by 12. (Example: \$552 in SSI x 12 = \$6,624). Welfare assistance may be considered.
- Be a first-time homebuyer.
- No employment requirement.

Borrowers must have a current **Section 8 housing voucher** from an issuing Public Housing

Authority (“PHA”) that has a HUD approved voucher payment administrative plan. The PHA administrative plan must permit vouchers for purchase of properties located in the place of purchase and the PHA may have to approve the financing terms offered by the New Jersey Housing and Mortgage Finance Agency (HMFA).

For a list of PHA's, see [PHA Contact pages](#).

HOMEBUYER EDUCATION

All borrowers must participate in home ownership and personal finance counseling/education sessions sponsored by the HMFA, the PHA or the lender. The PHA may impose additional counseling requirements. Borrowers must be issued a Completion Certificate.

WHAT PROPERTIES ARE ELIGIBLE?

One-family units, including condominiums (new and existing) are eligible for purchase. Properties must be pre-inspected and approved by the PHA. The Borrower must retain a qualified home inspector to perform a home inspection.

The property must be occupied as the borrower's primary residence within 60 days of closing. The borrower must maintain occupancy for the life of the loan.

DOWNPAYMENT REQUIREMENTS

All loans require a minimum of 3% downpayment regardless of whether the loan has private mortgage insurance, FHA, USDA or VA guaranties.

CLOSING COSTS

Borrower may fund closing costs with gifts or unsecured loans from non-profit organizations or public entities. Escrow payments must be paid from borrower's liquid assets.

INCOME LIMITS

Income limits for all mortgage programs are determined by HUD according to the area of purchase, and family size, and can be found at: <https://www.huduser.gov/portal/datasets/il.html>.

PURCHASE PRICE LIMITS

Purchase price limits exist for both the statewide and target areas. Loans submitted using FHA, VA and/or USDA guidelines must adhere to FHA or HMFA guidelines (whichever is lower) regarding purchase price limits or mortgage loan limits.

HOME WARRANTY PROTECTION

Borrowers who have less than \$900 remaining in their monthly budgets after making their monthly housing payment (PITI - *mortgage payment that is the sum of monthly principal, interest, taxes and insurance* - plus other required monthly housing related costs such as condo fees, reserve fund or recurring costs required by the PHA) will be required to have in place a Home Warranty Protection insurance policy for at least one year following the date of the home purchase.

HOW TO APPLY

Prospective borrowers should contact their local PHA for an initial assessment.

INTEREST RATE

Call 1-800-NJ HOUSE for current interest rates.

UNDERWRITING AND PROGRAM RULES

The following rules apply:

- a. Credit is given for Section 8 funds (x 1.25 because they are non-taxable) as additional income.
- b. Section 8 payments will be made directly from the PHA to the HMFA's sub-servicer.
- c. The applicant may have a combined housing and non-housing debt ratio, based on actual income, of not more than 41% of gross monthly income. For purposes of calculating this ratio, Section 8 funds will not be included in gross monthly income.

- d. Borrowers will be required to have at least \$800 cash after loan closing.
- e. These are minimum HMFA underwriting standards. The PHA may establish additional and/or more restrictive standards.

MAXIMUM TERM OF ASSISTANCE

- 10 years for a 15-year mortgage, or
- 15 years for a 20+-year mortgage

Note: There is no maximum term of assistance for disabled or elderly participants.

MORTGAGE LOAN MATURITY

Thirty-year maximum term, conventional, fixed rate, maximum 97% Loan-to-Value (LTV). Loans with greater than 80% LTV must have private mortgage insurance coverage or must have FHA, USDA (Rural Housing) or VA coverage (note that government insured loans may not permit PITI write down option).

FEES

There is no reservation fee.

MORTGAGE INSURANCE

The following coverage is required on all conventional loans and is determined by downpayment:

95.01% to 97% LTV: 35% coverage for a 25- to 30-year term

95.01% to 97% LTV: 30% coverage for a 25-year or less term

90.01% to 95% LTV: 30% coverage regardless of loan term

80.01% to 90% LTV: 25% coverage regardless of loan term

Loans processed under the FHA, VA and/or USDA guidelines must have the appropriate insurance or guarantee.

For more information on DCA's Section 8 Homeownership Program, call (609) 292-9025.