

HOMEfires


[HUD HOME](#) [CPD HOME](#) [Q & A](#) [SEARCH/INDEX](#) [E-MAIL](#)

HOMEfires

HOMEfires is the Official Policy newsletter of the HOME Program. Each HOMEfires answers a specific policy question. To view a particular newsletter, click on its corresponding volume and number.

TOPICS

[about cpd](#)
[community 2020](#)
[ez's/ec's](#)
[community development](#)
[affordable housing](#)
[homeless](#)
[environment/energy](#)
[hbcu](#)
[online forums](#)
[online systems](#)
[reading room](#)

Vol. 3, No. 8: What changes have been made to the methodology for calculating Section 8 income limits? What impact will these changes have on the calculation of HOME income limits? June 2001

Vol. 3, No. 7: Can HOME funds be used in conjunction with the homeownership option of the Housing Choice Voucher Program? May 2001

Vol. 3, No. 6: Why must HOME PJs, which are permitted to determine the start date of the program year for their HOME and other CPD programs, meet their HOME match obligations based upon the Federal fiscal year (October 1-September 30)? May 2001

Vol. 3, No. 5: The definition of "commitment" in the HOME Final Rule states that, when a PJ commits funds to a specific project, there must be a reasonable expectation that construction will begin within twelve months for rehabilitation or, for acquisition only projects, be transferred within six months. Does this mean that projects that do not meet this requirement are ineligible and must be canceled? April 2001

Vol. 3, No. 4: Are back taxes, fees or charges an eligible project soft cost for a project being acquired or rehabilitated with HOME funds? March 2001

Vol. 3, No. 3: May Participating Jurisdictions use Section 8 "exception rent limits" as the basis for determining HOME program rents? What is the difference between "exception rent limits and HOME rent exceptions"? March 2001

Vol. 3, No. 2: The HOME Final Rule states that each Participating Jurisdiction must perform on-site inspections of HOME-assisted rental housing. How frequently should these inspections be informed? How should each PJ determine the number of units that must be inspected? February 2001

Vol. 3 No. 1:
What are written rehabilitation standards and what is their function in the HOME Program? How do they differ from property standards? January 2001

Vol. 2 No. 5:

Q: I have heard a great deal about the IDIS HOME data clean-up effort. Why is this endeavor such a priority for HUD? What is quality data and how can I assist HUD in its effort to improve the reliability of HOME program information in IDIS?

April 2000

Vol. 2 No. 4:

Q: What are the HOME income, rent, per-unit subsidy and purchase price/after rehab value limits that apply to my community? Where can I find the latest limits?

September 1999

Vol. 2 No. 3:

Q: Are wards of the State and wards of the Court eligible beneficiaries of HOME-assisted transitional housing?

May 1999

Vol. 2 No. 2:

Q: Occasionally members of PJ, State recipient and subrecipient staffs serve as board members of CHDOs and other nonprofit organizations that receive HOME funding for the provision of low-income housing. What are the HOME conflict of interest provisions that apply to persons serving on these boards?

April 1999

Vol. 2 No. 1:

Q: What are eligible CHDO activities in the HOME program?

March 1999

Vol. 1 No. 10:

Q: How will the recently passed Quality Housing and Work Responsibility Act of 1998 affect income eligibility requirements for participants in HOME-funded lease-purchase housing programs?

December 1, 1998

Vol. 1 No. 9:

Q: What are the HOME and other Federal requirements that apply to property receiving HOME downpayment assistance?

August 1, 1998

Vol. 1 No. 8:

Q: What is an Individual Development Account (IDA)? And can HOME funds be used for them when buying a home is the goal?

July 1, 1998

Vol. 1 No. 7:

Q: What are the lead-based paint (LBP) requirements applicable to HOME-assisted projects?

April 1, 1998

Vol. 1 No. 6:

Q: How should I set up an activity and commit funds in IDIS under HOME to purchase, rehabilitate, and rent out homes at different locations? Is there a way to set up and fund this activity without knowing the addresses of the properties? Can one activity

have more than one property address? Would the same process

work for a first-time homebuyer program which provided HOME assistance at different locations?
February 24, 1998

Vol. 1 No. 5:

Q: What are the Section 504 requirements for handicapped accessibility to federally assisted housing activities and programs in general, and the HOME Program in specific?
February 2, 1998

Vol. 1 No. 4:

Q: Can a PJ provide HOME assistance to a project that will serve only a certain special needs group (i.e, elderly, homeless, physically disabled, etc.)? How would the HOME affirmative marketing requirements apply to such a project?
October 30, 1997

Vol. 1 No. 3:

Q: May HOME funds be used to construct replacement units for demolished public housing which would be owned by a Public Housing Authority (PHA) and receive operating subsidies under an annual contributions contract?
September 15, 1997

Vol. 1 No. 2:

Q: Applicability of HOME Program Requirements to Purchasers of 2-4 unit Owner-Occupied Projects
July 1, 1997

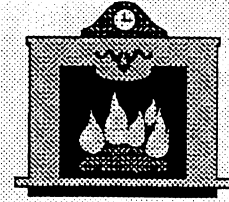
Vol. 1 No. 1:

Q: What are the constraints on using HOME funds for housing counseling?
June 1, 1997

Community Connections
HOME Publications
HOMEWeb
Affordable Housing
Community Planning and Development
HUD Home Page

July 10, 2001

HOMEfires



Official Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development - Community Planning and
Development

Vol. 1 No. 1

June 1, 1997

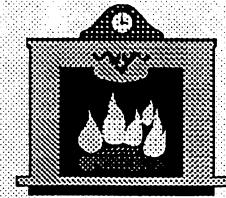
Office of Affordable Housing Programs

Q. What are the constraints on using HOME funds for **housing counseling**?

A. Homebuyer or tenant counseling are eligible soft costs under HOME. When such costs are incurred by a PJ, State recipient, subrecipient or third party contractor, they may be characterized either as administrative costs or as project-related soft costs. However, when incurred by a property owner, the costs are considered as project specific and must, therefore, be charged to the project, not to administration. As a project-related soft cost, only if the project is funded and the individual counseled becomes an owner or tenant of the HOME-assisted project can the associated homebuyer or tenant counseling expenses be considered as eligible HOME project costs.

For a CHDO undertaking a CHDO set-aside project as an owner, developer, or sponsor, the costs of associated housing counseling (including intake and assessment) may be characterized either as a CHDO operating expense or as a project-related soft cost. (In response to a specific question in your letter, stand-alone "intake" and "assessment" of potential residents of HOME-assisted housing, as activities separate and unrelated to counseling, would be considered as project-specific soft costs which are eligible under HOME so long as they are reasonable and necessary to the housing project being undertaken.) When considered as a project-related soft cost, as in the case of the property owner cited above, only if the project is funded and the individual counseled becomes an owner or tenant of the HOME-assisted project can the associated homebuyer or tenant counseling expenses be considered as eligible HOME project costs. When considered as a CHDO operating expense (i.e., the salary costs of CHDO staff and supplies) or as an administrative cost for PJs and subrecipients, housing counseling is an eligible cost even if the individuals counseled do not become owners or tenants of HOME-assisted housing so long as the housing counseling program was targeted to the project(s) being undertaken (i.e., either homeowner or rental), and intended to identify and train the potential residents of the project(s).

HOMEfires



Official Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development
Community Planning and Development

Vol. 1 No. 2

September 1, 1997

Office of Affordable Housing Programs

TOPIC: Applicability of HOME Program Requirements to
Purchasers of 2-4 unit Owner-Occupied Projects

The City of Hartford, Connecticut, in an effort to address its low homeownership rate and lack of affordable rental housing designed a HOME Program funded Homebuyer Downpayment Assistance Program for purchasers of 2-4 unit properties whose incomes may exceed low-income limits. Can HOME assistance to the purchasers under this downpayment assistance program be structured to avoid triggering the income requirement and affordability and resale/recapture restrictions contained in §92.254 of the HOME regulations for the owner-occupant? The answer is yes.

CPD Notice 94-12, Allocating costs and identifying Home-assisted units in multi-family projects, provides guidance on prorating HOME costs and total development costs for the purpose of determining the minimum number of units that must be designated as HOME-assisted units in a multi-family development. Since the units in a two to four unit structure may not always be comparable, a participating jurisdiction must take into consideration such factors as number of bedrooms in the units, square footage, and amenities, in order to determine how many and which units should be designated as HOME-assisted. The participating jurisdiction may designate the owner-occupied unit and/or one or more of the rental units as HOME-assisted. (It may also, of course, designate all units as HOME-assisted.)

If the participating jurisdiction chooses to designate the unit the owner-purchaser lives in as a HOME-designated unit, then the owner assumes the role of a typical homebuyer under HOME and is subject to HOME's income requirements, affordability, and resale/recapture requirements. The rental units may or may not be subject to HOME rental requirements, depending on the participating jurisdiction's objectives and the results of the cost proration analysis.

On the other hand, the participating jurisdiction may choose to designate one or more of the rental units, but not the owner-occupied unit, as HOME-assisted. In this case, the rental units are subject to the typical HOME affordability and rent restrictions. The owner, however, is not subject to income limits, affordability, or resale/recapture requirements.

The final regulation at section 92.254(a)(ii)(6), Special consideration for single family properties with more than one unit, explains these provisions.

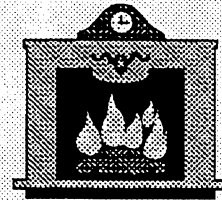
For those participating jurisdictions with the appropriate housing stock (i.e., duplexes, triple deckers and fourplexes), this approach may offer a way to assist municipal employees, such as police and teachers, to live in targeted neighborhoods. These employees, although not income eligible, may receive HOME assistance in exchange for maintaining affordable rental housing.

F.Y.I.

- ▶ On May 28, 1997, technical amendments to the HOME final rule were published in the Federal Register. The changes apply retroactively to the final rule published on September 16, 1996. These and other streamlining and match changes published in the Federal Register on August 22 will be incorporated into a consolidated version of the HOME final rule which will be disseminated to field offices and participating jurisdictions in September.
- ▶ A new Model Program Guide has been published and is available upon request from Community Connections (1-800-998-9999). The topic is, "Using HOME Funds for Homebuyer Programs: Structuring Recapture and Resale Provisions".
- ▶ The HOME final rule is available to you on the World-Wide-Web with links to approved waivers, CPD Notices, and the statute with other improvements on the way! The rule can be accessed directly by entering the following URL in your browser address box:

www.hud.gov/cpd/home/homereg.html

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development
Community Planning and Development

Vol. 1 No. 4

October 30, 1997

Office of Affordable Housing Programs

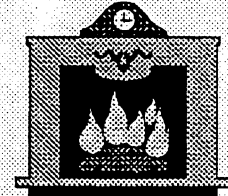
Q. Can a PJ provide HOME assistance to a project that will serve only a certain special needs group (i.e, elderly, homeless, physically disabled, etc.)? How would the HOME affirmative marketing requirements apply to such a project?

A. While the term "special needs" is not defined in the HOME Program, the consolidated plan regulation at 24 CFR part 91 requires grantees to discuss their strategy to meet the needs of the homeless and other special needs populations. In order to meet the needs identified in their consolidated plan and to narrow the gap in benefits and services received by those with special needs, PJs may direct assistance to, for example, the elderly, homeless, physically disabled, farmworkers or participants in a self-sufficiency program. Access to program assistance may not be denied on the basis of race, ethnicity, gender or any other basis prohibited by the laws listed under 24 CFR 5.105(a).

The HOME-assisted special needs project must meet all HOME Program requirements. Although preference may be given to specific special needs populations, housing projects of five or more HOME-assisted units must be affirmatively marketed to all persons within the special needs group. For instance, a project may be marketed exclusively to disabled individuals. However, a project may not be filled exclusively through referrals from a single social service agency. A good faith effort must be made to inform and solicit applications from members of the special needs group throughout the market area.

In the case of HOME funded tenant-based rental assistance (TBRA), PJs may establish their own local preferences for individuals with special needs. The written tenant selection policies and criteria required by the HOME Program must identify these preferences. Although the selection of TBRA recipients is not subject to the HOME affirmative marketing procedures which must be adopted by the PJ for projects with five or more HOME-assisted units, Federal non-discrimination laws do apply to the selection. Consequently, TBRA should be affirmatively marketed to all persons within the special needs group. HOME TBRA requirements are located in §92.209 and tenant and participant protections can be found in §92.253 of the HOME regulations.

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development
Community Planning and Development

Vol. 1 No. 5

February 2, 1998

Office of Affordable Housing Programs

Q. What are the Section 504 requirements for handicapped accessibility to federally assisted housing activities and programs in general, and the HOME Program in specific?

A. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted activities and programs on the basis of handicap, and imposes requirements to ensure that qualified individuals with handicaps have access to these programs and activities. The requirements are summarized in the following table:

Section 504 Requirements	
Removal of Physical Barriers	
◆	For new construction of multi-family projects, a minimum of 5 percent of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2%, at a minimum, of the units (but not less than one unit) must be accessible to individuals with sensory impairments. The <u>total number</u> of units in a HOME-assisted project, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.
◆	The Section 504 definition of substantial rehabilitation for multifamily projects includes construction in a project with 15 or more units for which the rehabilitation costs will be 75 percent or more of the replacement cost. In such developments, a minimum of 5 percent of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2 percent, at a minimum, (but not less than one unit) must be accessible to individuals with sensory impairments. As in the case of new construction, the <u>total number</u> of units in a HOME-assisted project, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units, and, in a project where not all the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted.

Section 504 Requirements - cont.

Removal of Physical Barriers - cont.

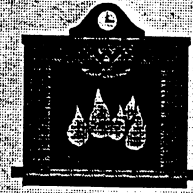
- ◆ When **rehabilitation less extensive than substantial rehabilitation** is undertaken in projects of 15 or more units, alterations must, to the maximum extent feasible, make the units accessible to and usable by individuals with handicaps, until a minimum of 5 percent of the units (but not less than one unit) are accessible to people with mobility impairments. For this category of rehab, the additional 2 percent of units requirement for individuals with sensory impairments does not apply. Alterations to common spaces must, to the maximum extent feasible, make those areas accessible. The same HOME Program specific guidance provided above applies to this category of rehab as well.
- ◆ Accessible units must be, to the maximum extent feasible, distributed throughout the projects and sites and must be available in a sufficient range of sizes and amenities so as not to limit choice.
- ◆ Owners and managers of projects with accessible units must adopt suitable means to assure that information regarding the availability of accessible units reaches eligible individuals with handicaps. They must also take reasonable non-discriminatory steps to maximize use of such units by eligible individuals.
- ◆ When an accessible unit becomes vacant, before offering the unit to a non-handicapped individual, the owner/manager should offer the unit: first, to a current occupant of the project requiring the accessibility feature; and second, to an eligible qualified applicant on the waiting list requiring the accessibility features.
- ◆ The standards for ensuring compliance with Section 504 are the Uniform Federal Accessibility Standards, although deviations are permitted in specific circumstances.

Provide Program Accessibility

- ◆ Individuals with handicaps must be able to find out about, apply for, and participate in federally-assisted programs or activities.
- ◆ Special communication systems may be needed for outreach and ongoing communication (e.g., Telecommunications Devices for the Deaf (TDD), materials on tape or in Braille, accessible locations for activities and meetings.)
- ◆ Policies and procedures must be non-discriminatory (e.g., housing providers may not ask people with handicaps questions not asked of all applicants, screen individuals with handicaps differently or assess an individual's ability to live independently).

Refer to 24 CFR Part 8 for the regulations effectuating § 504 of the rehabilitation Act of 1973, as amended.

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development
Community Planning and Development

Vol. 1 No. 6

February 24, 1998

Office of Affordable Housing Programs

Q. How should I set up an activity and commit funds in IDIS under HOME to purchase, rehabilitate, and rent out homes at different locations? Is there a way to set up and fund this activity without knowing the addresses of the properties? Can one activity have more than one property address? Would the same process work for a first-time homebuyer program which provided HOME assistance at different locations?

A. Under HOME regulations, funds cannot be committed to a project until a written legally binding agreement has been executed for the identifiable property(ies). Therefore, no HOME funds can be committed for a rental or homeownership project until address information is available.

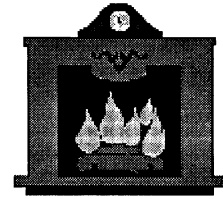
If the scattered site rental units do not share ownership, management, and financing, each property address will constitute a separate HOME "Project" and must be set up as a separate activity in IDIS. Each activity must also be separately funded in IDIS.

Multiple scattered site rental properties can be considered a single project under HOME and be entered as one activity in IDIS, if all properties will be under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking. At set up in IDIS, the owner's information and at least one property address must be available. The Total HOME Funds Requested field on IDIS screen C04MH02 (Homeowner/Rental Assistance Setup) must contain the total HOME funds needed to fund all scattered site properties included in the activity. This will establish the limit on the amount which can be funded for the activity from HOME through IDIS. At completion, screen C04MH12 (HOME Rental Housing Location/Address) is used to identify all the specific scattered site properties which constitute the single activity.

Most first-time homebuyer assistance will be considered separate projects under HOME and be recorded as separate activities in IDIS. Only when the project involves multi-unit homeownership assistance can there be a single project under HOME and one activity in IDIS to cover multiple addresses. This occurs only when assistance is provided to two or more

homebuyers in a project which is on land held in single ownership prior to project completion (such as a subdivision or condominium). At completion, all the unique condominium or subdivision property addresses are entered on screen C04MH12 (HOME Multi-unit Location/Address).

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 1 No. 8, July 1, 1998

Q. What is an Individual Development Account (IDA)? And can HOME funds be used for them when buying a home is the goal?

A. Individual Development Accounts are savings accounts which provide a way to accumulate the necessary cash to meet an important life goal -- for education, start up capital for a small business, or a downpayment for a home. These funds are often matched by foundation grants, employer contributions and public funds. The account holder often participates in courses to learn how to manage their finances more effectively.

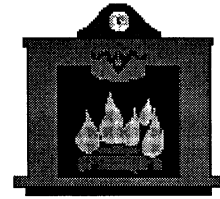
HOME Program funds may be used as a source of matching funds to an IDA when the objective is purchasing a home and the account holder is income eligible i.e. at or below 80% of area median income. Following the requirements at 24 CFR 92.254, a State or local participating jurisdiction may choose to use their HOME funds in this way as a variation on a downpayment and closing cost program. Since statutorily HOME funds must be invested in affordable housing within 15 days of drawdown from the Treasury, a participating jurisdiction would commit HOME funds to an eligible homebuyer at the inception of the IDA but would make the HOME funds available at the time the homebuyer was ready to purchase a home. The promise of matching funds using HOME would be fulfilled at the point that the homebuyer had saved the necessary amount and was ready to purchase a home. At that point, HOME funds would be disbursed to effect the sale.

The uniqueness of IDAs is that they help to motivate people to save to own a home. Matching financial support through public, foundation and employer assistance reinforces the motivation to personally save. Credit and homebuyer counseling provides real tools to ensure the goal of homeownership is achieved and continues successfully in the future. Encouraging local lender participation in the IDA program will be critical as they provide first mortgages to families who successfully reached their IDA savings goals. Local lenders will be important partners in this new homeowner initiative.

Individual Development Accounts using HOME funds are one more way that homeownership becomes an attainable goal for lower-income families.

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 1 No. 9, August 1, 1998

Q. What are the HOME and other Federal requirements that apply to property receiving HOME downpayment assistance?

A. The HOME Program has become an increasingly popular source of funds to assist new homebuyers with downpayment and closing costs. During Fiscal Year 1997, 20,678 units were acquired using HOME funds, representing 23.2% of HOME funds used last year. Based on widespread use of HOME money for downpayment assistance, it is important for participating jurisdictions (PJs) to review their program designs to ensure that they meet HOME Program requirements relating to property values, eligible applicants and the recapture/resale provisions. In addition to these requirements, there are HOME and other Federal requirements that apply to the properties being acquired through downpayment assistance programs.

PROPERTY STANDARDS

Each property acquired with HOME downpayment and closing cost assistance is subject to the HOME property standards in 24 CFR 92.251. These properties must meet all applicable State and local housing quality standards and code requirements. If there are no such standards or code requirements, the housing must meet the Housing Quality Standards in 24 Code of Federal Regulations (CFR) 982.401.

ENVIRONMENTAL REQUIREMENTS

Acquisition of single family properties is a categorically excluded activity. This means that an activity does not have a significant effect on the environment and does not require an environmental assessment or environmental impact statement. Categorically excluded projects must still comply with non-NEPA (National Environmental Policy Act) statutes and regulations and the ERR (Environmental Review) must document this compliance. Single-family acquisition includes projects which involve an individual action on a one- to four-family dwelling or a project of five or more units on scattered sites more than 2000 feet apart. (See 24 CFR 92.352 and CPD Notice 94-18)

RELOCATION

PJs must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of a project assisted with HOME funds. For downpayment and closing cost programs, the PJ must inform the seller of property, in writing, that the prospective homebuyer does not have the power of eminent domain and, therefore, will not acquire the property if negotiations fail to result in an amicable agreement. The seller must also be informed, in writing by the PJ, of the estimate of the fair market value of the property.

If the property being considered by the prospective homebuyer is tenant-occupied, the tenant must be provided relocation assistance. That assistance includes advisory services, certain

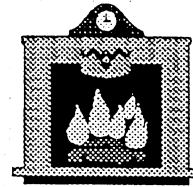
notices, moving expenses, and replacement housing assistance. Replacement housing assistance consists of either rental assistance or downpayment assistance if the tenant wishes to become a homeowner. (24 CFR 92.353, 49 CFR 24.101)

LEAD-BASED PAINT

The HOME lead based paint (LBP) requirements apply to all activities including acquisition not involving rehabilitation (e.g. downpayment assistance programs.) In each unit receiving HOME assistance, all intact and nonintact interior and exterior surfaces in HOME-assisted projects must be inspected for presence of defective paint, i.e. cracking, scaling, chipping, peeling, or loose paint. Where defective paint is found, it must be treated to eliminate immediate hazards. At a minimum, treatment is removal of the defective paint and repainting of the surface. More details on HOME-project LBP requirements are contained in HOMEfires Volume 1, No. 7, April, 1998.

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Affordable Housing
Community Planning and Development
HUD Home Page

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Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development
Community Planning and Development

Vol. 1 No. 10

December, 1998

Office of Affordable Housing Programs

Q: How will the recently passed Quality Housing and Work Responsibility Act of 1998 affect income eligibility requirements for participants in HOME-funded lease-purchase housing programs?

A: Section 599B of the Quality Housing and Work Responsibility Act of 1998 amends Title II, Section 214(2) of the Cranston-Gonzalez National Affordable Housing Act by striking “at the time of occupancy, or at the time funds are invested, whichever is later,” from the statute. The Act removes the provision that HOME-assisted homebuyers must requalify as income eligible at the time of occupancy or when the HOME funds are invested whichever is later. The new language reiterates the current language for existing housing but establishes a new standard for lease-purchase or contract-to-purchase housing to be constructed for qualifying HOME-assisted homebuyers as income eligible:

- A. In the case of a contract to purchase existing housing, at the time of purchase;
- B. In the case of a lease-purchase agreement for existing housing or for housing to be constructed, at the time the agreement is signed; or
- C. In the case of a contract to purchase housing to be constructed, at the time the contract is signed.

While the amendment is effective as of October 21, 1998, the Department will amend the HOME regulation regarding these provisions, 24 CFR 92.254(a)(7), to be consistent with this statute.

With this amendment to the HOME Program, participating jurisdictions will no longer have to disqualify homebuyers on the basis of income during an extended lease-purchase or construction contract period. On a number of occasions, families who had originally qualified for HOME assistance subsequently became ineligible due to a family member finding work, or an already-employed family member receiving a raise in wages. Months of hard work that had gone into acquiring and/or rehabilitating property, as well as preparing the family to assume the responsibility of homeownership were for naught, in addition to penalizing families for making any forward economic progress. The amended language ensures that assistance goes to those who need it at the time they apply, as well as ensuring that months of hard work on the part of the PJ and the homebuyer are neither wasted nor penalized.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-7000

OFFICE OF THE ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

NOV 23 1998

MEMORANDUM FOR: All CPD Division Directors
All HOME Participating Jurisdictions
All SHOP Grantees

FROM:  Kenneth C. Williams, Deputy Assistant Secretary for Grant Programs, DG

SUBJECT: Impacts of the 1999 Appropriations Act on HOME and SHOP

The purpose of this memorandum is to inform you of the changes that the recently enacted Appropriations/Quality Housing and Work Responsibility Act of 1998 [the Act] made to the HOME Investment Partnerships Program and the Self-Help Housing Opportunity Program [SHOP]. The Act is Public Law 105-276. The provisions discussed below became effective as of October 21, 1998. Some of these issues require further consideration or legal analysis. Headquarters will issue additional guidance to clarify these areas once the necessary review is completed. I have also listed one change that does not directly impact the regulations of these programs, but which does relate to HOME.

HOME PROGRAM ISSUES

1. *Appropriation (Title II)*: HOME received an FY 1999 appropriation of \$1,600,000,000. This is an increase from FY 1998's 1,500,000,000. From the FY 1999 appropriation, \$29,000,000 is set-aside for technical assistance, \$7,000,000 is set-aside for management and information systems, and \$17,500,000 is set-aside for housing counseling.

2. *Income Caps for High Income Areas (Section 590)*: Pursuant to Sections 104(10), 214 and 215 of NAHA, the Department caps the income limits in areas with unusually high incomes at an amount based on the national median income. These caps apply to both HOME and CDBG. In FY 1998, there were 98 HOME PJs that had such caps imposed. The Appropriations Act directs the Secretary to grant exceptions to not less than 10 such grantees to allow those jurisdictions to use the true 80 percent of area median incomes as their income cap for HOME and CDBG. The Department is in the process of determining how to implement this exception. The result will be that no fewer than 10 CDBG Grantees and HOME PJs (metro-cities and urban counties) in high income areas will have higher income limits than would otherwise be the case. Once the Department grants these exceptions, Headquarters will notify the appropriate Field Offices and grantees/PJs.

3. *Determining Income Eligibility for Homebuyers (Section 599B)*: The Act removes the provision that HOME-assisted homebuyers requalify as income eligible at the time of occupancy or when the HOME funds are invested whichever is later. The new language establishes the following timing for qualifying HOME-assisted homebuyers as income eligible:

- A. In the case of a contract to purchase existing housing, at the time of purchase;
- B. In the case of a lease-purchase agreement for existing housing or for housing to be constructed, at the time the agreement is signed; or
- C. In the case of a contract to purchase housing to be constructed, at the time the contract is signed.

While the amendment is effective as of October 21, 1998, the Department will amend the HOME regulation regarding these provisions, 24 CFR 92.254(a)(7), to be consistent with this statute.

4. *Repeal of Federal Preferences (Section 514)*: The Act repeals the Federal preferences established for selection of public housing residents and provides for a system of establishing local selection preferences. Although the Federal Preferences have been suspended for the past several years, the HOME regulations at 24 CFR 92.209(c) currently require that criteria for selecting recipients of HOME funded tenant-based rental assistance be reasonably related to the Federal preferences. Based on this permanent change effective as of October 21, 1998, the Department will amend HOME regulations to eliminate reference to Federal preferences.

5. *Prohibition Against Use of HOME for Public Housing Activities (Sections 519 and 522)*: An amendment to the National Affordable Housing Act [NAHA] has extended the prohibition against use of HOME funds for Public Housing Modernization and operating subsidy to cover new construction of public housing as well. The Section of NAHA prohibiting the use of HOME funds for Public Housing Modernization had referenced Section 14 of the United States Housing Act of 1937. The 1937 Act was amended, and the language dealing with public housing modernization was moved to Section 9(d)(1) along with other public housing activities. The citation reference in NAHA was amended to account for this change. However, the new citation reference covers all public housing activities rather than just modernization and operating subsidy.

The Department is seeking a correction to return the HOME eligible activities to what they were prior to this change. No new commitments of HOME funds can be made for public housing new construction until such a correction is enacted. Public housing authorities [PHAs] may still serve as subrecipients and use HOME funds for non-public housing units. A unit qualifies as a public housing unit if it receives public housing funds for development, or if it receives or will receive, upon construction completion, public housing operating subsidy. Any HOME funds committed by legally binding agreement prior to enactment of the Act, October 21, 1998, are not affected by this change.

6. *Waivers/Exemptions for Individual PJs*

- A. *Bismarck, ND (Section 216 and 599H)*: The City of Bismarck, North Dakota was granted an exemption from the prohibition against using HOME funds for the modernization of public housing for the purpose of rehabilitating the Crescent Manor public housing development. Certain conditions apply.
- B. *Oxnard, CA (Section 217)*: The City of Oxnard, California was granted a waiver to allow the City to reimburse itself with HOME and CDBG funds for the cost of a specific property it purchased for the purpose of affordable housing.

SHOP PROGRAM ISSUES

1. *Appropriation (Title II)*: SHOP received a FY 1999 appropriation of \$20,000,000 to be distributed on a competitive basis to SHOP eligible grantees (national or regional non-profit self-help organizations). The FY 1998 appropriation was \$16,700,000. An additional \$7,500,000 was appropriated for capacity building among local Habitat for Humanity affiliates.

2. *Programmatic Changes (Section 599E)*

- A. *Allocation of Funds*: The Act removes the preference previously given to Habitat for Humanity. The Department will announce availability of all FY 1999 SHOP funds as part of the FY 1999 SuperNOFA, and award funds competitively according to the criteria presented therein.
- B. *Expenditure Deadline for FY 1996 and FY 1998 Grantees*: SHOP grantees that receive funds from the FY 1996 and FY 1998 appropriations are provided an extension of the deadline from 24 to 36 months.
- C. *Funding for Administrative Expenses*: Although SHOP's authorizing statute does not include administrative costs as an eligible use of funds, the 1999 appropriation provides that up to 20 percent of any SHOP grant may be used for planning and management development and administrative expenses. The 1998 SHOP appropriation contained a similar provision.

RELATED CHANGE

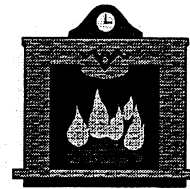
Exclusion of HOME and CDBG from PHA Total Development Costs (Section 520): When calculating the total development costs of public housing development projects undertaken by a PHA, the Department will no longer include funds provided under CDBG and HOME. This calculation determines the maximum amount a PHA may commit to certain development projects, and it also affects a PHA's annual contribution from HUD. This change impacts only public housing development activities, not all housing development activities undertaken by PHAs. By removing HOME and CDBG from the TDC calculation, these programs may become more attractive development

resources for PHAs undertaking public housing development projects. However, as a result of the change discussed in number five above, which prohibits the use of HOME in public housing development projects, this change is not possible with regard to the use of HOME funds until Section 519 is amended.

ADDITIONAL INFORMATION

HOME PJs requiring further information on any of these issues should contact their local HUD CPD Office. Questions from local CPD Offices should be addressed to the appropriate Desk Officer in the Office of Affordable Housing Programs, (202) 708-2685.

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development
Community Planning and Development

Vol. 2 No. 1 March, 1999

Office of Affordable Housing Programs

Q. What are eligible CHDO activities in the HOME program?

A. A Community Housing Development Organization (CHDO) is a private nonprofit, community-based organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves, and meets the definition at 24 CFR 92.2. Participating jurisdictions (PJs) must set aside a minimum of 15 percent of their HOME allocations for housing development activities in which qualified CHDOs are the owners, developers, and/or sponsors of the housing.

CHDOs, as owners, must hold title to or have a long term lease in a given housing property. Additionally, a CHDO developer may own and develop a property or have a contractual obligation to a property owner to develop a project. Finally, a CHDO sponsor develops a project that it solely or partially owns and agrees to convey ownership to a second nonprofit that retains ownership for the purpose of providing affordable housing to low-income renters. The distinction between being a sponsor and a developer is that CHDO sponsors have an ownership interest in the property prior to the development phase, and then transfer title to another legally and financially separate nonprofit at a pre-determined time. The CHDO sponsor must provide sufficient resources to the second nonprofit organization to ensure the completion of the development and long-term operation of the project.

The CHDO set-aside provides equity for community-based organizations to undertake projects, build their capacity to serve a broad range of affordable housing needs, and provide guaranteed resources for affordable housing development. Using the 15-percent set-aside, a CHDO acting as an owner, sponsor, or developer may undertake any of the following: acquisition and/or rehabilitation of rental housing, new construction of rental housing, acquisition and/or rehabilitation of homebuyer properties, new construction of homebuyer properties, and direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds (See Chart 1). However, activities which a CHDO

may not undertake using the 15-percent CHDO set-aside include rehabilitation of existing homeowners' properties, and tenant-based rental assistance, and providing downpayment assistance unless the project was developed using CHDO set-aside funds.

CHDOs may also act as subrecipients with non-set-aside funds by undertaking all other HOME-eligible activities including tenant-based rental assistance (TBRA), homeowner rehabilitation, providing down payment or closing assistance, and brokering or other real estate transactions that are not counted towards the set-aside. A CHDO may also serve as a subrecipient when it is selected by the PJ to administer specific aspects of its HOME program or the entire program. When acting as a subrecipient, a CHDO may not fund its own projects (when it is acting as owner, sponsor or developer) from the funds it has been charged to administer by the PJ.

Additional guidance on the use of CHDOs is provided in CPD Notice 97-11, CPD Notice 97-09, and HUD CPD Notice 96-09. The Final Rule contains regulatory guidance on CHDOs at 24 CFR 92.2 and 92.300-303.

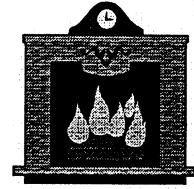
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You may obtain additional information on the HOME program from our website at <http://www.hud.gov.cpd/home/homeweb.html>.

CHART 1: ELIGIBLE CHDO ACTIVITIES

	ELIGIBLE CHDO SET ASIDE ACTIVITIES			ELIGIBLE CHDO SUBRECIPIENT ACTIVITIES
	CHDO Developer	CHDO Sponsor	CHDO Owner	CHDO Subrecipient
ELIGIBLE ACTIVITY				
Acquisition/rehabilitation of rental housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓
New construction of rental housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓
Acquisition/rehabilitation of homebuyer properties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓
New construction of homebuyer properties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓
Direct financial assistance (i.e. downpayment and closing costs) to purchasers of HOME-assisted homebuyer housing owned, sponsored or developed by a CHDO with HOME funds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓
Tenant-based rental assistance (TBRA)				<input type="checkbox"/>
Homeowner rehabilitation				<input type="checkbox"/>
Provision of down-payment or closing cost assistance				<input type="checkbox"/>
Brokering or other real estate transaction when CHDO acts as a conduit for HOME funds				<input type="checkbox"/>

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program
Department of Housing and Urban Development
Community Planning and Development

Vol. 2. No. 2

April 1999

Office of Affordable Housing Programs

Q: Occasionally members of PJ, State recipient and subrecipient staffs serve as board members of CHDOs and other nonprofit organizations that receive HOME funding for the provision of low-income housing. What are the HOME **conflict of interest** provisions that apply to persons serving on these boards?

A: Questions frequently arise from the involvement of board members serving in various capacities that cause HUD Field Offices, PJs, State recipients, subrecipients and their staffs to question whether a conflict of interest exists when there is no financial benefit or personal financial interest. The conflict of interest provisions in the HOME final rule at 24 CFR 92.356 cover only financial conflicts of interest. While the rule covers only financial conflicts of interest, PJ staff need to be cognizant of the appearance of conflict or preferential treatment of nonprofits or CHDOs on whose boards they serve. This issue of HOMEfires discusses and provides guidance on both financial conflicts as well as appearances of conflicts.

The conflict of interest provisions apply to an employee, agent, consultant, officer or elected or appointed official of the PJ, State recipient or subrecipient that is receiving HOME funds in which that individual could obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in a contract, subcontract or agreement or receive proceeds, either for himself or herself or those with whom he or she has family or business ties during the individual's tenure and for one year after employment. HUD CPD Notice 98-09 delineates the application of conflict of interest provisions when a financial interest or benefit exists.

Although an individual may have direct knowledge of or a responsibility for HOME program activities in his or her capacity as a local government official or staff person, unless the individual receives a financial benefit or gain for himself or herself or those with whom they have family or business ties from a HOME-funded activity, there would be no conflict of interest in serving as a board member of a nonprofit recipient. Likewise, an individual may be a board member of a nonprofit that receives HOME funding and also serve as an officer or board member of a lending institution that is involved in the development of low-income housing with the nonprofit. Again, unless there is a financial benefit or gain to that individual or someone with whom they have family or business ties, there would be no conflict of interest in serving in both capacities. Similarly, there would be no conflict of interest if a person serves on an

advisory committee to a CHDO and is a board member of a nonprofit that is also a subrecipient, unless the board member receives a financial benefit from a HOME funded activity.

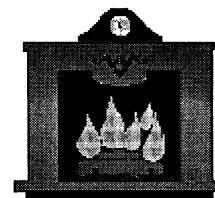
While the standard to determine a conflict of interest is predicated on receiving a financial benefit or having a personal financial interest, participating jurisdiction staff who serve on nonprofit or CHDO boards of directors should be sensitive to the perception that the organization, on whose board they serve, has a favored or preferential status when the organization receives HOME funds as either a subrecipient or as an owner, sponsor or developer. The appearance of one organization having a favored status in accessing HOME funds can be countered in many ways, including a free and open solicitation process inviting all eligible, qualified organizations to submit in response to a well-developed scope of work or project proposal, which includes clearly enunciated selection criteria. PJ staff could mitigate the appearance of a conflict by choosing to absent themselves from the review or selection process when a proposal or program is being competed, as well as publicly disclosing board relationships. Awareness of public perception will inform State or local PJ staff about how best to involve themselves and minimize adverse or negative consequences, which may impede the ultimate goal of the program, i.e. the development of affordable housing in an efficient, cost effective, and timely manner.

The Department removed the reference to “personal” conflicts of interest in the CDBG interim rule issued on June 17, 1992, thereby limiting the prohibition to situations that provide a financial interest or benefit. The preamble to the interim rule stated, “Many grantees make a practice of designating some of their elected or appointed officials to serve on the boards of non-profit organizations that operate in areas they consider to be in the public interest...HUD believes that this kind of public participation often is beneficial and should not be discouraged.” The preamble to the CDBG final rule issued on November 9, 1995, which incorporated the change in the interim rule further reiterated that “HUD believes the conflict rules should be limited to the prohibition of situations that provide a financial interest or benefit.” While an important purpose of the conflict of interest rule is to protect the reputation of the program from the appearance of providing special treatment or serving special interests, the Department has not issued policy on non-financial conflicts of interest because of the difficulty in identifying clear criteria that would serve to distinguish the kinds of personal interest or benefits that should be prohibited in such cases. In addition, the Department would not want to have a chilling effect on the many strong collaborative efforts among State and local governments, private organizations and community representatives so integral to affordable housing and community development.

There may be situations similar to these stated here. Each situation should be viewed independent of each other. In all instances, PJs, State recipients, and subrecipients have responsibility under Parts 84 and 85, as applicable, and 24 CFR 92.356 to ensure that no conflicts of interest exist in the administration of their HOME programs.

You may obtain additional information on the HOME program from our website at <http://www.hud.gov/cpd/home/homeweb.html>.

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 2 No. 4, September 1999

Q. What are the HOME income, rent, per-unit subsidy and purchase price/after rehab value limits that apply to my community? Where can I find the latest limits?

A. The goal of the HOME program is to provide standard housing at an affordable cost to low income persons. To accomplish this goal, the HOME program regulations establish four types of limits: HOME Income Limits, HOME Rent Limits, HOME Per-Unit Subsidy Limits and HOME Purchase Price or After-Rehab Value Limits. These limits vary for each participating jurisdiction.

HOME Income Limits and HOME Rent Limits are prepared annually for the HOME program. New limits are generally issued in January, and are effective thirty days after the date of the transmittal memorandum. A comprehensive list of the HOME Income Limits and HOME Rent Limits can be found at the following HUD HOME program web pages:

[Income Limits](#)

[Rent Limits](#)

HOME Per-Unit Subsidy Limits are based on the [Section 221\(d\)\(3\)](#) limits for elevator-type projects. The limits are determined by HUD's Office of Multi-Family Housing Programs. There is no comprehensive list of these limits. The latest limit for a particular jurisdiction must be obtained from the applicable [HUD Multi-Family Housing Hub Office or Program Center](#). Limits for certain "base cities" can also be found on HUD's web page.

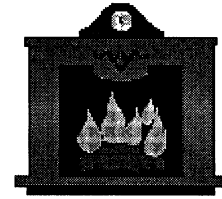
HOME Maximum Purchase Price or After-Rehab Value Limits are based on the [203\(b\) Single Family Mortgage Limits](#). Participating jurisdictions also have the option of determining their own limits in accordance with the procedures set forth in the HOME regulations at [24 CFR 92.254](#). Limits for certain "high cost areas" can be found through this link as well. The 203(b) limits are determined by HUD's Office of Single Family Housing. There is no comprehensive list of these limits. The latest limit for a particular jurisdiction must be obtained from the applicable [HUD Single Family Homeownership Center \(HOC\)](#).

Attached is a more detailed "[HOME Program Limits Reference Guide](#)" describing the various HOME requirements, how the limits are calculated and where the latest limits can be found. A "[HOME Program Limits Quick Reference Guide](#)" is also provided.

You may obtain additional information about the HOME Program from the [HOME Program web page](#).

Community Connections
HOME Publications

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 2 No. 5, April 2000

Q. I have heard a great deal about the IDIS HOME data clean-up effort, why is this endeavor such a priority for HUD? What is quality data and how can I assist HUD in its effort to improve the reliability of HOME program information in IDIS?

A. After an internal review of IDIS data revealed numerous redundant, missing and erroneous entries, the Office of Affordable Housing Programs launched a major initiative to improve the quality of HOME program data. HUD requires reliable IDIS information for many purposes, including reporting to Congress, monitoring financial information, tracking program performance, and identifying grantee and program needs. In essence, IDIS data drives the Department's programmatic decision-making process; decisions that directly affect each HOME PJ.

Initiated in July 1999, the IDIS HOME data clean-up effort has enlisted the assistance of Headquarters and Field Office staff, as well as each of the 542 HOME Participating Jurisdictions. Unfortunately, only 328 PJs have completed this vital clean-up effort as of April 21, 2000. HUD's Office of Affordable Housing Programs is still requesting the assistance of the remaining 214 PJs. The reliability of the HOME IDIS data hinges on these 214 PJs reviewing, updating, and correcting their HOME program information.

Ensuring data quality in IDIS, or in any data collection effort for that matter, is necessary for accurate analysis and evaluation. Just think of all the relatively mundane daily activities that rely on accurate data - zip codes, grocery store price scanners, email addresses, bank ATM pin numbers, and telephone numbers. If even one digit is entered incorrectly, your mail is sent to the wrong town, you are charged thirty cents more for a loaf of bread, your urgent email never reaches its intended recipient, you cannot access your bank account, and the telemarketer cannot reach you with that important credit card offer of 3.5% APR. (Oops make that 4.5% APR, the number was entered incorrectly.) You get the picture. Accurate data plays a major role in our daily living. IDIS is no different.

You can help the Office of Affordable Housing Programs ensure data quality in IDIS by carefully entering your HOME program information. Simple key stroke errors are one of the top causes of poor data quality in IDIS. A multifamily building that will house 10 families can easily become a 100 unit building with a quick and unknowing slip of the finger or sticky key pad. A little vigilance during data entry can save a great deal of time and effort at a later date.

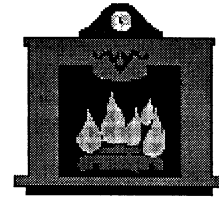
Other common mistakes include duplicate HOME activities and incomplete completion path information. Currently, HOME units are erroneously high due to double counting -- a direct result of duplicate HOME activities being entered into the system. All duplicate HOME activities must be deleted. In the completion path, occupancy data are often obsolete. There are a significant number of HOME assisted rental units with occupancy information reported as "vacant." All occupancy information should be updated once a unit is leased. In addition, HUD has discovered more than 1,000 activities with completion information, yet no project funds have been drawn. PJs are entering completion information prior to project conclusion. Many of these projects are

subsequently canceled, yet the inaccurate data remains. PJs should only enter completion path data once the activity is complete.

The above examples are just a few of the many data errors that can occur in IDIS. Other errors-such as IDIS' failure to accept decimal points in the completion path resulting in dollar figures one hundred times what they should be - are system-related flaws that HUD is currently addressing. These system improvements, in conjunction with careful data entry and review, can assist HUD and the Office of Affordable Housing Programs in making IDIS a reliable database for the HOME program.

Community Connections
HOME Publications
HOMEWeb
Affordable Housing
Community Planning and Development
HUD Home Page

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 1, January 2001

Q. What are written rehabilitation standards and what is their function in the HOME Program? How do they differ from property standards?

A. Property Standards are the housing quality standards used to determine whether a housing unit is decent, safe and sanitary. They are the standards against which the actual physical condition of a property are judged in the inspection process. Using the property standard as a baseline, a housing inspector determines the scope of rehabilitation necessary to address the physical deficiencies of a unit. The HOME final rule (§92.251(a)(1)) requires that every unit being rehabilitated with HOME funds meet one of the following standards:

Local housing code; or

The articles on property or sanitary standards in one of three model codes (Uniform Building Code (ICBO), the

National Building Code (BOCA), or the Standard (Southern) Building Code (SBCCI), or

The Council of American Building Officials (CABO) one or two family code; or

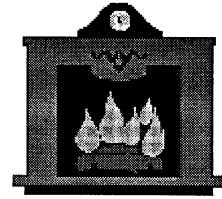
The Minimum Property Standards (MPS) in 24 CFR 200.925 or 200.926.

Written Rehabilitation Standards establish the standards for the rehabilitation work that will bring substandard housing into compliance with the property standard. The written rehabilitation standard prescribes the methods and materials to be used in rehabilitation. The written rehabilitation standards are sometimes referred to as "specs", or specifications, and include details such as the grade of lumber to be used, the number of nails per square foot, the type of material that can or cannot be used for doors serving as fire exits, the distribution pattern and material of roofing tiles, etc.

The written rehabilitation standard provides a common basis for contractor bids. This is particularly important because, by ensuring that all contractors are bidding work using identical methods and materials, it enables the HOME participating jurisdiction (PJ) to make an accurate determination of the cost reasonableness of bids. By holding all contractors to a single rehabilitation standard, consistent, high quality rehabilitation work is assured. The HOME final rule requires each PJ to adopt written rehabilitation standards for rehabilitation work assisted with HOME funds.

Building codes are the legal regulations that each city and state enacts and enforces for all new and old buildings, including homes. Building codes often include property standards, new construction specifications, and rehabilitation standards. The "rehabilitation" of "existing building" chapters of local building codes indicate which parts of the rest of the code (the new construction specifications) you must follow in order to meet the "property standards." Most model building codes already include some rehabilitation codes (sometimes called "existing building" codes). If your local code does not have "rehabilitation" or "existing building" chapters, the three model building codes as well as HUD's Nationally Applicable Recommended Rehabilitation Provision (NARRP) are helpful guides.

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 2, February 2001

Q. The HOME Final Rule states that each Participating Jurisdiction must perform on-site inspections of HOME-assisted rental housing. How frequently should these inspections be performed? How should each PJ determine the number of units that must be inspected?

A. During the affordability period, HOME-assisted rental projects must be inspected regularly to ensure that they continue to meet or exceed the property standards outlined in 24 CFR 92.251. Section 92.504 (d)(1) of the HOME final rule establishes a schedule for on-site inspections based on the total number of units in the project. The schedule is as follows:

Projects containing one to four units must be inspected every three years;
Five to twenty-five unit projects must be inspected every two years; and
Projects with twenty-six or more units must be inspected annually.

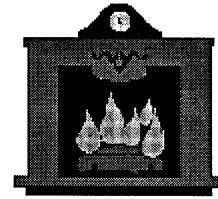
Please note that it is the total number of units in the project rather than the number of HOME-assisted units that determines the monitoring schedule.

Section 92.504 (d)(1) also states that the inspections must be based on "a sufficient sample" of units. The Office of Affordable Housing has recommended that each PJ adopt the standard practice of inspecting fifteen to twenty percent of the HOME-assisted units in a project, and a minimum of one unit in every building. For larger projects, a sample of ten to fifteen percent of units should be sufficient. If compliance problems are identified in sample units, the PJ should inspect the remaining units to ensure that all HOME-assisted units comply with established property standards.

In addition to performing a physical inspection, Section 504 (d)(1) requires PJs to verify information submitted by the owner (e.g., with respect to rents and income) as part of the on-site monitoring.

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 3, March 2001

Q. May Participating Jurisdictions use Section 8 "exception rent limits" as the basis for determining HOME program rents? What is the difference between "exception rent limits" and HOME "rent exceptions"?

A. Section 8 "exception rent limits" do not apply to the HOME program and cannot be used to determine the maximum HOME program rents. Unfortunately, the "Building HOME" training manual contains an error in Chapter 6, page 6-11 which states that communities may use the Section 8 "exception rent limits". This error has been corrected in current versions of the manual.

The rent limits which Participating Jurisdictions may use for HOME-assisted rental units are those which HUD establishes each year for the HOME program. There are two types of rent limits - "High HOME Rent Limits" and "Low HOME Rent Limits." These rent limits are provided to HUD Field Offices and Participating Jurisdictions, generally in February or March. The HOME rent limits are also available on the HOME program web page at <http://www.hud.gov/cpd/home/limits/rent/rentlimt.html>. The HOME regulations at 24 CFR 92.252 describe the methods HUD uses to establish the HOME rent limits.

Note that the HUD established HOME rent limits do not apply to HOME-assisted units which also receive Federal or State project-based rental subsidies, are occupied by very low-income families and the very low-income families do not pay as a contribution towards rent more than 30 percent of the family's adjusted income. In this case the maximum rent (i.e. tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based subsidy program in accordance with 24 CFR 92.252 (b)(2).

Section 8 "exception rent limits" apply to HUD's Section 8 rental assistance programs. HUD may approve Section 8 exception rent limits for a community if HUD determines that certificate or voucher holders can not locate housing bearing rents within the established Fair Market Rent (FMR) standards. Exception rents may be approved on an area-wide basis or as a reasonable accommodation for persons with disabilities. The Section 8 regulations at 24 CFR 982.504 describe the methods for determining Section 8 exception rent limits.

HOME "rent exceptions" are rent adjustments that HUD approves for an individual HOME project in order to support the project's continued financial viability. 24 CFR 92.252(g) authorizes such rent adjustments. Notice CPD-94-20 dated July 25, 1994, "Rent Exceptions for HOME-Assisted Rental Projects" describes the procedures to be followed.

HUD expects that the exception authority under 24 CFR 92.252(g) will be used sparingly since HOME program rents help ensure that the rents charged for HOME-assisted units are affordable to low- and very-low income families. Only those HOME projects which demonstrate serious financial distress due to conditions which were unforeseen or beyond the control of the owner will be considered. As a general rule, rent exceptions may not exceed 120 percent of the applicable HOME program rents. Rent exceptions are approved by the local HUD Field Office and are valid

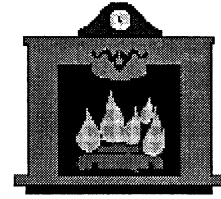
for two years. HUD may extend rent exceptions for an additional two years under limited circumstances. If longer-term steps are needed, HUD expects that the owner and Participating Jurisdiction will identify a more permanent form of financial relief.

Notice CPD-94-20 discusses in more detail the criteria for issuing rent exceptions, presents the steps Participating Jurisdictions must follow in applying for rent exceptions, and outlines the procedures HUD Field Offices will use in reviewing and approving rent exceptions applications. Applications for HOME rent exceptions can only be made by the Participating Jurisdiction. Before requesting a rent exception, a Participating Jurisdiction should become familiar with the regulations at 24 CFR 92.252(g) and Notice CPD-94-20.

Because the terms "exception rent limits" which apply to the Section 8 rental programs and "rent exceptions" which apply to the HOME program sound similar, it is easy to confuse them. Participating Jurisdictions and their recipients, subrecipients and subgrantees, must be careful to use only the latest HUD-established HOME program rent limits, except when written HUD approval has been granted for specific HOME "rent exceptions" to be used for an individual project, or the project receives a Federal or State project-based rental subsidy and meets the very low-income requirements of 24 CFR 92.252(b)(2).

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[Affordable Housing](#)
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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

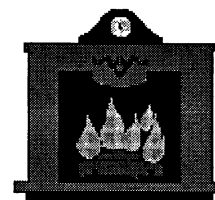
Vol. 3 No. 4, March 2001

Q. Are back taxes, fees or charges an eligible project soft cost for a project being acquired or rehabilitated with HOME funds?

A. HOME funds may not be used to pay for delinquent taxes levied on a property that will receive HOME assistance. Delinquent property taxes, construction liens and similar encumbrances are obligations incurred by the property owner prior to the purchase or rehabilitation of the property with HOME funds, rather than costs associated with the acquisition or rehabilitation of the property. In an acquisition, the seller may use the proceeds of a HOME assisted purchase to satisfy these liens and deliver clear title to the purchaser. However, the purchase price may not be artificially inflated (i.e., above fair market value) so that proceeds will be available to pay these costs.

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[HOMEWeb](#)
[Affordable Housing](#)
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[HUD Home Page](#)

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 5, April 2001

Q. The definition of "commitment" in the HOME Final Rule states that, when a PJ commits funds to a specific project, there must be a reasonable expectation that construction will begin within twelve months for rehabilitation or, for acquisition only projects, be transferred within six months. Does this mean that projects that do not meet this requirement are ineligible and must be canceled?

A. The definition of commitment found at 24 CFR 92.2, when referring to a specific local project, states that rehabilitation or new construction (with or without acquisition) must reasonably be expected to start within twelve months:

after the participating jurisdiction (PJ) and owner execute a legally binding written agreement, or

after the PJ set-up of the project in IDIS, for projects already owned by the PJ.

For projects consisting of acquisition of standard housing, the property title must be transferred within six months:

from the date that the property owner and PJ execute a legally binding contract for sale of a specific property, in cases where the PJ will purchase the property with HOME funds, or

from the date the PJ executes a legally binding agreement to provide HOME funds to a family acquiring a single family house or to a purchaser acquiring rental property.

The purpose of the HOME Program is to produce affordable housing. The regulations require that construction or rehabilitation be reasonably expected to start within twelve months, (six months for the acquisition of property). When committing HOME funds to a project, a participating jurisdiction must have immediate plans to produce such housing.

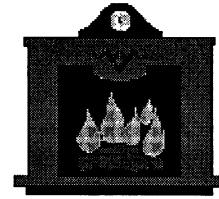
Failure to begin construction within twelve months or transfer title within six months for acquisition does not automatically necessitate the cancellation of the project or render it ineligible. Many circumstances beyond the PJ's control can cause delays, including lawsuits, unforeseen environmental issues, the loss of other financing, labor strikes, natural disasters and zoning issues. The PJ and the Field Office must use their judgment when deciding what course of action to take on a delayed project.

Participating Jurisdictions with projects experiencing significant delays must document their files of the causes for delays, and assess whether there is a likelihood that the project will go forward. A PJ should consider canceling a construction project nearing the end of the twelve month period or an acquisition-only project nearing the end of the six month period, if it does not appear that construction is likely to begin or transfer to occur within the required time frame or within a reasonable period thereafter. The PJ should also keep the Field Office informed of its concerns.

The Field Office will review the circumstances causing project delays and advise the PJ if the project should be canceled. Projects that have been canceled for this reason can be set-up again when they are ready to move forward. The Field Office, however, will make a finding if a PJ has committed HOME funds to a project when there was not a reasonable expectation that construction would start within twelve months for new construction and rehabilitation, or transfer take place within six months for acquisition. In such instances, the Field Office may require cancellation of the project if it remains unlikely

Community Connections
HOME Publications
HOMEWeb
Affordable Housing
Community Planning and Development
HUD Home Page

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 6, May 2001

Q. Why must HOME PJs, which are permitted to determine the start date of the program year for their HOME and other CPD programs, meet their HOME match obligations based upon the Federal fiscal year (October 1-September 30)?

A. Section 220 of the HOME Statute requires each PJ to make contributions on a Federal fiscal year basis. HUD has made several attempts to obtain a statutory change to allow compliance with the matching requirements to be measured on a program year basis. The Department will continue to pursue this legislative amendment.

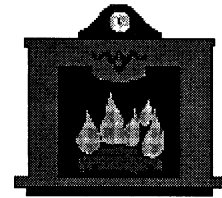
The match contributions must total not less than 25 percent of the funds drawn from the PJ's HOME Investment Trust Fund Treasury account in that fiscal year, excluding certain expenditures that are not required to be matched. These include administrative/planning costs; CHDO operating expenses; CHDO capacity building; CHDO site control, technical assistance and seed money loans for projects that do not go forward; fiscal year 1992 HOME funds; and amounts provided from sources other than State HOME funds to make up the shortfall between a local PJ's allocation and the threshold amount (24 CFR 92.102(b)).

Each Field Office must use IDIS to determine the fiscal year match liability of each of its PJs. This data is contained in report number CO4PR33, which displays a PJ's total fiscal year disbursements, those disbursements requiring matching funds, and the match liability amount. In turn each PJ must submit a HOME match report (form HUD-40107-A) as part of its Consolidated Annual Performance and Evaluation Report (CAPER). Field Offices must determine compliance with the matching requirements as part of the CAPER review. Because most PJs' program years do not correspond to the Federal fiscal year, the Field Office must review the two consecutive CAPER match reports which overlap the Federal fiscal year. The data can easily be extrapolated from the match reporting form, and match contributions made during the fiscal year can be accounted for. In this way PJs whose program years differ from the Federal fiscal year are not required to report match contributions separately from other program reporting.

PJs must maintain a match log to record their contributions (§ 92.508(a)(2)(ix)), and Field Offices are urged to develop a tracking system which records the fiscal year data.

Community Connections
HOME Publications
HOMEWeb
Affordable Housing
Community Planning and Development
HUD Home Page

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 7, May 2001

Q. Can HOME funds be used in conjunction with the homeownership option of the Housing Choice Voucher Program?

A. The Quality Housing and Work Responsibility Act (QHWRA) of 1998, which amended the U.S. Housing Act of 1937, at section 8(y) authorizes a homeownership option in the Housing Choice Voucher program. The Section 8 Homeownership Program Final Rule was published in the Federal Register on September 12, 2000. The rule allows a public housing agency (PHA) to provide tenant-based assistance to an eligible family that purchases a dwelling unit that will be occupied by the family.

HOME participating jurisdictions (PJs) and PHAs should be aware that HOME funds can be used in conjunction with the homeownership option of the Housing Choice Voucher program. If PJs and PHAs collaborate under this option, both HOME and the Housing Choice Voucher programs may benefit. PJ participation in the homeownership option can provide an opportunity for communities to advance the HOME Program's goal of strengthening public-private partnerships and expanding the supply of affordable housing. In addition, combining these funding sources can enable PJs and PHAs to leverage resources available for homeownership assistance. When combining funds, the requirements of both programs must be met.

HOME homeownership assistance can be provided in a variety of forms, including downpayment and closing cost assistance, loan guarantees, write-down of the sales price, interest rate buy-downs, etc. Assisted homebuyers must qualify as low-income and occupy the unit as a principal residence. The unit to be purchased must be modest housing, defined as having a sales price not exceeding 95% of area median purchase price. The unit must be subject to resale or recapture requirements that conform with the requirements of 24 CFR 92.254(a) and are described in the PJ's approved consolidated plan. The term of lease-purchase agreements is limited to 36 months.

A public housing agency administering the housing choice voucher may now provide such assistance for the purpose of assisting first-time homeowners in meeting their monthly homeownership expenses. The family must qualify as a first-time homebuyer, meet a minimum income requirement, have income from sources other than public assistance (except for elderly or disabled families), meet an employment requirement (with the exception of elderly and disabled families), complete a homeownership or housing counseling program required by the PHA, and meet any other requirements established by the PHA.

Because HOME homeownership assistance can take a number of different forms, a homeownership program funded with HOME and homeownership vouchers can be designed to best fit the needs of the community and the beneficiaries. Potential uses of HOME and the voucher homeownership option include:

A low- or very low-income family that lacks the upfront cash required for a purchase could receive HOME funds for downpayment and closing cost assistance and then voucher homeownership

assistance payments to meet monthly homeownership expenses such as the mortgage payment.

HOME funds could be used to guarantee or buy down the interest rate on the mortgage of a homeownership voucher recipient who has insufficient income to pay a mortgage with a market interest rate. Both the HOME funds and the voucher assistance will increase the creditworthiness of program beneficiaries, making available to them larger loans and more favorable loan terms than those for which they could otherwise qualify.

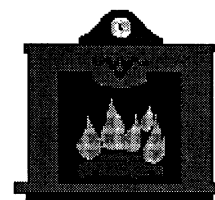
A homeownership voucher holder could purchase an affordable unit constructed or rehabilitated with HOME funds. Because of the HOME development subsidy, such units may be offered for sale at a price that is less than the fair market value of the property. The reduced sales price and the voucher homeownership assistance will make the unit more affordable to the buyer. (Note that the HOME Program affirmative marketing requirements at 24 CFR 92.351 must be met).

Both the voucher homeownership program and the HOME program have recapture requirements upon sale of the unit. Under the voucher homeownership program, if the family sells the unit in the first ten years the PHA will recapture out of the family's proceeds from the sale a percentage of the amount of assistance payments made on behalf of the family. The PHA considers the difference of the sales price and purchase price minus expenses such as any costs of the sale incurred by the family and any capital expenditures in determining the family's proceeds from the sale. For purposes of determining the amount of homeownership assistance subject to recapture upon sale of the unit in accordance with 24 CFR 982.640, any sale proceeds subject to HOME recapture provisions at 24 CFR 92.254(a)(5)(ii) are considered to be a cost incurred by the family in the sale of the home. This policy ensures that any HOME recapture is addressed before the PHA determines the voucher recapture amount that will be applied to the family's proceeds at the time of sale.

Implementation of the voucher homeownership option is fairly recent. More information regarding this initiative is available from the Section 8 homeownership webpage at <http://www.hud.gov/pih/programs/s8/s8homeownership.html>. Information on the HOME Program can be found on the HOME Program webpage at <http://www.hud.gov/cpd/home/homeweb.html>. The HOME Program final rule, also posted at this site, is located at 24 CFR Part 92.

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[Affordable Housing](#)
[Community Planning and Development](#)
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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 8, June 2001

Q. What changes have been made to the methodology for calculating Section 8 income limits? What impact will these changes have on the calculation of HOME income limits?

A. The HOME income limits are calculated using the same methodology that HUD uses for calculating the income limits for the Section 8 program, in accordance with Section 3(b)(2) of the U.S. Housing Act of 1937, as amended. These limits are based on HUD estimates of median family income, with adjustments based on family size. The Department's methodology for calculating nationwide median family income figures is described in Notice PDR-2001-01. Income limits are calculated for metropolitan areas and non-metropolitan counties in the United States and its territories using the Fair Market Rent (FMR) area definitions used in the Section 8 program. The very low-income limits have the most detailed statutory requirements, and therefore have been used as the basis for deriving the other income limits. "Very low-income" is defined as 50% of the median family income for the area, subject to specified adjustments for areas with unusually high or low incomes. The low-income limits for a 4-person household are calculated as 1.6 (i.e., 80%/50%) times the relevant 4-person very low-income limit.

Beginning in FY 2001 the Department is employing a new procedure for calculating very low-income limits for its programs. This change is tied to a corresponding change in the calculation of Fair Market Rents (FMRs). The methodology for calculating HUD's 2001 income limits makes use of a new procedure to identify areas with "unusually high incomes," which is one of the exceptions to the calculation of very low-income limits provided in the statute. Under the new procedure, the 4-person very low-income limit will not be reduced to below 50% of median unless this amount exceeds the greater of either: 80% of the U.S. median family income; or, the income needed to afford a unit renting at 100% of the FMR if 30% of income is spent on housing.

The original very low-income cap was established when FMRs were set at the 50th percentile. Very-low income limits were capped at the amount it would cost a 4-person family spending 30% of its monthly income to rent a 2-bedroom unit at 120% of the FMR. The decrease to the 45th and then to the 40th percentile had the unintentional effect of significantly increasing the number of areas where income limits were reduced.

The HOME income limits are established for low-income families, very low-income families, and families at 60% of median income by family size. The net effect of the change in HUD's methodology is to increase the HOME income limits in approximately 900 counties that previously had income limits set at less than 50% of median family income. These now have higher income limits based on their local median family income, and these changes also produce higher 60% and 80% of median income limits. This change will allow a greater number of families to qualify as very low-income, which in turn will increase the number of affordable housing options that they are eligible to apply for. This includes HOME, as well as Section 8 and Low Income Housing Tax Credit (LIHTC) projects.

The FY 2001 HOME Rent and Income Limits are available on the Internet at the following URLs:

<http://www.hud.gov/cpd/home/income/income.html>

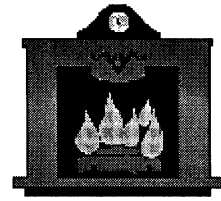
<http://www.hud.gov/cpd/home/rent/rent.html>

Further information about HUD rent and income limits and methodology can be found at:

<http://www.huduser.org>

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 2 No. 4, September 1999

Q. What are the HOME income, rent, per-unit subsidy and purchase price/after rehab value limits that apply to my community? Where can I find the latest limits?

A. The goal of the HOME program is to provide standard housing at an affordable cost to low income persons. To accomplish this goal, the HOME program regulations establish four types of limits: HOME Income Limits, HOME Rent Limits, HOME Per-Unit Subsidy Limits and HOME Purchase Price or After-Rehab Value Limits. These limits vary for each participating jurisdiction.

HOME Income Limits and HOME Rent Limits are prepared annually for the HOME program. New limits are generally issued in January, and are effective thirty days after the date of the transmittal memorandum. A comprehensive list of the HOME Income Limits and HOME Rent Limits can be found at the following HUD HOME program web pages:

[Income Limits](#)

[Rent Limits](#)

HOME Per-Unit Subsidy Limits are based on the [Section 221\(d\)\(3\) limits for elevator-type projects](#). The limits are determined by HUD's Office of Multi-Family Housing Programs. There is no comprehensive list of these limits. The latest limit for a particular jurisdiction must be obtained from the applicable [HUD Multi-Family Housing Hub Office or Program Center](#). Limits for certain "[base cities](#)" can also be found on HUD's web page.

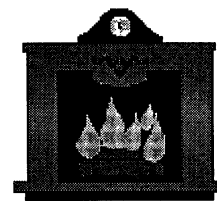
HOME Maximum Purchase Price or After-Rehab Value Limits are based on the [203\(b\) Single Family Mortgage Limits](#). Participating jurisdictions also have the option of determining their own limits in accordance with the procedures set forth in the HOME regulations at [24 CFR 92.254](#). Limits for certain "high cost areas" can be found through this link as well. The 203(b) limits are determined by HUD's Office of Single Family Housing. There is no comprehensive list of these limits. The latest limit for a particular jurisdiction must be obtained from the applicable [HUD Single Family Homeownership Center \(HOC\)](#).

Attached is a more detailed "[HOME Program Limits Reference Guide](#)" describing the various HOME requirements, how the limits are calculated and where the latest limits can be found. A "[HOME Program Limits Quick Reference Guide](#)" is also provided.

You may obtain additional information about the HOME Program from the [HOME Program web page](#).

Community Connections
HOME Publications

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 2 No. 5, April 2000

Q. I have heard a great deal about the IDIS HOME data clean-up effort, why is this endeavor such a priority for HUD? What is quality data and how can I assist HUD in its effort to improve the reliability of HOME program information in IDIS?

A. After an internal review of IDIS data revealed numerous redundant, missing and erroneous entries, the Office of Affordable Housing Programs launched a major initiative to improve the quality of HOME program data. HUD requires reliable IDIS information for many purposes, including reporting to Congress, monitoring financial information, tracking program performance, and identifying grantee and program needs. In essence, IDIS data drives the Department's programmatic decision-making process; decisions that directly affect each HOME PJ.

Initiated in July 1999, the IDIS HOME data clean-up effort has enlisted the assistance of Headquarters and Field Office staff, as well as each of the 542 HOME Participating Jurisdictions. Unfortunately, only 328 PJs have completed this vital clean-up effort as of April 21, 2000. HUD's Office of Affordable Housing Programs is still requesting the assistance of the remaining 214 PJs. The reliability of the HOME IDIS data hinges on these 214 PJs reviewing, updating, and correcting their HOME program information.

Ensuring data quality in IDIS, or in any data collection effort for that matter, is necessary for accurate analysis and evaluation. Just think of all the relatively mundane daily activities that rely on accurate data - zip codes, grocery store price scanners, email addresses, bank ATM pin numbers, and telephone numbers. If even one digit is entered incorrectly, your mail is sent to the wrong town, you are charged thirty cents more for a loaf of bread, your urgent email never reaches its intended recipient, you cannot access your bank account, and the telemarketer cannot reach you with that important credit card offer of 3.5% APR. (Oops make that 4.5% APR, the number was entered incorrectly.) You get the picture. Accurate data plays a major role in our daily living. IDIS is no different.

You can help the Office of Affordable Housing Programs ensure data quality in IDIS by carefully entering your HOME program information. Simple key stroke errors are one of the top causes of poor data quality in IDIS. A multifamily building that will house 10 families can easily become a 100 unit building with a quick and unknowing slip of the finger or sticky key pad. A little vigilance during data entry can save a great deal of time and effort at a later date.

Other common mistakes include duplicate HOME activities and incomplete completion path information. Currently, HOME units are erroneously high due to double counting -- a direct result of duplicate HOME activities being entered into the system. All duplicate HOME activities must be deleted. In the completion path, occupancy data are often obsolete. There are a significant number of HOME assisted rental units with occupancy information reported as "vacant." All occupancy information should be updated once a unit is leased. In addition, HUD has discovered more than 1,000 activities with completion information, yet no project funds have been drawn. PJs are entering completion information prior to project conclusion. Many of these projects are

subsequently canceled, yet the inaccurate data remains. PJs should only enter completion path data once the activity is complete.

The above examples are just a few of the many data errors that can occur in IDIS. Other errors- such as IDIS' failure to accept decimal points in the completion path resulting in dollar figures one hundred times what they should be - are system-related flaws that HUD is currently addressing. These system improvements, in conjunction with careful data entry and review, can assist HUD and the Office of Affordable Housing Programs in making IDIS a reliable database for the HOME program.

Community Connections
HOME Publications
HOMEWeb
Affordable Housing
Community Planning and Development
HUD Home Page

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 1, January 2001

Q. What are written rehabilitation standards and what is their function in the HOME Program? How do they differ from property standards?

A. Property Standards are the housing quality standards used to determine whether a housing unit is decent, safe and sanitary. They are the standards against which the actual physical condition of a property are judged in the inspection process. Using the property standard as a baseline, a housing inspector determines the scope of rehabilitation necessary to address the physical deficiencies of a unit. The HOME final rule (§92.251(a)(1)) requires that every unit being rehabilitated with HOME funds meet one of the following standards:

Local housing code; or

The articles on property or sanitary standards in one of three model codes (Uniform Building Code (ICBO), the

National Building Code (BOCA), or the Standard (Southern) Building Code (SBCCI)), or

The Council of American Building Officials (CABO) one or two family code; or

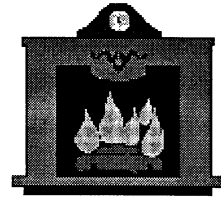
The Minimum Property Standards (MPS) in 24 CFR 200.925 or 200.926.

Written Rehabilitation Standards establish the standards for the rehabilitation work that will bring substandard housing into compliance with the property standard. The written rehabilitation standard prescribes the methods and materials to be used in rehabilitation. The written rehabilitation standards are sometimes referred to as "specs", or specifications, and include details such as the grade of lumber to be used, the number of nails per square foot, the type of material that can or cannot be used for doors serving as fire exits, the distribution pattern and material of roofing tiles, etc.

The written rehabilitation standard provides a common basis for contractor bids. This is particularly important because, by ensuring that all contractors are bidding work using identical methods and materials, it enables the HOME participating jurisdiction (PJ) to make an accurate determination of the cost reasonableness of bids. By holding all contractors to a single rehabilitation standard, consistent, high quality rehabilitation work is assured. The HOME final rule requires each PJ to adopt written rehabilitation standards for rehabilitation work assisted with HOME funds.

Building codes are the legal regulations that each city and state enacts and enforces for all new and old buildings, including homes. Building codes often include property standards, new construction specifications, and rehabilitation standards. The "rehabilitation" of "existing building" chapters of local building codes indicate which parts of the rest of the code (the new construction specifications) you must follow in order to meet the "property standards." Most model building codes already include some rehabilitation codes (sometimes called "existing building" codes). If your local code does not have "rehabilitation" or "existing building" chapters, the three model building codes as well as HUD's Nationally Applicable Recommended Rehabilitation Provision (NARRP) are helpful guides.

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 2, February 2001

Q. The HOME Final Rule states that each Participating Jurisdiction must perform on-site inspections of HOME-assisted rental housing. How frequently should these inspections be performed? How should each PJ determine the number of units that must be inspected?

A. During the affordability period, HOME-assisted rental projects must be inspected regularly to ensure that they continue to meet or exceed the property standards outlined in 24 CFR 92.251. Section 92.504 (d)(1) of the HOME final rule establishes a schedule for on-site inspections based on the total number of units in the project. The schedule is as follows:

Projects containing one to four units must be inspected every three years;
Five to twenty-five unit projects must be inspected every two years; and
Projects with twenty-six or more units must be inspected annually.

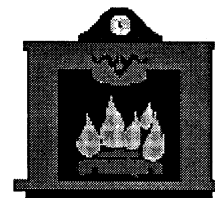
Please note that it is the total number of units in the project rather than the number of HOME-assisted units that determines the monitoring schedule.

Section 92.504 (d)(1) also states that the inspections must be based on "a sufficient sample" of units. The Office of Affordable Housing has recommended that each PJ adopt the standard practice of inspecting fifteen to twenty percent of the HOME-assisted units in a project, and a minimum of one unit in every building. For larger projects, a sample of ten to fifteen percent of units should be sufficient. If compliance problems are identified in sample units, the PJ should inspect the remaining units to ensure that all HOME-assisted units comply with established property standards.

In addition to performing a physical inspection, Section 504 (d)(1) requires PJs to verify information submitted by the owner (e.g., with respect to rents and income) as part of the on-site monitoring.

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[Affordable Housing](#)
[Community Planning and Development](#)
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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 3, March 2001

Q. May Participating Jurisdictions use Section 8 "exception rent limits" as the basis for determining HOME program rents? What is the difference between "exception rent limits" and HOME "rent exceptions"?

A. Section 8 "exception rent limits" do not apply to the HOME program and cannot be used to determine the maximum HOME program rents. Unfortunately, the "Building HOME" training manual contains an error in Chapter 6, page 6-11 which states that communities may use the Section 8 "exception rent limits". This error has been corrected in current versions of the manual.

The rent limits which Participating Jurisdictions may use for HOME-assisted rental units are those which HUD establishes each year for the HOME program. There are two types of rent limits - "High HOME Rent Limits" and "Low HOME Rent Limits." These rent limits are provided to HUD Field Offices and Participating Jurisdictions, generally in February or March. The HOME rent limits are also available on the HOME program web page at <http://www.hud.gov/cpd/home/limits/rent/rentlimt.html>. The HOME regulations at 24 CFR 92.252 describe the methods HUD uses to establish the HOME rent limits.

Note that the HUD established HOME rent limits do not apply to HOME-assisted units which also receive Federal or State project-based rental subsidies, are occupied by very low-income families and the very low-income families do not pay as a contribution towards rent more than 30 percent of the family's adjusted income. In this case the maximum rent (i.e. tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based subsidy program in accordance with 24 CFR 92.252 (b)(2).

Section 8 "exception rent limits" apply to HUD's Section 8 rental assistance programs. HUD may approve Section 8 exception rent limits for a community if HUD determines that certificate or voucher holders can not locate housing bearing rents within the established Fair Market Rent (FMR) standards. Exception rents may be approved on an area-wide basis or as a reasonable accommodation for persons with disabilities. The Section 8 regulations at 24 CFR 982.504 describe the methods for determining Section 8 exception rent limits.

HOME "rent exceptions" are rent adjustments that HUD approves for an individual HOME project in order to support the project's continued financial viability. 24 CFR 92.252(g) authorizes such rent adjustments. Notice CPD-94-20 dated July 25, 1994, "Rent Exceptions for HOME-Assisted Rental Projects" describes the procedures to be followed.

HUD expects that the exception authority under 24 CFR 92.252(g) will be used sparingly since HOME program rents help ensure that the rents charged for HOME-assisted units are affordable to low- and very-low income families. Only those HOME projects which demonstrate serious financial distress due to conditions which were unforeseen or beyond the control of the owner will be considered. As a general rule, rent exceptions may not exceed 120 percent of the applicable HOME program rents. Rent exceptions are approved by the local HUD Field Office and are valid

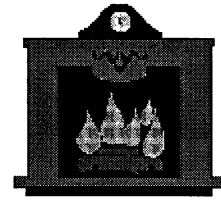
for two years. HUD may extend rent exceptions for an additional two years under limited circumstances. If longer-term steps are needed, HUD expects that the owner and Participating Jurisdiction will identify a more permanent form of financial relief.

Notice CPD-94-20 discusses in more detail the criteria for issuing rent exceptions, presents the steps Participating Jurisdictions must follow in applying for rent exceptions, and outlines the procedures HUD Field Offices will use in reviewing and approving rent exceptions applications. Applications for HOME rent exceptions can only be made by the Participating Jurisdiction. Before requesting a rent exception, a Participating Jurisdiction should become familiar with the regulations at 24 CFR 92.252(g) and Notice CPD-94-20.

Because the terms "exception rent limits" which apply to the Section 8 rental programs and "rent exceptions" which apply to the HOME program sound similar, it is easy to confuse them. Participating Jurisdictions and their recipients, subrecipients and subgrantees, must be careful to use only the latest HUD-established HOME program rent limits, except when written HUD approval has been granted for specific HOME "rent exceptions" to be used for an individual project, or the project receives a Federal or State project-based rental subsidy and meets the very low-income requirements of 24 CFR 92.252(b)(2).

[Community Connections](#)
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[HOMEWeb](#)
[Affordable Housing](#)
[Community Planning and Development](#)
[HUD Home Page](#)

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

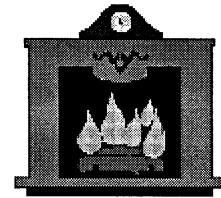
Vol. 3 No. 4, March 2001

Q. Are back taxes, fees or charges an eligible project soft cost for a project being acquired or rehabilitated with HOME funds?

A. HOME funds may not be used to pay for delinquent taxes levied on a property that will receive HOME assistance. Delinquent property taxes, construction liens and similar encumbrances are obligations incurred by the property owner prior to the purchase or rehabilitation of the property with HOME funds, rather than costs associated with the acquisition or rehabilitation of the property. In an acquisition, the seller may use the proceeds of a HOME assisted purchase to satisfy these liens and deliver clear title to the purchaser. However, the purchase price may not be artificially inflated (i.e., above fair market value) so that proceeds will be available to pay these costs.

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[HOME Publications](#)
[HOMEWeb](#)
[Affordable Housing](#)
[Community Planning and Development](#)
[HUD Home Page](#)

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 5, April 2001

Q. The definition of "commitment" in the HOME Final Rule states that, when a PJ commits funds to a specific project, there must be a reasonable expectation that construction will begin within twelve months for rehabilitation or, for acquisition only projects, be transferred within six months. Does this mean that projects that do not meet this requirement are ineligible and must be canceled?

A. The definition of commitment found at 24 CFR 92.2, when referring to a specific local project, states that rehabilitation or new construction (with or without acquisition) must reasonably be expected to start within twelve months:

after the participating jurisdiction (PJ) and owner execute a legally binding written agreement, or

after the PJ set-up of the project in IDIS, for projects already owned by the PJ.

For projects consisting of acquisition of standard housing, the property title must be transferred within six months:

from the date that the property owner and PJ execute a legally binding contract for sale of a specific property, in cases where the PJ will purchase the property with HOME funds, or

from the date the PJ executes a legally binding agreement to provide HOME funds to a family acquiring a single family house or to a purchaser acquiring rental property.

The purpose of the HOME Program is to produce affordable housing. The regulations require that construction or rehabilitation be reasonably expected to start within twelve months, (six months for the acquisition of property). When committing HOME funds to a project, a participating jurisdiction must have immediate plans to produce such housing.

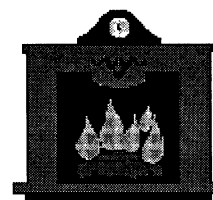
Failure to begin construction within twelve months or transfer title within six months for acquisition does not automatically necessitate the cancellation of the project or render it ineligible. Many circumstances beyond the PJ's control can cause delays, including lawsuits, unforeseen environmental issues, the loss of other financing, labor strikes, natural disasters and zoning issues. The PJ and the Field Office must use their judgment when deciding what course of action to take on a delayed project.

Participating Jurisdictions with projects experiencing significant delays must document their files of the causes for delays, and assess whether there is a likelihood that the project will go forward. A PJ should consider canceling a construction project nearing the end of the twelve month period or an acquisition-only project nearing the end of the six month period, if it does not appear that construction is likely to begin or transfer to occur within the required time frame or within a reasonable period thereafter. The PJ should also keep the Field Office informed of its concerns.

The Field Office will review the circumstances causing project delays and advise the PJ if the project should be canceled. Projects that have been canceled for this reason can be set-up again when they are ready to move forward. The Field Office, however, will make a finding if a PJ has committed HOME funds to a project when there was not a reasonable expectation that construction would start within twelve months for new construction and rehabilitation, or transfer take place within six months for acquisition. In such instances, the Field Office may require cancellation of the project if it remains unlikely

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HOMEWeb
Affordable Housing
Community Planning and Development
HUD Home Page

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

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Q. Why must HOME PJs, which are permitted to determine the start date of the program year for their HOME and other CPD programs, meet their HOME match obligations based upon the Federal fiscal year (October 1-September 30)?

A. Section 220 of the HOME Statute requires each PJ to make contributions on a Federal fiscal year basis. HUD has made several attempts to obtain a statutory change to allow compliance with the matching requirements to be measured on a program year basis. The Department will continue to pursue this legislative amendment.

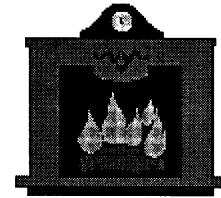
The match contributions must total not less than 25 percent of the funds drawn from the PJ's HOME Investment Trust Fund Treasury account in that fiscal year, excluding certain expenditures that are not required to be matched. These include administrative/planning costs; CHDO operating expenses; CHDO capacity building; CHDO site control, technical assistance and seed money loans for projects that do not go forward; fiscal year 1992 HOME funds; and amounts provided from sources other than State HOME funds to make up the shortfall between a local PJ's allocation and the threshold amount (24 CFR 92.102(b)).

Each Field Office must use IDIS to determine the fiscal year match liability of each of its PJs. This data is contained in report number CO4PR33, which displays a PJ's total fiscal year disbursements, those disbursements requiring matching funds, and the match liability amount. In turn each PJ must submit a HOME match report (form HUD-40107-A) as part of its Consolidated Annual Performance and Evaluation Report (CAPER). Field Offices must determine compliance with the matching requirements as part of the CAPER review. Because most PJs' program years do not correspond to the Federal fiscal year, the Field Office must review the two consecutive CAPER match reports which overlap the Federal fiscal year. The data can easily be extrapolated from the match reporting form, and match contributions made during the fiscal year can be accounted for. In this way PJs whose program years differ from the Federal fiscal year are not required to report match contributions separately from other program reporting.

PJs must maintain a match log to record their contributions (§ 92.508(a)(2)(ix)), and Field Offices are urged to develop a tracking system which records the fiscal year data.

Community Connections
HOME Publications
HOMEWeb
Affordable Housing
Community Planning and Development
HUD Home Page

HOMEfires



Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

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Q. Can HOME funds be used in conjunction with the homeownership option of the Housing Choice Voucher Program?

A. The Quality Housing and Work Responsibility Act (QHWRA) of 1998, which amended the U.S. Housing Act of 1937, at section 8(y) authorizes a homeownership option in the Housing Choice Voucher program. The Section 8 Homeownership Program Final Rule was published in the Federal Register on September 12, 2000. The rule allows a public housing agency (PHA) to provide tenant-based assistance to an eligible family that purchases a dwelling unit that will be occupied by the family.

HOME participating jurisdictions (PJs) and PHAs should be aware that HOME funds can be used in conjunction with the homeownership option of the Housing Choice Voucher program. If PJs and PHAs collaborate under this option, both HOME and the Housing Choice Voucher programs may benefit. PJ participation in the homeownership option can provide an opportunity for communities to advance the HOME Program's goal of strengthening public-private partnerships and expanding the supply of affordable housing. In addition, combining these funding sources can enable PJs and PHAs to leverage resources available for homeownership assistance. When combining funds, the requirements of both programs must be met.

HOME homeownership assistance can be provided in a variety of forms, including downpayment and closing cost assistance, loan guarantees, write-down of the sales price, interest rate buy-downs, etc. Assisted homebuyers must qualify as low-income and occupy the unit as a principal residence. The unit to be purchased must be modest housing, defined as having a sales price not exceeding 95% of area median purchase price. The unit must be subject to resale or recapture requirements that conform with the requirements of 24 CFR 92.254(a) and are described in the PJ's approved consolidated plan. The term of lease-purchase agreements is limited to 36 months.

A public housing agency administering the housing choice voucher may now provide such assistance for the purpose of assisting first-time homeowners in meeting their monthly homeownership expenses. The family must qualify as a first-time homebuyer, meet a minimum income requirement, have income from sources other than public assistance (except for elderly or disabled families), meet an employment requirement (with the exception of elderly and disabled families), complete a homeownership or housing counseling program required by the PHA, and meet any other requirements established by the PHA.

Because HOME homeownership assistance can take a number of different forms, a homeownership program funded with HOME and homeownership vouchers can be designed to best fit the needs of the community and the beneficiaries. Potential uses of HOME and the voucher homeownership option include:

A low- or very low-income family that lacks the upfront cash required for a purchase could receive HOME funds for downpayment and closing cost assistance and then voucher homeownership

assistance payments to meet monthly homeownership expenses such as the mortgage payment.

HOME funds could be used to guarantee or buy down the interest rate on the mortgage of a homeownership voucher recipient who has insufficient income to pay a mortgage with a market interest rate. Both the HOME funds and the voucher assistance will increase the creditworthiness of program beneficiaries, making available to them larger loans and more favorable loan terms than those for which they could otherwise qualify.

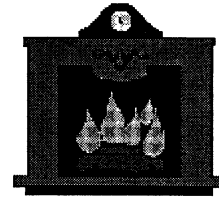
A homeownership voucher holder could purchase an affordable unit constructed or rehabilitated with HOME funds. Because of the HOME development subsidy, such units may be offered for sale at a price that is less than the fair market value of the property. The reduced sales price and the voucher homeownership assistance will make the unit more affordable to the buyer. (Note that the HOME Program affirmative marketing requirements at 24 CFR 92.351 must be met).

Both the voucher homeownership program and the HOME program have recapture requirements upon sale of the unit. Under the voucher homeownership program, if the family sells the unit in the first ten years the PHA will recapture out of the family's proceeds from the sale a percentage of the amount of assistance payments made on behalf of the family. The PHA considers the difference of the sales price and purchase price minus expenses such as any costs of the sale incurred by the family and any capital expenditures in determining the family's proceeds from the sale. For purposes of determining the amount of homeownership assistance subject to recapture upon sale of the unit in accordance with 24 CFR 982.640, any sale proceeds subject to HOME recapture provisions at 24 CFR 92.254(a)(5)(ii) are considered to be a cost incurred by the family in the sale of the home. This policy ensures that any HOME recapture is addressed before the PHA determines the voucher recapture amount that will be applied to the family's proceeds at the time of sale.

Implementation of the voucher homeownership option is fairly recent. More information regarding this initiative is available from the Section 8 homeownership webpage at <http://www.hud.gov/pih/programs/s8/s8homeownership.html>. Information on the HOME Program can be found on the HOME Program webpage at <http://www.hud.gov/cpd/home/homeweb.html>. The HOME Program final rule, also posted at this site, is located at 24 CFR Part 92.

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Policy Newsletter of the HOME Investment Partnerships Program

Office of Affordable Housing Programs

Vol. 3 No. 8, June 2001

Q. What changes have been made to the methodology for calculating Section 8 income limits? What impact will these changes have on the calculation of HOME income limits?

A. The HOME income limits are calculated using the same methodology that HUD uses for calculating the income limits for the Section 8 program, in accordance with Section 3(b)(2) of the U.S. Housing Act of 1937, as amended. These limits are based on HUD estimates of median family income, with adjustments based on family size. The Department's methodology for calculating nationwide median family income figures is described in Notice PDR-2001-01. Income limits are calculated for metropolitan areas and non-metropolitan counties in the United States and its territories using the Fair Market Rent (FMR) area definitions used in the Section 8 program. The very low-income limits have the most detailed statutory requirements, and therefore have been used as the basis for deriving the other income limits. "Very low-income" is defined as 50% of the median family income for the area, subject to specified adjustments for areas with unusually high or low incomes. The low-income limits for a 4-person household are calculated as 1.6 (i.e., 80%/50%) times the relevant 4-person very low-income limit.

Beginning in FY 2001 the Department is employing a new procedure for calculating very low-income limits for its programs. This change is tied to a corresponding change in the calculation of Fair Market Rents (FMRs). The methodology for calculating HUD's 2001 income limits makes use of a new procedure to identify areas with "unusually high incomes," which is one of the exceptions to the calculation of very low-income limits provided in the statute. Under the new procedure, the 4-person very low-income limit will not be reduced to below 50% of median unless this amount exceeds the greater of either: 80% of the U.S. median family income; or, the income needed to afford a unit renting at 100% of the FMR if 30% of income is spent on housing.

The original very low-income cap was established when FMRs were set at the 50th percentile. Very-low income limits were capped at the amount it would cost a 4-person family spending 30% of its monthly income to rent a 2-bedroom unit at 120% of the FMR. The decrease to the 45th and then to the 40th percentile had the unintentional effect of significantly increasing the number of areas where income limits were reduced.

The HOME income limits are established for low-income families, very low-income families, and families at 60% of median income by family size. The net effect of the change in HUD's methodology is to increase the HOME income limits in approximately 900 counties that previously had income limits set at less than 50% of median family income. These now have higher income limits based on their local median family income, and these changes also produce higher 60% and 80% of median income limits. This change will allow a greater number of families to qualify as very low-income, which in turn will increase the number of affordable housing options that they are eligible to apply for. This includes HOME, as well as Section 8 and Low Income Housing Tax Credit (LIHTC) projects.

The FY 2001 HOME Rent and Income Limits are available on the Internet at the following URLs:

<http://www.hud.gov/cpd/home/income/income.html>

<http://www.hud.gov/cpd/home/rent/rent.html>

Further information about HUD rent and income limits and methodology can be found at:

<http://www.huduser.org>

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