



2013 HOME PROGRAM FINAL RULE



Briefing Agenda

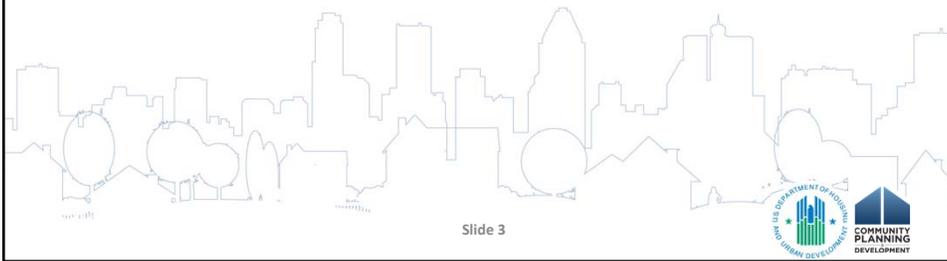
- Overview of the New HOME Final Rule
- General Program & Administrative Changes
- CHDO Requirements
- Underwriting, Subsidy Layering, and Project Evaluation
- Rental Projects
- Homeownership Projects
- Property Standards
- Wrap Up

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Housekeeping Announcements

- No cellphones that ring, PLEASE
- Take sidebar conversations outside
- Timing of breaks and lunch
- Restrooms and coffee



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Background

Key Changes in the Revised HOME Rule



Background

- September 1996: HOME final rule published
- December 2011: proposed rule published
- February 2012: public comment period closed
 - HUD received 322 public comment letters
- July 24, 2013: new HOME final rule published

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Context

- Current housing and credit market conditions
- Administrative and management challenges
 - Management of ever-expanding portfolios of HOME projects
- Complexity of program designs adopted by PJs
- Reduced availability of federal, State, and local funds and limited private lending
- Reduced workforces

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Goals & Objectives of Rule

- Clarify existing regulatory requirements
- Establish new requirements that:
 - Enhance accountability and performance
 - Achieve more timely production of housing
 - Improve monitoring and oversight
 - Incorporate best practices as required procedures
 - Address CHDO capacity/performance issues
- Achieve alignment with other federal housing programs, where possible

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Key Changes

- Program and Project Timeframes
- CHDO Reservation
- Written Agreements
- Subsidy Layering & Underwriting
- Written Policies & Procedures
- Definition of Project Completion
- Property Standards
- Match
- Homebuyer Program Design
- Oversight of Rental Projects
- New and revised CHDO Roles
- CHDO Capacity Requirement

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HOME Program Background/History

HOME Program Background/History

Objectives: The intent of the HOME Program

- Provide decent affordable housing to lower-income households
- Expand the capacity of nonprofit housing providers,
- Strengthen the ability of state and local governments to provide housing, and
- Leverage private-sector participation

HOME Program Background/History

HOME-Funded Activities:

- Homeowner rehabilitation
- Homebuyer Activities
- Rental Housing
- Tenant-based Rental Assistance

HOME Program General Program Rules

Definition of a Project

- **Project** means a site or sites together with any building or buildings located on the site(s) under common ownership, management and financing, to be assisted with HOME funds as a single undertaking.
- **HOME-Assisted Units:** The distinction between HOME-assisted and unassisted unit allows HOME funds to be spent on mixed-income projects while still targeting HOME dollars only to income-eligible households.

HOME Program General Program Rules

Eligible Costs

- New construction
- Rehabilitation
- Reconstruction
- Conversion
- Site improvements
- Acquisition of property/vacant land
- Demolition
- Relocation costs
- Project-related soft costs

HOME Program General Program Rules

Affordability Periods

For homebuyer and rental projects affordability period depends on the amount of the HOME investment:

HOME Investment per unit	Length of Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years
Rental new construction	20 years

HOME Program Homebuyer Activities

HOME Purchase Value Limits:

- HOME statute requires initial purchase price/after rehab value not to exceed 95% of area median purchase price. (see below)
- New HOME rule eliminates us of the 203(b) limits in HOME

Existing Homes purchase price limit				New homes purchase price limit			
1- unit	2-unit	3-unit	4-unit	1-unit	2-unit	3-unit	4-unit
\$160,000	\$204,000	\$247,000	\$306,000	\$236,000	\$302,000	\$365,000	\$452,000

HOME Program Homebuyer Activities

The Applicant/Beneficiary: (cont.)

Beneficiary Rent Limits:

	Efficiency	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
LHR	662	709	851	983	1,096	1,210	1,323
HHR	733	820	961	1,158	1,369	1,491	1,614

Note: these rents include utilities

HOME Program Homebuyer Activities

The Applicant/Beneficiary:

- ***Income eligibility:*** Beneficiaries of HOME funds, buyers, owners, tenants must be low income or very low income. Their income eligibility is determined based on their annual income.
- ***Annual income:*** is the gross amount of income anticipated by all adults in the family during the 12 months following the effective date of the determination.

HOME Program Homebuyer Activities

The Applicant/Beneficiary: (cont.)

Income Eligibility Determination

- **Calculating Income:** The city has chosen to use the Part 5 definition of income. This calculation includes assets.
- **Initial Verification:** To determine if applicants are income eligible, PJ must verify using source documentation such as (but not limited to) wage statements, interest statements, and unemployment compensation. Income eligibility is based on **anticipated** income. Once verification is completed, that verification is good for six months before it has to be re-examined.
- **Source documentation:** The new HOME rule has been revised to require the examination of at least 2 months of source documentation.

HOME Program Homebuyer Activities

The Applicant/Beneficiary: (cont.)

Beneficiary Income Limits:

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	15,100	17,250	19,400	21,550	23,300	25,000	26,750	28,450
50%	25,200	28,800	32,400	35,950	38,850	41,750	44,600	47,500
60%	30,240	34,650	38,880	43,140	46,620	50,100	53,520	57,000
80%	40,250	46,000	51,750	57,500	62,100	66,700	71,300	75,900



General Program & Administrative Changes

Key Changes in the Revised HOME Rule



General Program & Administrative Changes: the Highlights

- Effective Dates
- Definitions
- Program/Project Timeframes & Deadlines
- Written Agreements
- Policies and Procedures
- Income Determination
- Eligible Costs
- Match
- Comparison of New Rule and 2012/2013 Appropriation Laws

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Definition Changes

- Changes to definitions will result in changes to PJs' programs and policies
- New rule includes revisions to the definitions of:
 - Commitment
 - Project Completion

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Definitions - §92.2 Commitment

PJs may not commit HOME funds to a project consisting of new construction or rehabilitation until:

- All necessary financing is secured
- A budget and production schedule is established
- Underwriting and subsidy layering is completed
- Construction is expected to start within 12 months

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Definitions - §92.2 Commitment

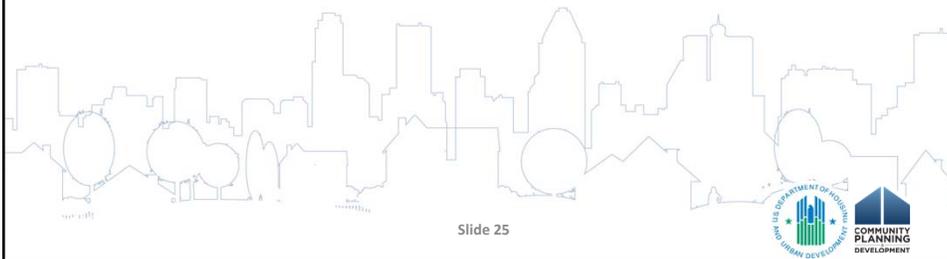
- Dated signatures are required on written agreements
- Agreements that are not commitments:
 - Between PJ and a subrecipient the PJ controls (e.g., agency whose officials/employees work for the PJ)
 - Lead consortium entity with other consortium members

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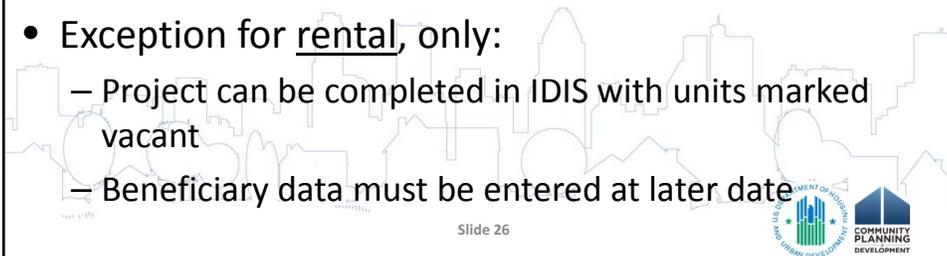
Preliminary Award

- A PJ can make a preliminary award of HOME funds for a proposed project
 - Contingent on obtaining financing, completing environmental review, etc.
 - Preliminary awards are not commitments!!



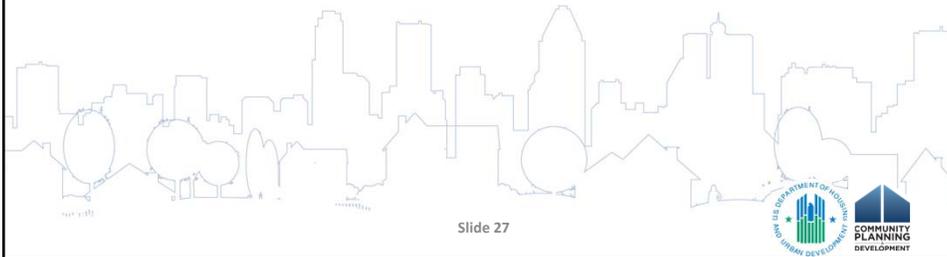
Definitions §92.2 Project Completion

- A project is “complete” when:
 - All construction work complete and property standards met
 - Final drawdown of HOME funds disbursed
 - Project completion information (beneficiary data) entered into IDIS
- Exception for rental, only:
 - Project can be completed in IDIS with units marked vacant
 - Beneficiary data must be entered at later date



New Deadline Requirements

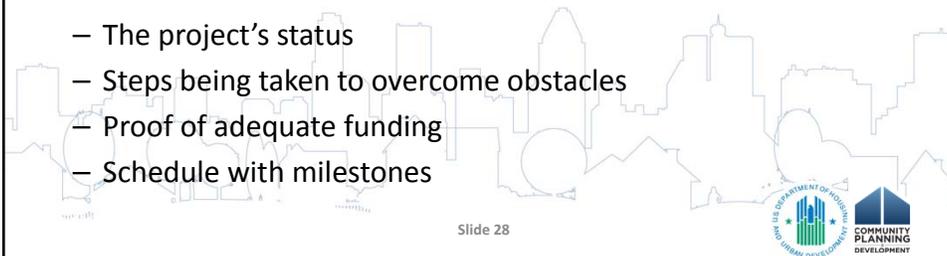
- Project Deadlines:
 - 4 year project completion deadline
 - 9 month deadline for sale of homebuyer units
 - 18 month rental occupancy deadline
- 5 year CHDO expenditure deadline



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4-year Project Completion Deadline - §92.205(e)(2)

- Projects must be completed within 4 years of the date the written agreement is executed
- Completion occurs when project meets the definition of “project completion” at §92.2
- PJs may request a one-year extension by submitting information about:
 - The project’s status
 - Steps being taken to overcome obstacles
 - Proof of adequate funding
 - Schedule with milestones



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Income Eligibility Determination – §92.203

- Income determination provisions revised to require that PJs must:
 - Examine at least 2 months of source documentation
 - Count income of ALL adult household members
 - Use single definition of income for each HOME program its administers, or for each rental project
- Rule eliminates Census Long Form as allowable annual income definition

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Eligible Costs

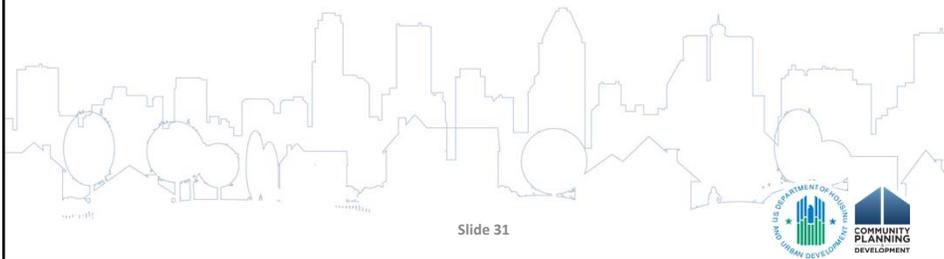
- Tenant-Based Rental Assistance: cost of unit inspections and income determinations are an eligible project-related soft cost (§92.209(a))
- Project Pre-Development Costs: PJs may reimburse developers for pre-development soft costs incurred up to 24 months before commitment of HOME funds (§92.206(d)(1))
 - Eligible pre-development costs are those necessary to develop and prepare plans, drawings, specs or work write-ups, etc.
 - Written agreement must specifically permit reimbursement

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Reconstruction - §92.2

- PJs can reconstruct units that are not standing at the time of commitment
- Funds must be committed to the project within 12 months of destruction



FY2012 & FY2013 REQUIREMENTS VS. NEW HOME RULE

	FY2012 & FY2013 Requirements	New HOME Rule
<u>Deadlines:</u>		
4-Year Completion Deadline	<ul style="list-style-type: none"> • 1 year extension • HUD has no authority to grant further extensions • "Completion" occurs at construction completion 	<ul style="list-style-type: none"> • 1 year extension • HUD has exception authority • "Completion" occurs when Definition of Completion* is met
Homebuyer Sales Deadline	<ul style="list-style-type: none"> • 6 months • HUD has no exception authority 	<ul style="list-style-type: none"> • 9 months • HUD has exception authority

***Definition of Completion** at (§ 92.2): A project is completed when all title transfer requirements are met, all construction work is complete, property standards are met, final drawdown of HOME funds are disbursed for the project, and project completion information is entered into IDIS. For rental projects: completion occurs upon completion of construction but before occupancy.

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	FY2012 & FY2013 Requirements	New HOME rule
CHDO Capacity Requirement:		
CHDOs must have paid staff with capacity	Can demonstrate compliance through: <ul style="list-style-type: none"> • Full-time or part-time staff • Independent contractors • Shared staff • Donated staff 	Can demonstrate compliance through: <ul style="list-style-type: none"> • Full-time or part-time staff • Independent contractors • Consultants, but ONLY during 1st year as CHDO
Project Assessment Requirement:		
Before committing HOME funds to a project, a PJ must: <ul style="list-style-type: none"> • underwrite the project • assess the developer's capacity and fiscal soundness • assess the market demand 	Requirement applies	Requirement applies

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Next Steps

- Gather the following for review and revision:
 - Written agreements
 - Program policies and procedures
 - Monitoring checklists
 - Program marketing materials
 - Beneficiary application forms
- Develop written policies, procedures and systems in accordance with 92.504(a) to assess risk, monitor performance

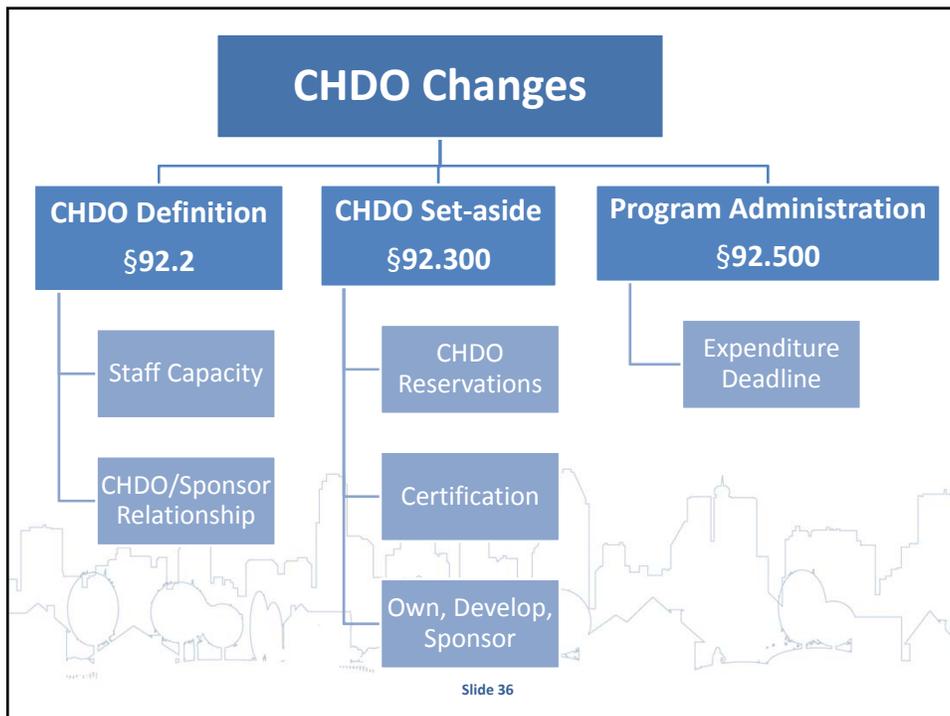
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CHDO Requirements

Key Changes in the Revised HOME Rule



CHDO Staff Capacity

- CHDOs must have paid staff with demonstrated capacity appropriate to CHDO's role:
 - Can be full-time or part-time
 - Can use independent contractor(s)
 - Cannot meet capacity requirement based on use of volunteers, donated staff, shared staff or board members
 - Use of consultants to demonstrate capacity **ONLY** during the 1st year of operation as a CHDO

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CHDO Staff Capacity

Staff must have experience/capacity relevant to project and role as owner, developer, or sponsor

- CHDO as Owner: Staff must have capacity to act as owner. Can hire contractor to assist in oversight of development process
- CHDO as Developer or Sponsor: Staff must have development experience on projects of similar scope or complexity

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FY2012/FY2013 Requirements vs. the New Rule

- Capacity Requirements: FY2012/13 Appropriation Laws v. New Final Rule:

FY2012 & FY2013 Requirements	New HOME rule
<p>Can demonstrate compliance through:</p> <ul style="list-style-type: none"> • Full-time or part-time staff • Independent contractors • Shared staff • Donated staff 	<p>Can demonstrate compliance through:</p> <ul style="list-style-type: none"> • Full-time or part-time staff • Independent contractors • Consultants, but ONLY during 1st year as CHDO

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CHDO/Parent Relationship

- For-Profit Parent Organizations:
 - Existing rule states that cannot appoint more than 1/3 of board members; Parent-appointed board members may not appoint other 2/3 of board
 - New rule adds prohibition against Officers or Employees of parent organization serving as Officers or Employees of the CHDO (except for the permitted 1/3 of CHDO board members)



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CHDO/Parent Relationship

- For Governmental or Public Parent Organizations (e.g., PJs, public housing agencies, HFAs, redevelopment authorities, Indian Tribes):
 - Officers or employees of the governmental entity may not serve as officers or employees of the CHDO (except for the permitted 1/3 of CHDO board members)



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Own, Develop or Sponsor

- Own, Develop, Sponsor roles codified in rule for first time at §92.300(a)(2) - (6)
- Roles have been clarified and/or redefined; changes will increase number of organizations that can access CHDO set-aside funds
- A CHDO must demonstrate capacity in relation to its “role”



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CHDO as Owner

- CHDO acts as owner of rental housing that it does not develop
- CHDO is owner in fee simple or has long-term ground lease during development and affordability period
- CHDO acquires standard housing, or hires project manager or contracts with developer to perform rehab or construction



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CHDO as Developer

- CHDO owns and develops housing
- CHDO arranges financing and is in sole charge of construction or rehab
- For Rental projects: CHDO owns the during development and throughout period of affordability, and performs all development activities



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CHDO as Developer

- For Homebuyer projects: CHDO owns, rehabs or constructs, then sells property
- Written agreement with CHDO must include:
 - Actual sales price or method for determining it
 - Disposition of proceeds of sale (return to PJ or permit CHDO to retain), and use of proceeds if CHDO will retain

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CHDO as Sponsor

CHDOs can sponsor rental housing in 2 ways:

- 1) CHDO develops rental housing on behalf of another non-profit or CHDO and transfers title after completion
 - Conveyed at pre-determined time to pre-identified nonprofit/CHDO

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CHDO as Sponsor

2) Rental housing “sponsored” by a CHDO if owned or developed by a:

- For-profit or nonprofit that is wholly-owned subsidiary of the CHDO;
- Limited partnership (LP) of which the CHDO or its subsidiary is the sole general partner; or
- Limited liability company (LLC) of which the CHDO or its subsidiary is the sole managing member.

— Written agreement must be signed by PJ and entity that will own the project



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CHDO as Sponsor

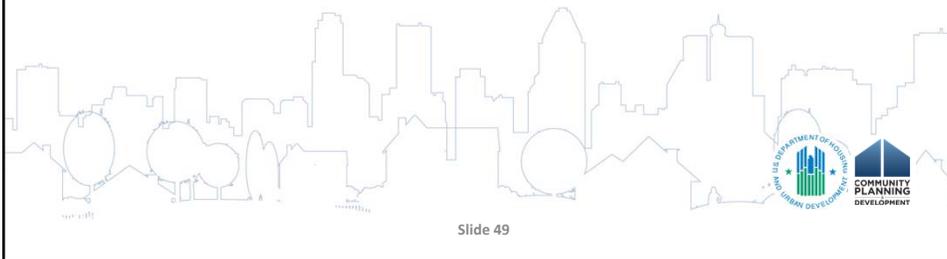
- If partnership agreement permits removal of CHDO as sole managing member or partner, removal must only be permitted for cause
- Partnership agreement must specify that CHDO must be replaced with another CHDO



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Other CHDO Changes

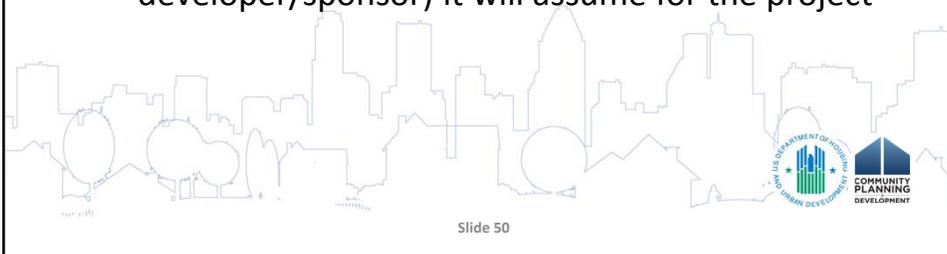
- In owner or developer roles, CHDO must own HOME-assisted housing in fee simple absolute or have long-term ground lease



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CHDO Certification

- Each time it commits funds to a specific CHDO project, PJ must certify that the nonprofit:
 - Meets CHDO definition (including the staff capacity requirement)
 - Has capacity to fulfill specific role (owner or developer/sponsor) it will assume for the project



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Underwriting, Subsidy Layering & Project Evaluation

Key Changes in the Revised HOME Rule



Evaluating Projects

- PJs must ensure long-term sustainable projects by establishing guidelines for:
 - Subsidy layering and underwriting guidelines
 - Market assessment
 - Developer capacity and fiscal soundness
 - Marketing plan
- Applies to rental projects and homebuyer development projects
- Certify compliance in IDIS at project set-up

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Evaluating Projects

- Homeowner Rehabilitation projects
 - Underwriting applies only if HOME funds provided as amortizing loans
 - Subsidy layering applies when more than one form of public funds is used
 - Developer capacity and market assessment requirements do not apply
- Downpayment Assistance Only projects
 - Market analysis and developer capacity requirements do not apply

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Applicability of Subsidy Layering and Underwriting Requirements

Type of Activity & Form of Assistance	Provisions that <u>DO</u> Apply	Provisions that <u>DO NOT</u> Apply
OWNER-OCCUPIED REHABILITATION		
• Assistance Provided as Grant or Forgivable Loan	Subsidy Layering, if applicable	Underwriting Analysis Market Analysis Evaluation of Developer
• Assistance Provided as Amortizing Loan	Underwriting Analysis Subsidy Layering, if applicable	Market Analysis Evaluation of Developer
HOMEBUYER ASSISTANCE		
• Downpayment Assistance Only	Underwriting Analysis Subsidy Layering, if applicable	Market Analysis Evaluation of Developer
HOMEBUYER AND RENTAL PROJECTS INVOLVING DEVELOPMENT	Underwriting Analysis Market Analysis & Plan Evaluation of Developer Subsidy Layering, if applicable	

Subsidy Layering & Underwriting §92.250 (b)

- Subsidy layering & underwriting guidelines must:
 - Ensure amount of HOME funds invested no more than necessary to provide quality, financially viable affordable housing
 - Determine reasonable level of profit/return to owner/developer for size, type, complexity of project
 - Examine Sources and Uses for cost reasonableness
 - Verify financial commitments are firm

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Neighborhood Market Assessment

- Conduct assessment and determine need for each project, including reviewing neighborhood market data before entering into legally binding agreement

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Developer Capacity & Fiscal Soundness

- PJ must establish guidelines for examining developer's capacity and fiscal soundness including:
 - Experience, current staff capacity
 - Capacity assessment varies by project size, scope, complexity and type of development entity
 - Sufficient financial resources
 - Liquidity
 - Net worth

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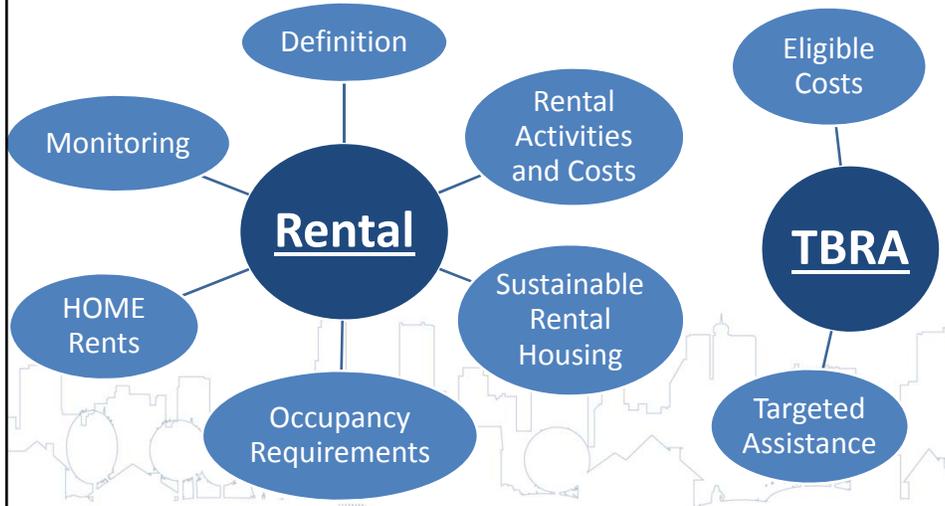


Rental Projects & TBRA

Key Changes in the Revised HOME Rule



KEY RENTAL CHANGES



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RENTAL PROJECTS

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Definitions - §92.2

- Definitions – several definitions relevant to HOME rental housing revised:
 - *Housing* – specifically excludes student housing in any configuration; dormitories, including those for farm workers, do not constitute housing
 - *SRO* – clarifies that designation as an SRO cannot be inconsistent with local zoning and building code classifications



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Sustainable Rental Housing

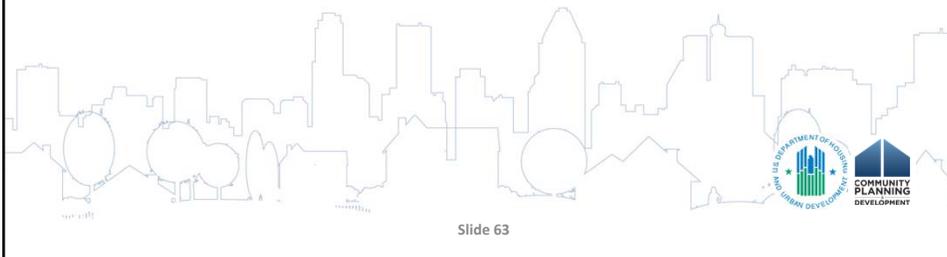
- §92.250(b): Underwriting & subsidy layering review required for ALL HOME-assisted projects. Must review each project to assess:
 - HOME funds required
 - Reasonable profit or return on owner investment
 - Financial viability for entire affordability period
 - Sources and uses
 - Market demand for project
- §92.251(b)(1): Capital Needs Assessment required when rehabbing projects with 26 or more total units



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Rental Activities and Costs

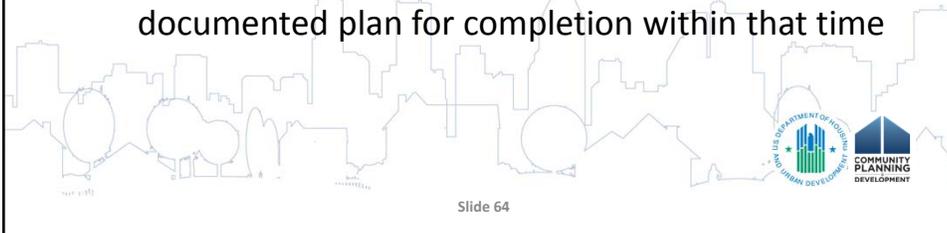
- Rule makes changes to:
 - Eligible Activities
 - Eligible Project Costs
 - Prohibited Activities and Fees



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Rental Activities and Costs Eligible Activities – §92.205

- Terminated Projects – rule reinforces existing provision requiring PJ to repay HOME funds invested in projects not completed
 - Project not completed within 4 years of commitment will be considered terminated
 - HUD may grant 12-month extension if PJ submits documented plan for completion within that time



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Rental Activities and Costs Eligible Activities – §92.205

- Reduction in HOME Units
 - HUD may approve reduction in number of HOME units in project that is troubled pursuant to § 92.210; or
 - In projects with 100% HOME-assisted units, HUD may approve conversion of one HOME-assisted rental unit to manager's unit, if cost allocation permits



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Rental Activities and Costs Prohibited Fees – §92.214

- Expands list of fees that cannot be charged to program beneficiaries to cover admin costs
 - Prohibits project owners from charging fees not customarily charged in rental housing
- Eliminates prohibition on monitoring fees
 - PJs may charge reasonable rental monitoring fees based on average staff time and materials costs
 - Monitoring fees must be included in underwriting
 - Projects where HOME \$\$ committed after 8/23/13



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Troubled Projects – §92.210

- New section addresses rental projects that become financially unviable during affordability period
 - Troubled Project = operating costs significantly exceed operating revenue
- HUD may approve additional HOME \$\$ if new + old HOME funds do not exceed current subsidy limits
- HUD HQ may approve reduction in number of HOME-assisted units if original number higher than minimum required



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Occupancy Requirements – §92.252

- HOME rental units must achieve initial occupancy within 18 months of project completion
 - For units not leased within 6 months, PJ must report on current marketing efforts and, if appropriate, submit an enhanced marketing plan to HUD
 - If a unit has no initial occupancy within 18 months, PJ must repay HOME funds invested in that unit



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HOME Rents - §92.252

- Clarifies that PJs may designate more than 20% of HOME units as Low HOME Rent units
- Requires PJ to annually review and approve rents for each HOME-assisted rental project
 - Ensures compliance with HOME rent limits
 - Prohibits undue rent increases from previous years



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HOME Rents HUD Utility Schedule – §92.252(d)

- Rule requires PJs to determine individual utility allowance for each rental project, by:
 - Using HUD Utility Schedule Model, or
 - Determining utility allowance for a project based on the specific utilities used at the project
- Utility allowances for each project must be updated annually



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Inspections – §92.504(d)

- Owner must certify annually units are suitable for occupancy
- PJs must have inspection procedures (92.251(f)(5))
- Required ongoing inspections:
 - At construction completion, and within 12 months of completion, and at least every 3 years thereafter
 - Projects found to have health/safety issues: PJ must adopt a more frequent inspection schedule for problem properties



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Inspections - §92.504(d) cont.

- Inspection sample size:
 - 1-4 HOME-assisted units
 - 100% of units must be inspected
 - 5+ HOME-assisted units
 - Statistically valid sample
 - HUD will provide guidance through notice



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Financial Oversight - §92.504(d)(2)

- PJs must annually review financial condition of rental projects with 10 or more HOME units
- If problem identified, must take action including:
 - More frequent reporting and monitoring
 - Provide technical assistance
 - Assist in identifying additional non-federal funding or another appropriate owner
- Effective July 24, 2014



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TENANT-BASED RENTAL ASSISTANCE

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Eligible Costs – §92.209(a)

- Rule addresses eligible TBRA costs:
 - Clarifies utility deposits are eligible costs as part of TBRA or security deposit assistance
 - Not a standalone activity
 - Makes unit inspection and income determination costs eligible as project-related soft costs
 - Previously could only be charged to Administrative set-aside



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Using TBRA with Self-Sufficiency & Homebuyer Programs – §92.209(c)(2)

- Clarifies TBRA may be used to provide rent for a lease-purchase program
 - TBRA cannot be used for downpayment or closing costs
- Clarifies TBRA assistance may be conditioned on successful participation self-sufficiency program



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Targeted Assistance - §92.209(c)(2)

- Clarifies existing provision that PJ may give preference to special needs populations, including persons with a specific disability, if necessary to address unmet need and stated in ConPlan
- TBRA cannot be conditioned on participation in medical or disability-related services
 - Preferences cannot be administered in a manner that limits opportunities for disabled



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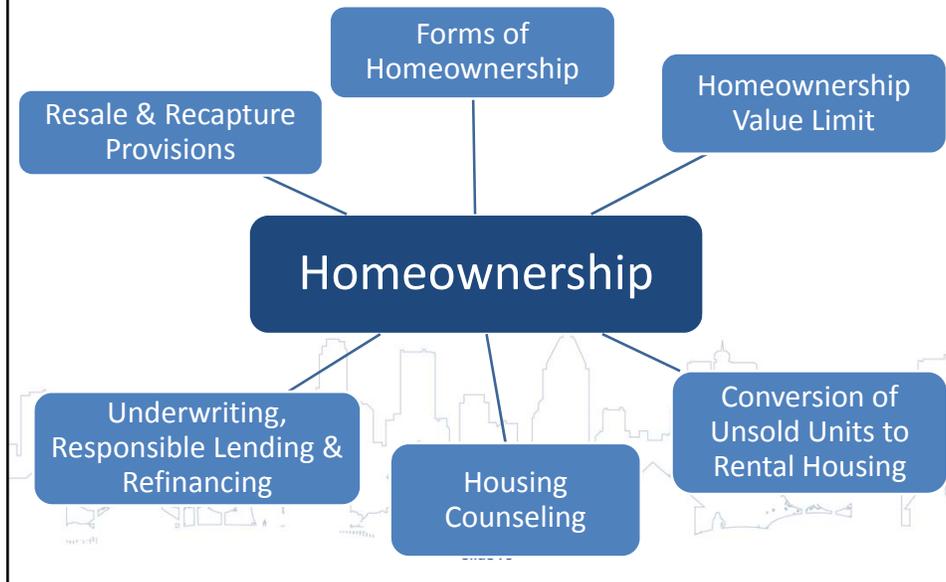


Homeownership Programs

Key Changes in the Revised HOME Rule



KEY HOMEOWNERSHIP CHANGES



Forms of Homeownership – §92.2

- Definition of “homeownership” is revised to clarify that:
 - Contract for deed, installment contracts and land sales contracts are specifically excluded
- Such contracts fail to provide equitable title to homebuyers and leave them vulnerable to forfeit until final payment is made

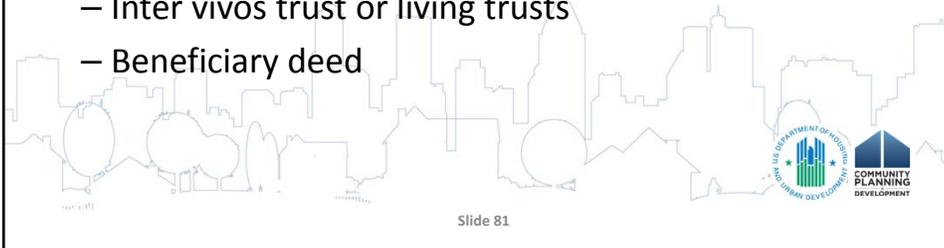


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Forms of Ownership

Owner Occupied Rehab - §92.254(c)

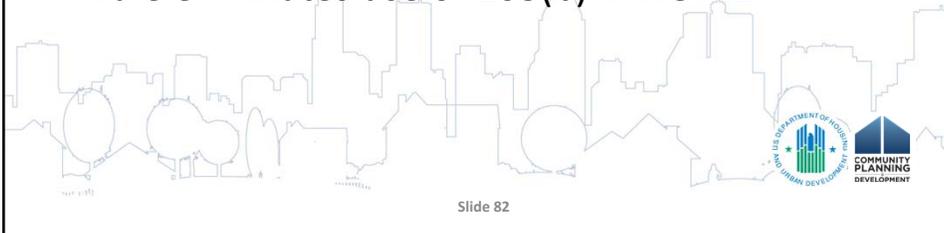
- Rule permits HOME assistance for homeowner rehabilitation in the following situations which do not meet the §92.2 definition of homeownership:
 - Inherited property with multiple owners
 - Life estates
 - Inter vivos trust or living trusts
 - Beneficiary deed



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Homeownership Value Limit - §92.254(a)(2)(iii)

- HOME statute requires initial purchase price/after rehab value not to exceed 95% of area median purchase price
- Continued use of 203(b) FHA Single Family Mortgage Limit would violate statute; new rule eliminates use of 203(b) in HOME



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Homeownership Value Limit - §92.254(a)(2)(iii) (cont.)

- HUD will publish two 95% of median purchase price/after rehab value data sets for:
 - Newly constructed housing
 - Existing housing
- PJs can choose between the greater of their actual local limit OR a HUD-calculated national or state-wide floor
- PJs may continue to calculate own limits as under pre-2013 rule

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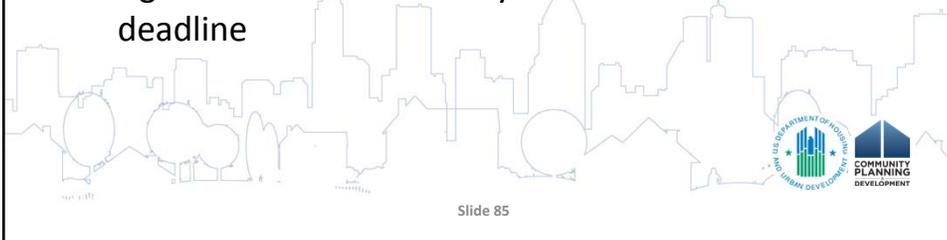
Conversion of Unsold Homebuyer Units – §92.254(a)(3)

- Rule requires homebuyer units remaining unsold 9 months after construction completion be converted to rental units
- BUT FY2012 and FY2013 Appropriation Laws require conversion to rental after 6 months
 - For 2012/2013 Annual Action Plan projects, 6 months applies
- Ratified sales contract is sufficient to demonstrate a sale

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Conversion of Unsold Homebuyer Units - §92.254(a)(3) (cont.)

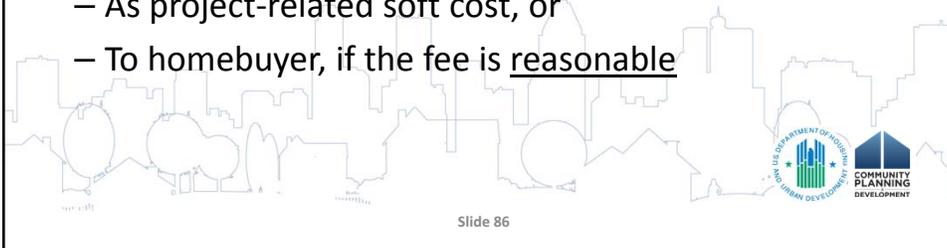
- Unsold units must be converted to HOME rental units for the rental affordability period, or HOME funds must be repaid
- Units can become lease-purchase only if:
 - PJ has an established lease-purchase program, AND
 - Agreement with homebuyer executed before deadline



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Housing Counseling – §92.254(a)(3)

- Housing Counseling required for all homebuyers receiving HOME assistance or purchasing homebuyer units developed with HOME funds
- Counseling costs may be charged to:
 - HOME administrative set-aside
 - As project-related soft cost, or
 - To homebuyer, if the fee is reasonable



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Housing Counseling – §92.254(a)(3) (cont.)

- PJ's have flexibility as to provider (PJ, HUD approved counseling agency, or other provider), content and length
- CFPB will issue regulations regarding housing counseling that will apply to HOME
- Current voluntary national standards can be found at:

<http://www.homeownershipstandards.com>



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Sustainable Homeownership Program Design – §92.254(f)

- Rule requires PJs to develop and follow written policies and procedures for:
 - Underwriting homebuyer assistance
 - Preventing predatory lending, and
 - Resubordination of HOME debt in the event of private debt refinancing



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Sustainable Homeownership Underwriting – §92.254(f)

- PJ must develop and follow written underwriting standards that evaluate the homebuyer regarding:
 - Housing debt and overall debt
 - Monthly expenses of the family
 - Assets available to acquire housing
 - Financial resources available to sustain housing
- Goal is appropriate amount of HOME assistance



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Sustainable Homeownership Responsible Lending – §92.254(f)

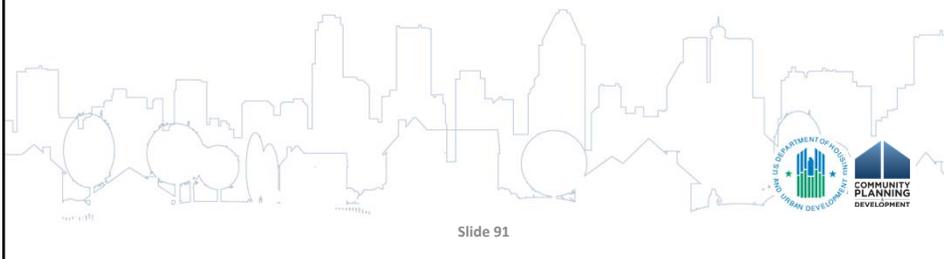
- Rule requires written policies to ensure private mortgages obtained by homebuyers are sustainable (e.g., no predatory loans)
 - PJ should develop standards based on loan characteristics
- HUD will issue guidance to assist PJs in developing responsible lending guidelines



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Sustainable Homeownership Refinancing- §92.254(f)

- Rule requires written policies to address refinancing of private debt
 - Ensure that the loan terms of any loans to which HOME funds are subordinated are reasonable and sustainable



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PJ Responsibilities Related to Lenders- §92.254(e)

- If a non-governmental lender is providing both first mortgage financing and HOME assistance (as a subrecipient or contractor), the PJ must:
 - Verify income eligibility
 - Inspect housing for compliance with applicable property standards
- Lenders cannot charge fees for HOME \$\$\$



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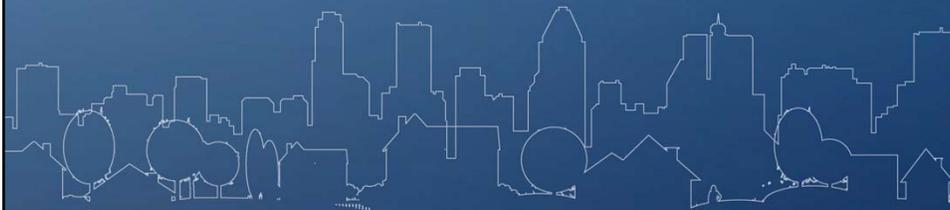


Property Standards

Key Changes in the Revised HOME Rule



NEW CONSTRUCTION



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New Construction Standards - §92.251(a)

- HOME-assisted new construction projects must:
 - Meet State and local residential and building codes, ordinances and zoning requirements, or if none, the International Residential Code or International Building Code of the International Code Council
 - Meet accessibility requirements
 - Mitigate disaster impact as applicable per State and local codes, ordinances, etc.



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New Construction Standards Oversight - §92.251(a)

- PJs must review and approve written cost estimates and determine cost reasonableness
- PJs must conduct progress and completion inspections of construction
 - Ensure that work meets all applicable codes, contracts and documents
 - Construction contracts and documents must contain sufficient detail to measure performance



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REHABILITATION

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Rehabilitation Standards - §92.251(b)

- Upon completion, rehabilitated housing must, at a minimum:
 - Meet State or local codes, ordinances, requirements, or
 - Absent such codes, International Existing Building Code, and
 - Be free of deficiencies selected by HUD from the list of Uniform Physical Condition Standards

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Rehabilitation Standards §92.251(b)

- Rehabilitation standards must address:
 - Health and safety
 - Useful life of major systems
 - Identify life threatening deficiencies and address immediately in occupied units
 - Lead-based paint
 - Accessibility
 - Disaster mitigation

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Rehabilitation Standards - §92.251(b) Work Write-Ups and Inspections

- Construction Documents and Work Write-ups
 - PJs must review and approve work write-ups (i.e., plans and specifications) and written cost estimates
 - Review to determine costs reasonable, and plans and specifications in compliance with PJ's written rehab standards
- Required Inspections
 - Initial property inspection to determine deficiencies
 - Progress and final inspections to ensure work done in accordance with approved work write-up or plans

Construction Standards

City of Providence
Division of Community Development

Construction Standards

- ▶ Upon completion, HOME assisted housing at a minimum meet:
 - ▶ State & local building codes, ordinances, requirements
 - ▶ City of Providence, Affordable Housing Construction Standards
 - ▶ Be free of any deficiencies selected by HUD from the list of Uniform Physical Condition Standards



Construction Standards

- ▶ The City of Providence, Affordable Housing Construction Standards address:
 - ▶ Health & Safety
 - ▶ Useful Life of Major Systems (structure, roof, cladding, HVAC, plumbing, etc)
 - ▶ Lead Based Paint
 - ▶ Accessibility
 - ▶ Other construction standards
 - ▶ All major systems must have their remaining useful life estimated, with replacements made if needed.
 - ▶ Upon project completion major systems must have a useful life of at LEAST 5 YEARS
-

Construction Standards

- ▶ The Division of Community Development must review and approve work write-ups (plans, specs, cost estimates)
 - ▶ Inspectors will visit onsite before construction:
 - ▶ Review Current Conditions
 - ▶ Assess Work to Be Done (is it reasonable & complete)
 - ▶ Inspectors will also conduct property inspections during construction and once completed, to ensure work is completed in conformance with plans.
-

Construction Standards

- ▶ Construction Standards are divided by categories:
 - ▶ Minimum Construction Standard (applies to all projects)
 - ▶ Repair Standard (applies to component if doing a repair)
 - ▶ Replacement Standard (applies to component if doing a replacement)
 - ▶ We will host a separate training to review the construction standards.
 - ▶ These will evolve as the program does and is open to changes.
-

Construction Standards

- ▶ Waivers may be granted on individual standards (not for building code requirements)

 - ▶ Key Requirements:
 - ▶ All units must meet all applicable local and state building codes.
 - ▶ Does not necessarily stipulate materials for flooring, etc. HOWEVER, no luxury materials can be used.
 - ▶ Represents a minimum standard, may go above and beyond standard.
-

Construction Standards

- ▶ Key Requirements:
 - ▶ Carpeting is strongly discouraged.
 - ▶ If renovating a kitchen, need an exterior venting exhaust hood.
 - ▶ Peep sites are required for all entry doors into units.
 - ▶ All incandescent light bulbs must be replaced with energy efficient light bulbs.
 - ▶ No more than 2 layers of roofing (when work is completed).
-
- ▶

Construction Standards

- ▶ Key Requirements:
 - ▶ Radon Testing Required for all Units (must remediate if two tests show greater than 4 pCi/L)
 - ▶ All toilets with greater than 1.6 GPF must be replaced with a maximum 1.3 GPF.
 - ▶ Continuously running bathroom fan operating at a verified CFM rate sufficient to meet the ASHRAE standard and creating < 0.3 Sones of fan noise. The fan will also have a > 80 CFM boost function.
-
- ▶

Example Standard

Interior Doors

Minimum Construction Standard

- ▶ Safe and operable doors with privacy lock sets must be in place in the entryway to all bedrooms and bathrooms.
- ▶ All doors and door frames in structures built before 1978 must have sufficient spacing to prevent doorjamb friction and chalking/peeling paint. All work must be in compliance the State of Rhode Island Department of Health “Rules and Regulations for Lead Poisoning Prevention” [R23-24.6-Pb]
<http://sos.ri.gov/documents/archives/regdocs/released/pdf/DOH/5928.pdf>

Repair Standard

- ▶ See minimum construction standard.

Replacement/New Construction Standard

- ▶ Hollow-core, pressed-wood product consistent with the style of existing doors are acceptable including a privacy lock set on bedrooms and bathrooms, and a passage lockset on closets.
-



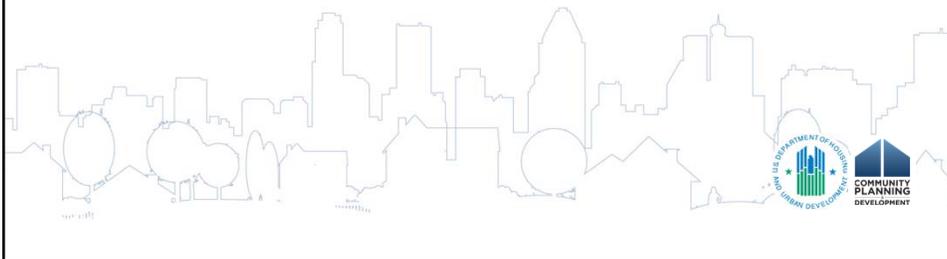
TENANT-BASED RENTAL ASSISTANCE



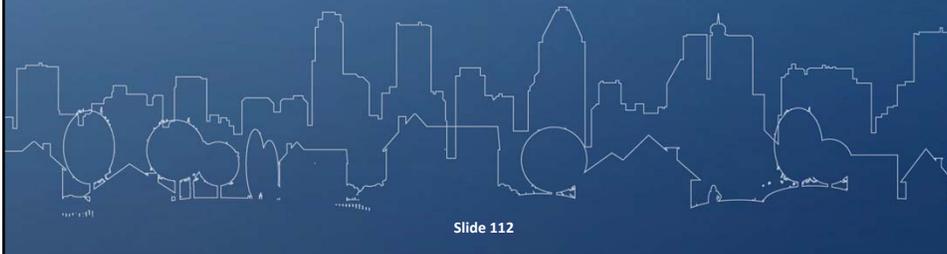
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Tenant-Based Rental Assistance - §92.251(d)

- Units occupied by households receiving HOME TBRA must meet the Housing Quality Standards at 24 CFR 982.401 (Not a new requirement)



ONGOING PROPERTY CONDITION STANDARDS FOR RENTAL HOUSING



Ongoing Property Standards - §92.251(f)

- Standards must require that housing be free of health and safety defects
- PJs must identify life-threatening deficiencies that owner must correct immediately; must have procedures to ensure owner addresses deficiencies in a timely manner
- PJs' inspection procedures must state how frequently each property will be inspected, consistent with §92.504(d)
 - TBRA units must be inspected annually
 - HOME-assisted rental projects must be inspected at least once every 3 years during affordability period

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Wrap Up

Key Changes in the Revised HOME Rule



Stay tuned...

- Monitor the HUD website for guidance on:
 - Maximum per unit subsidy limits
 - Property Standards including
 - UPCS standards/critical deficiencies applicable to HOME-funded rehabilitation and acquisition activities.
 - 95% of Median Purchase Price/After Rehab Value

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Need more info?

- In-person trainings are forthcoming
- Visit OneCPD webpage for additional guidance
 - FAQs
 - Webcasts/recorded videos
 - Updated Notices
- Submit your question to the HOME Ask-A-Question (AAQ)

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