



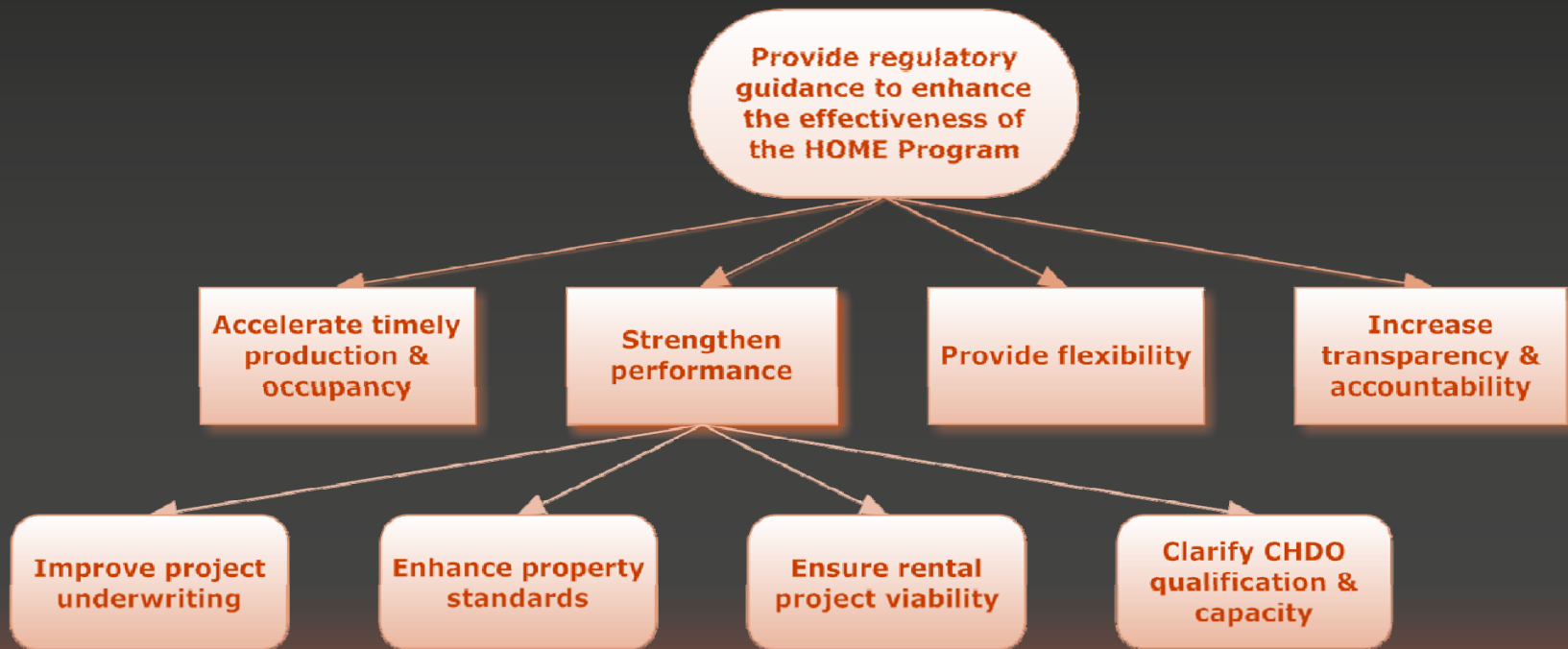
2013 HOME Final Rule

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Background

- HOME Program started in 1992
 - No major Rule update since 2004
- HOME reached 1,000,000 units in 2012, but:
 - OIG audits pushed to tighten rules
 - Washington Post article highlighted unfinished units
 - Pressure to cut all domestic programs
- Congress cut funding 38% in 2012 & imposed restrictions
- Final Rule published 7/24/13, effective 8/23/13

Final Rule Objectives



Rule Changes Effective Dates

Changes apply to projects committed on/after 8/23/13

Requirements w/ Delayed Implementation	Effective Date
Project-specific CHDO reservations	October 22, 2013 [For deadlines on or after January 1, 2015]
Homebuyer Procedures (§ 92.254(f))	January 24, 2014
Section 92.504(a): written policies, procedures, and systems	July 24, 2014
Section 92.504(d)(2): financial oversight	July 24, 2014
5-year CHDO expenditure deadline	For deadlines on or after January 1, 2015
Property standards (§ 92.251)	January 24, 2015

New Deadlines

- 4 year project completion deadline
- 9 month deadline for sale of homebuyer units
 - 6 month deadline for 2012-2103 funds per appropriation
- 18 month rental occupancy deadline
- 5 year CHDO expenditure deadline

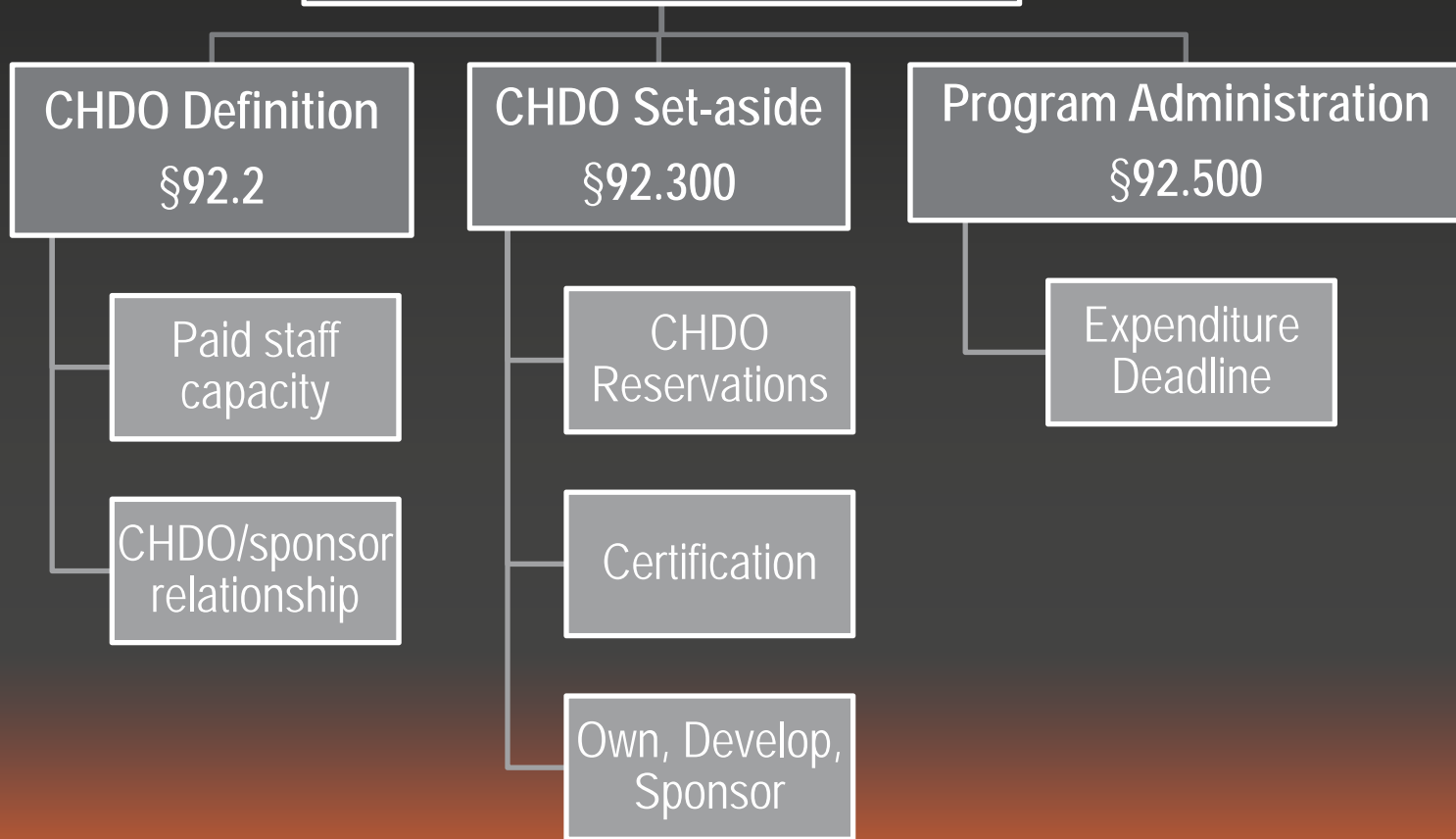
Project Commitment

- PJs may not commit HOME funds to a project consisting of new construction or rehabilitation until:
 - All necessary financing is secured
 - A budget and production schedule is established
 - Underwriting and subsidy layering is completed
 - Construction is expected to start within 12 months
- Preliminary awards not entered into IDIS

Project Completion

- A project is “complete” when:
 - Construction work complete & property standards met
 - Final drawdown of HOME funds disbursed
 - Project completion information entered in IDIS
 - Homebuyer: closed & buyer data entered into IDIS
 - Rental: units can be marked vacant (occupants entered later)

CHDO Changes



Written Policies & Procedures

- PJ written policies and procedures required:
 - Effective August 23, 2013
 - Project underwriting & subsidy layering (§92.250)
 - Inspections procedures (§92.504(d))
 - Effective January 24, 2014
 - Homebuyer underwriting (§92.254(f))
 - Risk-based monitoring (§92.504(a))
 - Effective January 24, 2015
 - Rehabilitation standards (§92.251(b))

Underwriting/Subsidy Layering

- PJs must ensure long-term sustainable projects by establishing subsidy layering and underwriting guidelines including:
 - Market assessment
 - Developer capacity and fiscal soundness
 - Project feasibility (& sustainability)
- PJs must also adopt homebuyer policies including buyer underwriting guidelines

Exceptions to Underwriting

Type of Activity & Form of Assistance	Provisions that <u>DO</u> Apply	Provisions that <u>DO NOT</u> Apply
OWNER-OCCUPIED REHABILITATION		
<ul style="list-style-type: none"> Assistance Provided as Grant or Forgivable Loan 	Subsidy Layering, if applicable	Underwriting Analysis Market Analysis Evaluation of Developer
<ul style="list-style-type: none"> Assistance Provided as Amortizing Loan 	Underwriting Analysis Subsidy Layering, if applicable	Market Analysis Evaluation of Developer
HOMEBUYER ASSISTANCE		
<ul style="list-style-type: none"> Downpayment Assistance Only 	Underwriting Analysis Subsidy Layering, if applicable	Market Analysis Evaluation of Developer
HOMEBUYER AND RENTAL PROJECTS INVOLVING DEVELOPMENT	Underwriting Analysis Market Analysis & Plan Evaluation of Developer Subsidy Layering, if applicable	

Property Standards

- Significant revisions to §92.251
- Effective Date: January 24, 2015
- Separate standards for:
 - New Construction
 - Rehabilitation
 - Acquisition of Standard Housing
 - Manufactured Housing

Key Property Standard Changes

- Update to International Codes Council
 - As standard in absence of state/local codes
- Written rehab standards: estimate useful life
 - Existing rental 26+ units requires Capital Needs Assessment
- Acquisition (homebuyer): 5 year useful life & UPCS
- Cost reasonableness;
- Inspections
 - Progress & final inspections
 - Ongoing rental: state/local or UPCS, & re-inspections

HOME Rents

- PJ must review and approve rents & utility allowances annually for each project
 - Ensures compliance with HOME rent limits
 - Prohibits undue rent increases from previous years
- PJ must calculate utility allowance annually for each project
 - Using HUD Utility Schedule Model, or
 - Determining utility allowance based on specific utilities used at the project

Rental Project Monitoring

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

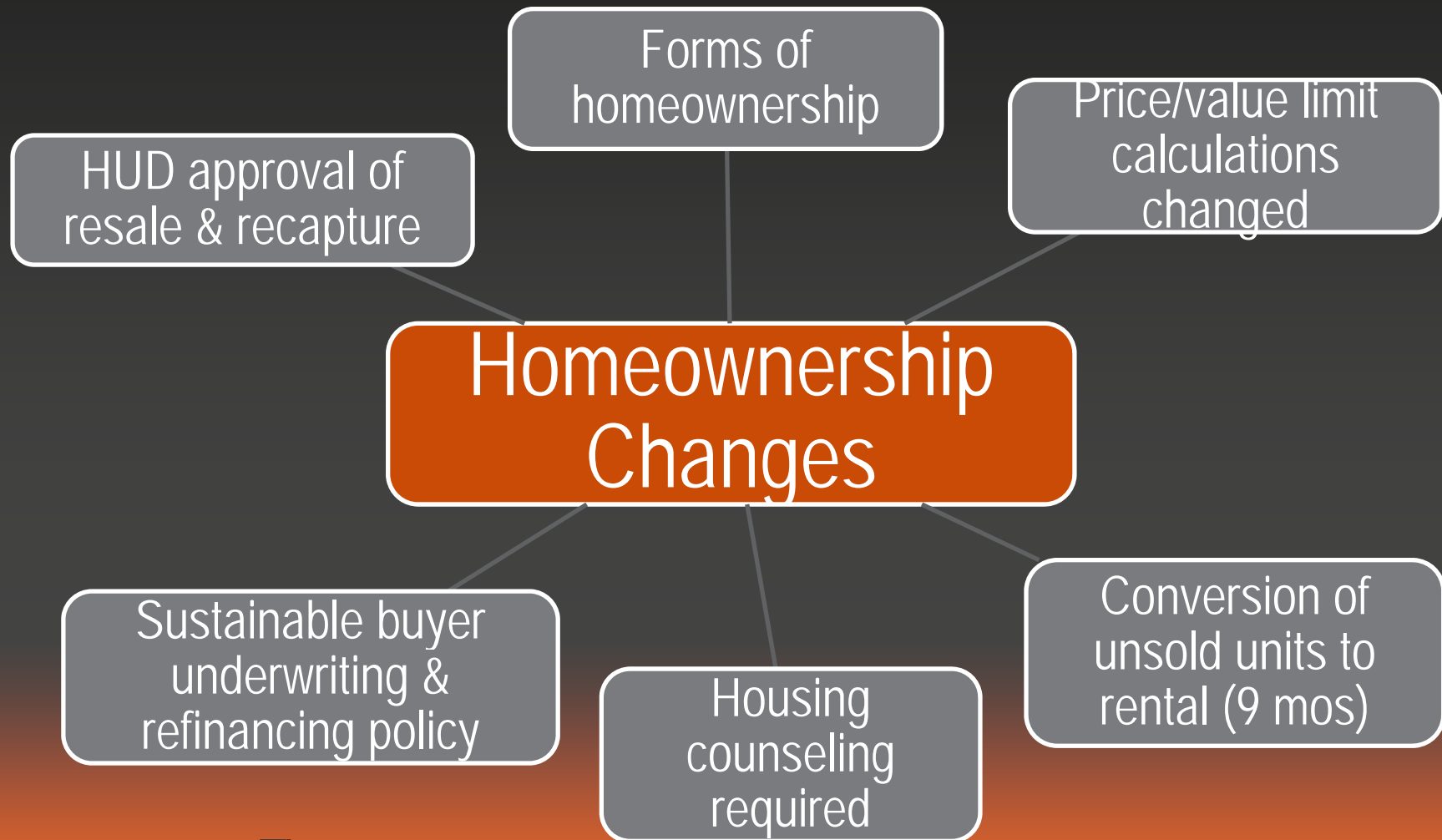
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Financial Oversight

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

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Homeownership Changes



Top 10 HOME Rule Changes

1. New deadlines
2. Definition of commitment
3. Definition of completion
4. CHDO staff capacity and roles
5. Property standards
6. Underwriting, subsidy layering and market assessment
7. Homeownership value limits
8. Monitoring
9. Financial oversight and troubled projects
10. Program administration – policies & procedures

Final Thoughts

- The metric of HOME success is completed, occupied & sustainable units
 - No commitment if you're not ready
 - If you can't complete, you must repay
 - If you can't occupy, you must repay
 - Sustainability for the affordability period also imperative
- Stay tuned for training, materials, guidance

Links

- HOME: www.hud.gov/homeprogram/
- Final Rule:
 - <https://www.onecpd.info/home/>
- 2012/13 requirements:
 - <https://www.onecpd.info/home/topics/fy-2012-home-appropriations-law-requirements/>
- Mailing lists
 - <http://www.hud.gov/subscribe/signup.cfm?listname=Office%20of%20Affordable%20Housing%20Programs&list=home-l>
 - <https://www.onecpd.info/maillinglist/>