HOME Commitment Interim Rule
January 12, 2017

Ginny Sardone: Good afternoon, everybody. On behalf of HUD's Office of Affordable Housing programs, I want to welcome you all to the webinar on our newly issued interim regulation on grant specific commitments in the HOME program. I want to, first of all, apologize for the long delay. At the very last moment, we had a technical problem and unfortunately, it is going to prohibit us from taking any questions, but we will do the best that we can to answer everything that may come up.

You can still submit questions and we'll accumulate them and try and get answers done by FAQ; but unfortunately, we on our end are not going to be able to see the questions and provide answers. So we do apologize for that. We really appreciate your participation today.

My name is Ginny Sardone. I'm the director of the Office of Affordable Housing programs, and presenting with me today is Peter Huber who is the deputy director of OEHP. I'm going to provide a very high-level overview of the commitment requirements and what has changed in the new rule and then Peter is going to go back again, sort of to the beginning, and then walk through all of the different things that I'm going to mention in detail. So if the first sort of explanation of things seems insufficient, it's because we're going to touch back on all these different concepts and cover them.

So to begin, with just a quick review of what the HOME commitment requirement is, the HOME statute defines commitment as an executed legally binding agreement for a funded HOME project or activity. And the statute – which is the National Affordable Housing Act of 1990 – at 218(g) also states that a Participating Jurisdiction, or PJ as we call them, must commit their HOME funds within 24 months of HUD's obligation of their grant.

So what that means is if HUD executed a grant agreement with a participating jurisdiction on July 14, 2014, the 24-month deadline for those funds would be July 31, 2016. This is known as the commitment deadline in the HOME program. If a PJ does not meet this deadline, if it has what we call a shortfall, funds that remain uncommitted as of that date, the HOME statute requires that we de-obligate the funds from the participating jurisdiction.

So obviously, because this involves folks' money, it's a very important requirement that we all need to sort of understand and pay a lot of attention to. The way that we've implemented the commitment requirement at HUD from the very beginning of the program is through something called the cumulative method.

And what that means is that when your deadline occurs, so that July 31st deadline in my previous example, HUD would look at the total commitments that a participating jurisdiction made from all of its grants and that amount must be equal to or greater than the total amount required to be committed through the grant year being examined.

So instead of looking at a specific year's grant, we're looking at the cumulative amount that must be committed against the cumulative amount of commitments made. And Peter will talk a little bit more about that in just a moment. We also have something known as the CHDO reservation requirement. This is also a statutory requirement in HOME. Section 231 of the National Affordable Housing Act requires that PJs reserve 15 percent of their allocation to Community Housing Development Organizations known as CHDOs.

And we, in implementing this requirement, implemented it as a cumulative average requirement. So what that means is when the 24-month deadline for committing funds occurs, HUD was looking at the cumulative average that a Participating Jurisdiction has committed to CHDOs over the entire course of its participation as a PJ. And as long as the cumulative average across all of those grants was greater than or equal to 15 percent, HUD deemed that the participating jurisdiction had met the requirement.

The reason that we use this approach is it gave more flexibility to participating jurisdictions in meeting the CHDO requirement and that was particularly the case for small grantees where 15 percent of their grant was not a tremendously large number. So several years ago HUD's Office of Inspector General raised concerns about the cumulative method to HUD. It was their belief that the methodology that we were using was not consistent with 218(g).

And eventually, the IG referred the matter to the U.S. Government Accountability Office or GAO. GAO reviewed the question and in July, 2013 issued an opinion that stated that HUD had to follow the plain language reading of the statute, which, in their view, was not the cumulative method that we had been using. So they instructed HUD to cease using the cumulative method for determining whether or not the 24-month commitment deadline had been met and instead to institute a grant-specific commitment test.

So HUD pretty much immediately began implementing sort of the GAO opinion and there were really three parts to our efforts. First, we re-programmed IDIS to permit participating jurisdictions to choose the allocation from which it would commit HOME funds for a specific project or activity. So what this means is that when you commit a specific year's funds to a project when you make draws or disbursements for that project, the funds drawn actually match the source here of the committed HOME funds.

Secondly, we updated the deadline compliance report to reflect the grant-specific deadlines and those have been posted for some time. And third, we published – we needed to publish a HOME regulation to reflect the grant-specific method. And so we've published that regulation as an interim rule on December 22, 2016. The effective date of the rule was January 3rd and there's a 60-day comment period for the public to send in whatever comments that they have regarding the regulations and that comment period ends at the end of this month.

At some point in the future, HUD will publish a final rule and make any changes or accommodations that we think are appropriate based upon the comments that we receive. So just briefly what this rule that we just published did was to bifurcate the method for determining commitment deadline compliance. And so if you've had a chance to look at the rule, you'll see that this section has been divided in two with one section dealing with fiscal year 2014 and earlier allocations.

And for those grants, we're continuing to use the cumulative method for determining commitments and a cumulative average for determining compliance with a 15 percent CHDO set aside. And then for 2015 grants and later, subsequent grants, we're using the new grant-specific method. And Peter will review both of these sets of requirements in detail in just a moment. I wanted to, before I turn it over to Peter, really talk for a moment about 2017, which is what we're considering to be a transition year.

And so it's really important that folks understand what's going to be happening with respect to deadline compliance in 2017. Essentially, this year both sets of requirements will apply. Both cumulative and grant-specific methodologies are going to come into play as we implement deadline compliance throughout the year. So when we at HUD looked at deadline compliance during 2016 – so essentially, through the 2014 grant, we used the cumulative method to determine compliance with commitment deadlines.

And what that means is that we provided participating jurisdictions for – with commitment credit for commitments from their fiscal year 2015 and 2016 grants as well as for commitments made from fiscal year 2014 and earlier grants. So for the deadlines that we looked at last year, we used the cumulative method and provided credit from future grants, but in 2017, we will need to conduct one last cumulative commitment test to insure that all fiscal year 2014 and earlier grants are committed.

So as of the PJ's 2015 commitment deadline, so those are the deadlines that occur this year, HUD will measure a PJ's compliance with the grant-specific commitment and CHDO reservation requirements for the 2015 grant and at the same time, as I just mentioned, we will look again using the cumulative method at the PJ's 2014 and earlier allocation to insure that all of the funds are committed.

So what does that mean in practice? It means that whatever your deadline date is in 2017, which is the deadline date for your fiscal year 2015 allocation, as of that date, a participating jurisdiction will have to have committed not just all of the 2015 funds, including 15 percent for CHDO set aside projects, it will also – is required to have committed all of its 2014 and earlier funds. So as you move forward during the year, your goal is to make sure that by your deadline all of your funds through your 2015 allocation have been committed.

There are a couple of other changes in the rule that I just want to highlight before I turn it over to Peter and we'll be going over these in some detail. First of all, probably the most significant change in the rule, other than this bifurcation, is the fact that we've changed the requirements for the use of funds in the local account. So that's program income, it's recaptures from homebuyer projects and it's repaid funds.

So very significant changes with respect to that. We eliminated the five-year expenditure deadline for fiscal year 2015 and later allocations and then we also eliminated for fiscal year 2014 and earlier allocations the separate measurement of a five-year expenditure deadline for

CHDO funds. We also eliminated what's called auto-cancellation in IDIS since 2011 or 2010. Any project that's set up in IDIS for 12 months or more with no initial disbursement of funds has been automatically cancelled by the system.

We will no longer be carrying out auto-cancellation through IDIS. And also, a significant change is that funds that are committed to a state recipient or sub recipient must be committed to a specific project within 36 months of HUD's obligation of the grant. Finally, we took the opportunity of adding some longstanding practices with respect to counting commitments and putting them in the regulation so that it would be absolutely clear. So as you all know, 10 percent of each grant can be used for administrative and planning costs.

And it has long been HUD's practice to consider these funds committed as soon as the grant is put into IDIS and the administrative funds are put into what's called the Administrative or the AD subfund. That has not – although that's been our practice for many years, it's not – it hasn't been in the regulations. So we added that to the regulations. Similarly, with respect to CHDO operating and capacity building grants, we've considered those to be committed at the point and time when the PJ executives the written agreement with the provider of the services.

However, that hasn't been sort of stated clearly in the regulations. So we added that as well. And then just for clarity, we also added some information about what the requirements for these written agreements are. So those are things that have been longstanding HUD practice and we just wanted to make sure that we had them covered in the regulations. With that, I'm going to turn it over to Peter who's going to walk through you all of these requirements in greater detail.

Peter Huber: Okay. Thanks, Ginny. I also want to apologize for the lengthy delay. We had a lot of technical difficulties here in the room. So hopefully we're coming through loud and clear and everyone can see the slides. And apologize, also, for the issue that we're not able to take the questions at this time, but we will look through the questions and respond to them later. So I wanted to start –

Ginny mentioned that the new interim rule breaks the deadline requirements in the two different types, the pre-2015 deadline requirements and then the 2015 and later HOME deadline requirements. I put the regulatory citation there on the slide. So you should be able to find that in the new interim rule. And so by pre-2015 deadlines, we're really talking here about HOME funds that you received from 1992 through 2014.

So if you were a PJ from the beginning of the program, you received a grant in 1992 and then every year after that through 2014. Let's say you became a PJ in 2010, the cumulative requirement would be for your 2010 through 2014 HOME allocations. So all of the HOME allocations, basically that you've received through 2014 will have a deadline that's based on the obligation date of your 2015 HOME grant; okay?

Not your 2014 HOME grant, your 2015 HOME grant. So let's say your grant was obligated by HUD on September 9, 2015, that means your cumulative commitment requirement for all of your HOME grants through 2014 would be on September 30, 2017; okay? Similarly, a cumulative average showed a reservation requirement was added to the reg. These are – the commitment and the CHDO reservation requirement you should be familiar with, because this is how we've been measuring testing these requirements for years now.

But the cumulative average showed a reservation requirement as also based on the obligation date of your 2015 HOME grant. So these two requirements have the same deadline. It's 15 percent of the amount that you've received from 1992, if you started at the beginning of the program, through your 2014 grant. Now, with the CHDO set aside funds, we've had a lot of success with PJs requesting reductions to their CR subfunds.

And what that means is because it's a – because it's been a cumulative average, if your cumulative average has been 15 percent of higher, over time you've been able to request a reduction in your CHDO subfund in one or more grant years that's allowed you to move those CHDO funds into entitlements and not use them for CHDO projects or to use them for non-CHDO projects.

You would still be able to do this for any 1992 through 2014 funds and this might allow you to move them out of the CHDO set aside and be able to use them for non-CHDO projects. So that's still on the table for these cumulative grants. So all pre-2015 funds, again, that's 1992 through 2014, funds that are not committed or reserved to CHDOs by the deadline, will be de-obligated. Future grants cannot help meet this requirement.

So as Ginny mentioned, previously when we looked at your cumulative commitment requirement and cumulative CHDO reservation requirement, we looked at – let's say your requirement was through your 2013 grant, most of you had deadlines in calendar year 2016 that included grants through 2014, you were able to use 2015 grant commitments or CHDO reservations and even 2016 grant commitments and CHDO reservations when you received your 2016 grant.

You were able to use those commitments and reservations to help you meet that cumulative CHDO requirement. Under the new interim rule, that's no longer the case. So we're only looking at commitments from your 2014 and earlier grants or CHDO reservations from your 2014 and earlier grants. So future grants cannot help you meet these requirements. Now, we will allow PJs to submit documentation.

Let's say your deadline has passed and you have a shortfall, we've always allowed PJs to submit documentation for commitments or CHDO reservations that you've executed on or before your deadline that were not put into IDIS at the time of your deadline. We'll continue to allow you to submit documentation of those commitments or CHDO reservations and work through it with you and your field office.

So pre-2015 grant funds uncommitted or unreserved to CHDOs after the deadline will also be de-obligated. And this is a big change. This is very significant for a lot of PJs. So what this means is if you have funds committed from your 2014 and earlier grants and your commitment requirement deadline passes in 2017 and those funds become uncommitted, HUD would also have to de-obligate those funds.

It's after your commitment requirement deadline for those cumulative grants, 1992 through 2014. Works the same way with CHDOs. If you had projects – or if you had CHDO funds committed to a specific CHDO project after your 24-month commitment deadline, if those funds became uncommitted, they would also need to be de-obligated by HUD. Why would funds become uncommitted after the deadline?

Well, a couple of reasons. One would be if you happen to cancel the activity after the deadline. If you cancel the activity – let's say you fund an activity with $100,000 of EN funds, entitlement funds, the deadline passes and then you cancel that activity, that $100,000 becomes uncommitted and at that point, we would have to de-obligate that money. Likewise, if you complete an activity for less than you committed to the activity.

So let's say you commit $100,000 of EN funds to an activity and then you drawdown $90,000 and you complete that activity after your 24-month deadline has passed, we would need to de-obligate that $10,000 that becomes uncommitted at project completion, because you didn't draw it down. There's also, under the interim rule, a cumulative five-year expenditure requirement. This really hasn't changed much for the cumulative requirements, the pre-2015 funds.

There's a cumulative five-year expenditure requirement. The deadline is based on five years after the grant obligation. So if you look at this table on the slide, if your grant was obligated in 2012, your cumulative expenditure deadline would be 2017. That would include all of your grants from 1992 through 2012. Obviously, if you didn't become a PJ until 2007, let's say, it would include the 2007 through 2012 grants.

And we'll continue to measure compliance with that five-year expenditure requirement each year until we get to the 2014 grant. So in 2019, everyone will have an expenditure deadline requirement for your grants through your 2014 grant and then that would be the last cumulative expenditure requirement. As Ginny mentioned, all CHDO expenditure requirements for all grants, so that's pre-2015 and 2015 and later, has been eliminated.

So there's no more CHDO expenditure requirement for any grant and that was a requirement that was added in the July, 2013 HOME final rule. So as far as how we will determine compliance, there will be a deadline compliance status report posted to HUD Exchange. That's going to reflect the cumulative deadline requirements. I provided the link to the page where that report will be posted.

That report will be updated monthly. Now, importantly, I know a lot of you out there use the PR49 to track your deadline requirements. The PR49 will not be updated to track the cumulative deadline requirements for your 2017 deadlines. That's important. So you will no longer be able to use the PR49 to track your cumulative deadline requirements. And then IDIS will continue to commit and disburse pre-2015 funds using the First In, First Out method.

So for you IDIS users out there, you should all be familiar with the FIFO – we call it the FIFO layer of activity funding and then where IDIS selects the oldest available uncommitted funds and undisbursed funds at activity funding and activity drawdown. So we'll continue to use FIFO for pre-2015 HOME funds. Just a sample of the cumulative deadline compliance status report. As you can see at the very top of this report –

Hopefully you can see it. At the very top of this report we have 2014 commitments, 2014 CHDO reservations and 2012 disbursements. So that's what this cumulative report is measuring, commitments and CHDO reservations through your 2014 grants and then disbursements through your 2012 grants. As you noticed, this report no longer has a CHDO expenditure requirement on it. So we're back to just commitments, CHDO reservations and disbursements as far as the requirements go.

And again, this report will not include commitments, CHDO reservations from any grants after 2014. So you can't use subsequent year grants to meet that cumulative requirement. So if you just look at this first PJ listed here, we have Killeen, Texas. You can see that they have a deadline date coming up in October 31, 2017. Their total cumulative grants they received through 2014 is $8.1 million.

They've had no adjustments to that grant amount and by adjustments, we typically mean de-obligations for failure to meet one of the HOME deadline requirements in the past. The requirement amount, therefore, is the entire original allocation, $8.1 million. They've committed $7.9 million through the date of this report, which this report has data through 11/30/16. So November 30, 2016 they're at about 97 1/2 percent of their cumulative commitment requirement and they have a shortfall of $203,000.

So they have $203,000 that they must commit before their deadline of October 31, 2017. And that works the same way for the CHDO reservation and the disbursement requirements. You can see there – and oftentimes, there's a difference between the deadline date for the commitment and CHDO reservation requirement and the expenditure requirement, because the commitment requirement deadline and CHDO reservation requirement deadline are based on the obligation date of the 2014 grant and the disbursement or the expenditure deadline is based on the obligation date of the 2012 grant.

So that's why those deadline dates are often different. So moving along, let's get into the grant-specific HOME deadline requirements. We talked about the cumulative requirements. The grant-specific deadline requirements, you can see the regulatory citation there is 24 CFR 92.500(d)(1). And for grant-specific commitments, there is a grant-specific requirement for 2015 and subsequent years HOME allocations.

So what this means is the entire grant amount, so your 2015 grant, the entire amount of your 2015 grant, must be committed within 2 years, committed to activities within 2 years or to subrecipients. And we'll get into what counts as a commitment here in a minute. The deadline is based on the obligation date of the grant. So for your 2015 grant, whenever your 2015 grant was obligated, 2 years later at the end of the month is the commitment requirement deadline.

So what's happening here is you're going to have a commitment requirement deadline for your 2015 grant and also, your 2014 and all earlier grants on the same day in 2017. So the entire grant amount must be committed within two years, deadline is based on the obligation date of the grant. Again, let's say your 2015 grant was obligated on May 11, 2015, your deadline would be May 31, 2017.

And under the grant-specific requirement, previous years and subsequent years' grants cannot help you meet those requirements. So we will only be looking at commitments from the 2015 grant, we will not be looking at 2014, 2016. None of those commitments will help you meet that requirements, it's only the 2015 grant. So we made – in the interim rule, we made a few changes to the commitment definition at 24 CFR 92.2. Ginny mentioned some of them earlier. Administrative and planning costs.

So when a PJ's grant goes into IDIS and when it's loaded into IDIS, 10 percent of that grant is automatically sub-funded into the AD subfund, which is your 10 percent administrative allowance. We consider all of those funds to be committed at the time the grant is loaded into IDIS. So if the PJ never reduces that 10 percent, they will always get commitment credit for the full 10 percent of their administrative allowance.

And the new interim rule describes that. Other commitments include a written agreement with a state recipient or sub recipient for affordable housing, down payment assistance or tenant-based rental assistance, a written agreement with a CHDO for CHDO operating costs, a written agreement with a CHDO for a CHDO predevelopment loan project and a written agreement with an organization for CHDO capacity building.

And as most of you have been PJs for several years now, the opportunity for CHDO capacity building funds has come and gone. Also, a commitment includes a written agreement committing funds to a specific local project and this would also include a CHDO set aside project. So there – that's everything that counts as a commitment. So in IDIS, commitments are reflected as, as I mentioned, the authorized amount of the AD subfund, that's your administrative allowance, the authorized amount of an SU subgrant.

So if you're sub-granting funds to a state recipient or sub recipient through a written agreement, the authorized amount of that subgrant, which should match the amount of the written agreement, would count as a commitment. Other commitments in IDIS include activities funded with CHDO operating funds, that's CO, activities funded with CL funds, that's CHDO predevelopment loans, CHDO Capacity building, the CC activity funding we talked about, probably not usable for most of you, CHDO set aside funds, CR activity funding, also counts as a commitment in IDIS and then obviously, your regular HOME funds or your EN, your Entitlement funds.

Activities funded with those funds also are considered commitments in IDIS. So let's switch over to grant-specific CHDO reservations. There's also a grant-specific CHDO reservation requirement beginning with the 2015 HOME grants, that's 15 percent of each grant amount must be committed – or must be reserved to CHDOs within 2 years. And by reserve to CHDOs, we mean committed to specific CHDO projects.

The deadline on this is also 24 months after the obligation date of the grant, the end of the month. So your commitment deadline for your 2015 funds and your CHDO reservation deadline for your 2015 funds will be the same exact date. A CHDO reservation is a written agreement committing funds to a specific local CHDO project. It's included in that definition, that 92.2. And I mentioned earlier how we would reduce the CHDO requirement or the CHDO subfund from one or more years upon request.

When you had a cumulative CHDO reservation percentage, about 15 percent, we will no longer do that beginning with the 2015 grants, because 15 percent of each grant must be reserved to CHDOs. If we allowed you to reduce that amount from, let's say, your 2015 grant, then you would not be able to meet the requirement and we would have to de-obligate the money. So we will no longer reduce CHDO subfunds for 2015 and subsequent year grants.

In IDIS, a grant-specific CHDO reservation is an activity funded with CR funds, that's your CHDO set aside funds, an activity funded with CL, CHDO predevelopment loan funds, an activity funded with CC or CHDO capacity building funds, for those of you that are able to take advantage of that. Importantly, subgrants to a CHDO, so a CR, CL or CC subgrant, those do not count as CHDO reservations. They don't count as commitments and they don't count as CHDO reservations and that was a change that was made back under the July 2013 HOME final rule.

The only activity funding using CHDO funds counts as a commitment in the system evidenced by a written agreement for a specific local project. Something completely new that Ginny mentioned is this idea of an FU commitment deadline or a deadline for sub-granted funds to state recipients or sub recipients. So in this case, funds committed to a state recipient or sub recipient before the 24-month commitment requirement –

And remember, a commitment to a state recipient or sub recipient counts as a commitment before the 24-month commitment requirement. But those funds that are committed to the state recipient or sub recipient, they must be committed to a specific local project within 36 months. The deadline here for this requirement is based on the obligation date of the grant again. Essentially, it would be one year after the 24-month deadline.

What is considered a commitment here to meet this requirement? A written agreement committing funds to a specific local project from that agreement with the sub recipient or state recipient. So in IDIS, this means that any funds that are on SU subgrants in place at 24 months after the grant's obligated, they must be committed before 36 months after the grant's been obligated.

So if funds are committed to a sub recipient or state recipient, let's say in the first year that a PJ receives its grant, it essentially have two more years to get those funds committed to a specific local project. So it's not one year after the funds have been sub-granted, it's 36 months after the entire grant's been obligated. As far as an expenditure requirement for 2015 and later year funds, the 5-year expenditure requirement, the cumulative requirement that you've all been familiar with, has been eliminated for 2015 and later allocations.

And as we mentioned earlier, the five-year CHDO expenditure requirement has been eliminated for all allocations. So just to make that distinction again, we still have a cumulative requirement, 5-year expenditure requirement for all pre-2015 HOME funds. We no longer have a 5-year expenditure requirement for 2015 and later year HOME funds. We have no five-year CHDO expenditure requirement for any HOME funds.

Under the new rule, the interim rule, the interim rule establishes a requirement based on the National Defense Authorization Act for 2015 and subsequent years HOME funds. And what that says is that grants expire five years after the period of availability for obligation. And for your information, pre-2015 HOME funds, so funds that you receive from 2002 through 2014, had a 3-year period of availability and that's the 3 on the slide.

So the three-year period of availability, plus the five years to expend before the grants expire. That gave PJs eight years total to use their funds before those grants expired. Beginning in 2015 and also in 2016, that period of availability for obligation was increased to four years. So grants expire now nine years after the beginning of the federal fiscal year for which those funds were appropriated.

And by period of availability, we mean the period that HUD has to obligate grants to the PJ. So beginning on the first day of the federal fiscal year, HUD has three years to obligate the grant to the PJ. On top of that, for years – or five years – or three years or four years, I'm sorry, HUD has an additional five years – or the PJ has an additional five years to expend those funds before those grants are cancelled or expired.

And most of you are aware the 2009 HOME grants just expired September 30, 2016 and your 2010 grants will expire at the end of the fiscal year – and by fiscal year, I mean federal fiscal year 2017. That would be September 30, 2017. We do have an expiring funds report that's posted to HUD Exchange where you can track these expiring funds. That expiring funds report would list the 2010 funds now, because they're the grants that expire at the end of this fiscal year.

So as far as grant-specific deadline requirements, we talked about the 24-month commitment and CHDO reservation requirements. Any uncommitted funds here would be de-obligated if the 24-month commitment requirement or CHDO reservation requirement was not met. And again, we would provide an opportunity for PJs to submit documentation of any commitments or CHDO reservations that were not in IDIS at the time of the deadline, but were executed prior to the deadline.

Also, funds becoming uncommitted after 24 months would also be de-obligated. So I mentioned this earlier under the cumulative requirement. If you have 2015 HOME funds that are committed to a project and your 24-month deadline passes and those funds become uncommitted after the deadline, those funds would be de-obligated by HUD. And again, a couple reasons why funds may become uncommitted after the 24-month, if an activity was cancelled, cancelled activities that are funded.

When those activities are cancelled, those funds become uncommitted. If it's after the 24-month deadline, those funds would need to be de-obligated. Also, if an activity was completed for less than the amount that you've committed to the activity. So I think I used the example of committing $100,000 of 2015 funds to an activity and your deadline in 2017 passes and you complete that activity for, let's say, $75,000 and those – that $25,000 remaining to be disbursed would become uncommitted and would need to be de-obligated by HUD.

As far as the expiring grants, those funds subject to the National Defense Authorization Act, those funds are recaptured by the U.S. Treasury after the grants expire and there would be no opportunity for PJs to submit documentation of expenditures made prior to that deadline. So that deadline is truly a dropdown. Those funds are swept by the U.S. Treasury after those grants expire.

So as far as the commitment requirement, essentially, what this means is after the 24-month period – or after the 24-month deadline passes, PJs will no longer be able to move funds from one project to another, because if your 24-month deadline passes for your 2015 funds and you try to uncommit those funds from one activity and commit them to another activity, those uncommitted funds – you know, the minute that you uncommit those funds from an activity, they would need to be de-obligated by HUD. So just to make that clear.

As far as the grant-specific requirements, we have an upcoming IDIS release. It's scheduled for early February, 2017. This release will allow the system to enforce these grant-specific HOME deadline requirements. Again, by those requirements, we're talking about the 24-month commitment requirement, the 24-month CHDO reservation requirement, the 36-month subgrant requirement, or SU commitment requirement and also the National Defense Authorization Act expiration of funds.

So the system will actually not allow you to commit funds to activities, to commit funds to CHDO projects if your 24-month deadline passes, if your 36-month SU commitment requirement passes. It will not allow you to commit SU funds from sub-granted – from funds sub-granted through SU and obviously, if your grant expires, the system will not allow you to expend any of those funds after the nine-year period for expenditure.

There's going to be a new HOME deadline compliance screen in IDIS. You'll link to that screen from the existing grant screen. That HOME deadline compliance screen is going to become your best friend, because you're going to use that to track all of these requirements. There's also a grant-specific HOME deadline compliance status report that will be posted to HUD Exchange for each year's grant.

So every year there will be a separate report. There'll be a report for your 2015 grant, a separate report for your 2016 grant and another report for your 2017 grant and so on and so on. The report will be posted to the link that I provided on the slide deck. The posted report will be updated monthly, but in this case, we will have an IDIS PR49 grant-specific version. So you will be able to track the grant-specific deadline as often as you would like, both on the HOME deadline compliance screen that I just mentioned and also, through the IDIS PR49.

So if you think back about, I don't know, 15 or 20 minutes ago, I mentioned the PR49 will not be able to be used for the cumulative requirement. It will be able to be used for the grant-specific requirement. And the PJ will use grant-based accounting to commit and disburse these funds. So you've all – since you've had your 2015 grants, you've all been using grant-based accounting to commit and disburse 2015 and 2016 grants no longer using FIFO.

A sample version of the HOME deadline compliance status report for grant-specific grants, if you take a look at this screen, you can see at the top, we have 2015 commitments, 2015 CHDO reservations and 2015 disbursements. We've added a row here for each PJ. If you look at the first PJ listed here, the Charlottesville Consortium, you can see there's a row for commitments, a row for CHDO reservations, a row for SU commitments and a row for disbursements or expenditures.

The commitment and CHDO reservations requirements have that deadline two years after the grant was obligated. So for Charlottesville, we're looking at a deadline of July 31, 2017. The SU commitment deadline happens to be one year after that commitment deadline. So July 31, 2018. And then the expenditure requirement, again, under the National Defense Authorization Act, that's a nine-year requirement.

So that expires at the end of the federal fiscal year in 2023. So every PJ will have the same expenditure deadline under the National Defense Authorization Act. That's September 30th, 9 years later. So in 2017 – or I'm sorry, for 2015 grants, everybody's expenditure deadline will be September 30, 2023. This report works the same way, for the most part, that the cumulative report works.

You can see the original allocation for Charlottesville, it's $455,000. That is the amount of their 2015 grant. The requirement, because it was not adjusted – and adjustments could include de-obligations. The unadjusted amount is the requirement. So $455,000. The total amount that they've committed through the report date, which is November 30, 2016 is a little over $189,000 or 41 1/2 percent of the requirement.

So they have a commitment requirement shortfall of $266,000 that needs to be committed from their 2015 grant by July 31st of this year. CHDO reservation requirement works the same way. The original grant amount was $455,000, 15 percent of that grant is about $68,000. They have reserved zero dollars to CHDO projects. So their shortfall is the entire requirement amount or about $68,000.

And I apologize to Charlottesville for calling them out, just a random sample here – random example. If you look at the last PJ listed here on this page, Chester County, Pennsylvania, and look at the SU commitment requirement, so that third row, you can see their SU commitment deadline is July 31, 2018. The original allocation here is the amount that they have sub-granted using the SU fund site.

That – the requirement amount is therefore the amount they've sub-granted using the SU fund site. As you can see, the total through their deadline – or the – actually, the total through the date of the report, which is November 30th is $100,000. So this PJ has sub-granted $200,000 in the SU subfund. They've sub-granted $200,000 of SU subgrants to sub recipients. They've committed $100,000 of that to activities.

They have $100,000 left to commit from those subgrants in order to meet that deadline requirement. And then finally, the disbursement requirement, again, that's the amount of the grant. You'll see the requirement amount listed, also, the amount expended through the date of the report and then the shortfall. And again, that expenditure deadline is the same deadline for every PJ nine years after the beginning of the federal fiscal year.

That report will be posted to HUD Exchange on a monthly basis. So quickly, I wanted to get into some other changes, Ginny mentioned most of these. The big one I think we need to talk about is the local account funds. So under the interim rule, beginning with the 2017 annual action plan, PJs must include local account funds received during the program year in the following year's annual action plan.

By local account funds for the HOME program, we mean program income, which would be your PI receipts, we mean recaptured funds, which are your HP receipts, these are recaptured homebuyer funds, repayments to the local account, their IU receipt funds in IDIS. All of those funds make up the funds in your local account that must be included in your annual action plan for the following year.

Other changes, you will use grant-based accounting, essentially, for your local account funds. So you're going to commit and disburse these funds for the same activity instead of disbursing first for any activity. So using grant-based accounting if you have program income, you are going to commit program income to a specific activity and you're going to draw it down for the same activity.

You're going to commit your local account funds to activities before committing your treasury account funds. By treasury account, I'm talking about your grant funds. This – the only exception here is for your CHDO set aside funds. So we want you to be able to reserve funds to CHDOs without having to commit all of your local account funds first. We want you to be able to meet that CHDO set aside requirement using CHDO funds.

IDIS will enforce this rule. So by this rule, I mean requiring PJs to commit local account funds before treasury account funds. IDIS will enforce that after release 11.13, which I mentioned will go live in early February. So what does this mean? Moving forward you will no longer have to disburse your local account funds before your treasury account funds and this is unless they're committed to an activity with treasury account funds.

So what does this mean? If you committed PI and EN to the same activity, you would have to drawdown the PI first before the EN, but you will no longer have to draw down any PI that you have on-hand before you draw down EN or any other treasury fund, because you're going to be committing those funds to a specific activity and drawing them down for that activity. And again, IDIS will enforce this rule beginning with release 11.13 in early February.

So what should you do? You should start accumulating and planning for your local account funds now. So if you have funds in your local account that have been undisbursed – that are undisbursed, you should start accumulating those funds and include them in your next year's action plan. Most of you are still in your 2016 program year. You can accumulate those local account funds now and include them in your 2017 action plan.

And again, the action plans won't be due until your formula allocations are announced. And I should mention there will be a CPD notice like there is typically every year that describes the timing of the submission of your annual action plan for 2017. The interim rule also establishes a new commitment requirement for local account funds.

The commitment requirement here is two years after the start of the program year and that's why it's important that you accumulate those funds during your program year, put them into your next year's action plan, that gives you a full two years to commit those funds like your treasury account funds. So for example, local account funds that you received in your 2016 program year must be included in your 2017 action plan.

They must be committed before your 2017 grant fund, like we mentioned, and IDIS will enforce that rule. They must be committed by your commitment requirement deadline in 2019 and if they're committed to the same activity as treasury funds, they must be disbursed before your grant funds or your treasury account funds if they're committed to the same activity. Switching gears a little bit, we also, in the interim rule, removed the auto-cancellation language from the HOME rule.

So this was language at Section 92.502(b)(2). That language was removed. It previously allowed the system to cancel any activities in the system for projects that had a commitment in the system for 12 months without an initial disbursement of funds. So if you went into IDIS and funded an activity on January 1st and on December 31st of the same year, if those – if you never drew down any money on that activity, the system used to cancel those activities automatically.

We didn't feel that that was fair given the fact that any funds that become uncommitted after the deadline will have to be de-obligated. We certainly didn't want IDIS cancelling activities on its own after a PJ's commitment requirement deadline. So the IDIS auto-cancellation feature, which I just mentioned, including those flags – the auto-cancellation flag and the warning flag and 30-day and 90-day warning flags, that will be removed in this upcoming IDIS release 11.13.

And again, that's scheduled for early February, 2017. And as a result, the PR21, which is the HOME auto cancel report should include no new activities after that release goes live. That wraps up the informational part of the webinar. I just wanted to give you a couple of links for additional information. We have all of the changes that we talked about today that are included in the interim rule as well as a summary of the interim rule and this webinar, at that point, will be posted to the link shown on the screen.

There's also a grant-based accounting website that's been up there for a while and that link is identified on the screen as well. I also wanted to mention, we're planning on having – for those of you out there that are IDIS users, we're planning on having an IDIS-specific webinar after that release goes live so that we can go over the specific changes in the system that were caused by the interim rule and definitely show you the HOME deadline compliance screen as a result of that.

And if you're interested in that webinar, hopefully all of you are signed up for the HOME listserv, if not, you can sign up at HUD Exchange. And with that, I'm going to turn it back over to Ginny. I don't know if she has any closing thoughts.

Ginny Sardone: Well, I want to apologize, once again, that we're not really able to take questions because of the technical difficulties that we have, but I hope that what we've talked about today went a long way toward addressing any of the questions that you do have. We are going to save all the questions that were submitted during the webinar and there may be a couple of cases where we can get back individually, but for the part, we'll look at them and determine whether or not there's some FAQs that we need to issue.

If you have specific questions or specific situations that are particular to your participating jurisdiction, we encourage you to get in contact with the community planning and development division in your field office, whoever is your regular point of contact, to sort of get those questions answered. And if they can't answer them, they can always give us a call up here in headquarters for a consultation.

We want to make sure that everybody really has a good understanding of these requirements and that you're planning as quickly as possible to insure that you can meet the new requirements, that we can get through this transition year and hopefully we will be recapturing as little money as possible.

With that, I want to thank you, again, for your time and your attention and we look forward to working with you to try and get this rule implemented in a way that is as little disruptive as possible.

So thank you, Peter and thanks, all folks out there on the webinar. Have a great afternoon.

Peter Huber: Thank you.

(END)