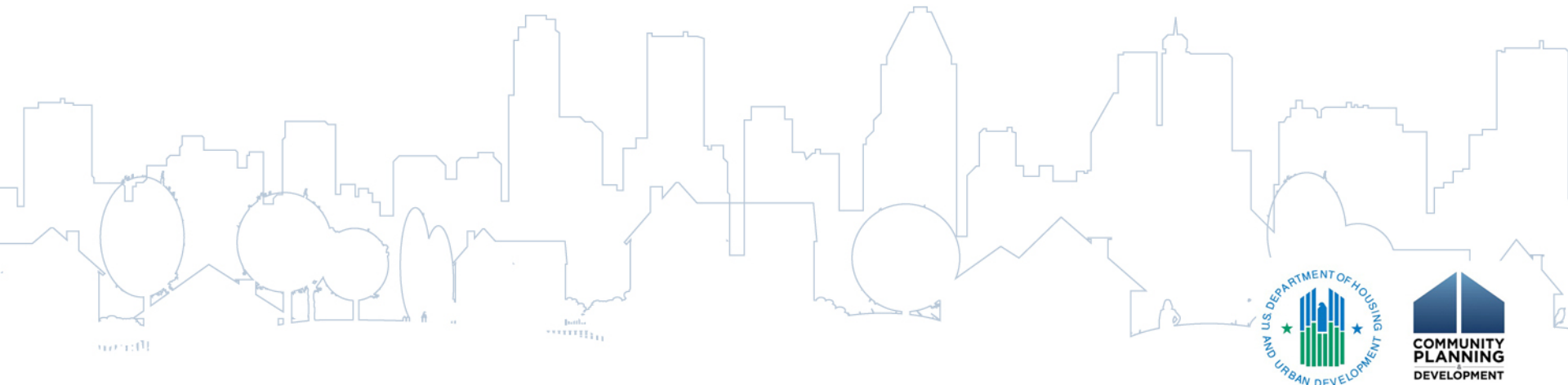


HOME Program Proposed Rule Webinar

January 24, 2012

HUD Office of Affordable Housing Programs



HUD Presenters

- HUD Presenters:
 - Ginny Sardone, OAHP
 - Marcia Sigal, OAHP

Q and A Format

- Break for questions at middle and end
- Limit questions to topics covered during this webinar
- How to ask questions:
 - Change status in Live Meeting from **green** to **purple**.
 - Type your questions in via the Q&A box located on the Live Meeting tool bar.
 - Change status back to **green** after question has been asked.

Background

- September 1996: HOME Final rule published
- January 2010: HUD held two listening sessions on possible proposed HOME rulemaking in Washington, DC
- July & October 2010: HUD published proposed rules for National Housing Trust Fund (HTF), which will be administered as a HOME set-aside if funded

Background

- Early 2011: HUD reviews HTF rule comments
- December 16, 2011: HUD publishes a comprehensive proposed rule for HOME
- February 14, 2012: Public comments on proposed rule due to HUD
- Fall 2012: HUD expects publication of final rule governing HOME and HTF

Purpose of Proposed Rule

- Enhance PJ accountability and performance
- Incorporate best practices as required procedures for HOME administration
- Address CHDO capacity /performance issues
- Update property standards/inspection standards
- Improve monitoring/oversight of funded entities and projects

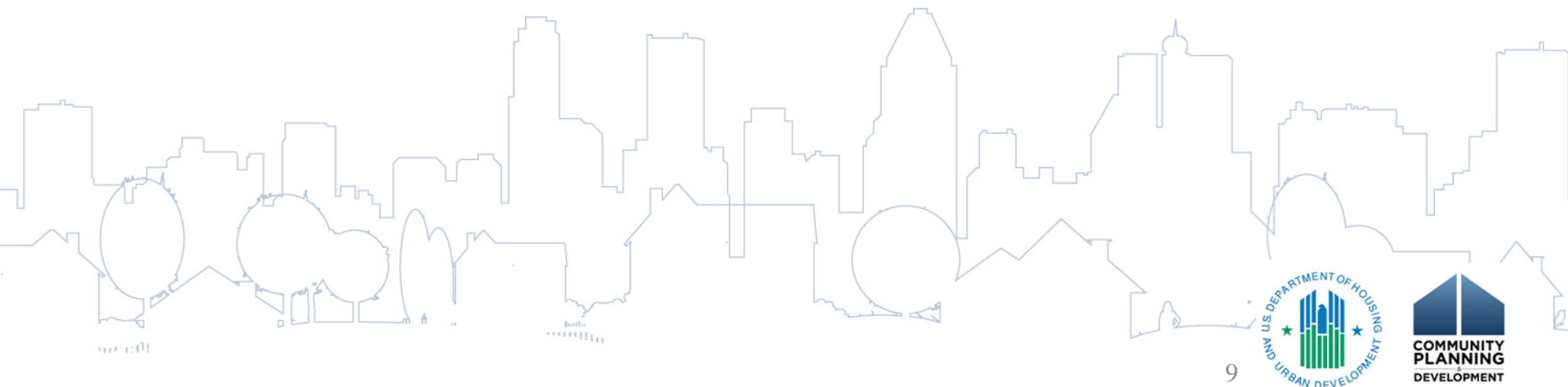
Purpose of Proposed Rule

- Facilitate troubled rental project workouts
- Require program designs that ensure sustainable homeownership
- Improve project underwriting and siting decisions
- Strengthen HOME written agreements

Purpose of Proposed Rule

- Clarify existing regulations
 - Required elements of resale/recapture provisions
 - Required/prohibited lease provisions
 - Rules for special needs housing, including housing for the disabled
 - Eligible activities and costs

Overview of Major Changes Proposed to the HOME Program Regulations



PJ Policies and Procedures

- PJ would be required to develop and follow written policies and procedures for administering all aspects of its HOME Program, including systems for:
 - Assessing risk of activities and projects ;
 - Monitoring performance/compliance of funded entities to ensure that the HOME requirements are met.

92.504(a)

Subsidy Layering and Underwriting

- PJ must adopt guidelines for determining reasonable level of profit or return on owner/developer's investment in project and evaluate projects before committing HOME funds.
- Must not invest more HOME funds, alone or with other governmental assistance:
 - than necessary to provide quality affordable housing that is financially viable for a reasonable period of time (at a minimum, the period of affordability).
 - that provides return that exceeds PJ's established standards for the size, type, and complexity of the project.

Subsidy Layering and Underwriting

- PJ's Guidelines must require:
 - Examination of sources and uses for each project and determination of whether the costs are reasonable;
 - Assessment, at minimum, of:
 - Market conditions of the neighborhood where project will be located;
 - Housing development experience and financial capacity of developer;
 - Firm financial commitments for the project.
- PJs will be required certify that these assessments have been completed at the time of project funding in IDIS

92.250(b)

Project Completion Deadline

- Any project that has not been completed within 4 years of commitment date will be considered terminated before completion and HOME funds invested must be repaid.
- PJ may request 1 year extension, by submitting project status, steps being taken to overcome obstacles, proof of adequate funding to complete, and schedule for completion including milestones.

92.205(e)

Initial Occupancy of Rental Units

- If HOME rental unit not leased to an initial income-eligible tenant within a specified period of time, PJ must:
 - Submit current marketing plan, and if appropriate, a plan for more aggressive marketing
 - Timeframe between 3 and 6 months
- PJ must repay HOME funds invested in rental unit that has not been leased to initial tenant within 18 months.

Homebuyer Unit Transfer Deadline

- Units acquired, rehabilitated or newly constructed with HOME funds for homeownership purposes must be sold to an eligible buyer within 6 months of construction completion.
- If transfer has not occurred, the unit must be converted to a HOME rental unit and operated in compliance with § 92.252 for the affordability period applicable to rental projects.
 - 20 years for new construction

92.254(a)(3)

Homebuyer Program Design

- All HOME-assisted homebuyers must receive housing counseling
 - HUD does not specify extent or form
 - Counseling should be comprehensive, including post-purchase counseling, if feasible
 - Dodd-Frank requires HUD to ensure counseling provided through its programs cover selection, financing, ownership and resale of a home
 - Subject of separate rulemaking

Homebuyer Program Design

- PJs that use HOME funds for homebuyer activities would be required to develop and follow written policies:
 1. Underwriting standards for homeownership assistance that take into account housing debt, overall household debt, appropriateness of the amount of assistance, assets available to acquire the housing, and financial resources to sustain homeownership.

92.254(f)

Homebuyer Program Design

2. Anti-predatory lending policies to ensure that other mortgage debt on HOME unit has reasonable terms to facilitate sustainable homeownership for assisted household.
3. Resubordination policies that ensure that terms of any loans that refinance debt to which HOME assisted is subordinated are reasonable and consistent with sustainable homeownership.

92.254(f)

Homeownership Value Limits

- FHA Single Family Mortgage Limit (203(b)) eliminated from regulations.
 - PJs must use actual 95% of area median purchase price for MSA/County as sales price/after rehab value limit for single family homeownership
 - PJ can still calculate its own median purchase price in accordance with existing regulation

92.254(a)(2)(iii)

Homeownership Value Limits

- For newly constructed units only, rule permits the PJ to use the greater of:
 - HUD-issued 95% of area median purchase price; or
 - Census Bureau's median sales price for single family houses sold outside of MSAs
 - For 2011, this figure is \$179,900
- HUD solicits specific comment on use of this figure for limit on sales price of newly constructed unit

92.254(a)(2)(iii)

CHDO Capacity

- “Demonstrated Capacity” requirement can no longer be met through the use of consultants and plan for staff to be trained; by volunteers; or by person whose services are donated by another organization.
- To qualify as CHDO, organization must have paid staff with housing development experience

92.2

CHDO Capacity

- PJ must certify that the organization meets the definition of CHDO each time it commits funds.
- PJ must document that the CHDO has the capacity to own, develop or sponsor housing each time it commits funds.

92.300(a)

CHDO Reservations

- Definition of “commitment” revised to eliminate non-project specific reservations as 1) CHDO set-aside and 2) commitment of HOME funds for purposes of meeting 24-month deadlines.
 - CHDO set-aside funds must be committed to a specific project by legally binding written agreement within 24 month of obligation in order for the funds to be counted.

CHDO Expenditure Deadline

- A separate 5-year deadline is established for CHDO set-aside funds.
 - Expenditure of funds committed to CHDOs will be measured separately from other HOME funds.
 - Any CHDO set-aside funds not expended within 5 years of obligation by HUD will be deobligated in process that parallels existing deadline compliance process.

92.500(d)(1)(C)

Property Standards

- New Property Standards For:
 - New Construction
 - Rehabilitation
 - Acquisition of Standard Housing
 - Manufactured Housing
- Ongoing Property Standards For Rental Housing

Property Standards

- New Construction Building Standards
 - State/local code or ICC
 - Written standards for methods and materials require
 - Written “Work Write-Ups” and progress inspections required
 - Tie progress payments schedule to inspections
 - Disaster mitigation required

92.251(a)

Property Standards

- Rehabilitation Standards
 - PJs must establish written rehabilitation standards, specifying methods and materials
 - Written “Work Write-Ups” and progress inspections required
 - Tie payment schedule to progress inspections
 - Standards must ensure that upon completion of rehabilitation, unit would meet UPCS standards

92.251(b)

Property Standards

- Rehabilitation Standards cont'd
 - Useful life of building components
 - Rental housing rehabilitation standards must specify useful life of building components (minimum: 15 years)
 - Owner occupied rehabilitation (minimum: 5 years)
 - Capital needs assessment required for multifamily rental projects >26 units

92.251(b)(iii)

Property Standards

- Rehabilitation Standards cont'd
 - Luxury Items Prohibited
 - Disaster Mitigation Required
 - Lead-based Paint and Accessibility Requirements

Property Standards

- Acquisition of existing rental housing (without rehabilitation)
 - New Construction Projects (completed within past 12 months) must meet standards established 92.251(a)
 - Rehabilitated Projects: PJs required to inspect and document units meet minimum property standards established for rehabilitated units at 92.252(b)
 - Acquired Projects that do not meet minimum property standards must be rehabilitated

92.251(c)

Property Standards

- **Manufactured Housing**
 - Permanent Foundation Required
 - Rehabilitation
 - Inspections

On-Site Inspections

- PJs must inspect each HOME project at completion and during affordability period
- For rental projects, PJ must establish ongoing inspection procedures to meet 92.251 standards
 - Inspect within 12 months of completion
 - At least once every 3 years thereafter
 - Minimum standard will be UPCS, not HQS
 - Must meet State/local code or UPCS, whichever is more stringent

Financial Oversight of Rental Projects

- PJ must regularly (at least annually) examine the financial condition of HOME rental projects to determine continued financial viability of the project AND take actions to correct problems to extent feasible.
 - Proposed to apply requirement to projects with 10 or more HOME-assisted units
 - HUD specifically solicits public comment on the appropriate threshold

Monitoring Fees

- Eliminates prohibition against PJs imposing fees on rental projects to cover cost of HOME-related compliance monitoring/inspections.
 - PJs may charge reasonable, annual monitoring fees to owners of rental projects to which HOME funds are committed on or after the effective date of the final rule

92.214(b)(1)(i)

Troubled Rental Project Workouts

- Through MOA with HUD, PJ may:
 - invest additional HOME funds for costs including, but not limited to, rehabilitation and recapitalization of project reserves, subject to HOME per-unit subsidy limit;
 - reduce number of HOME-assisted unit, if project originally had more than minimum required
- HUD may increase affordability period

92.210

Questions?