



# HOME Program Monitoring Series

## Session 7: Homebuyer Down Payment Assistance

Spring 2021



# Overview

# Presenters

**Monte Franke**

**Kris Richmond**



# HOME Monitoring Webinar Series Overview

Understanding Monitoring April 13, 2021			
General Administration	<b>Program Oversight and Financial Management; Match</b> Exhibits: 7-25   7-33 April 15, 2021	<b>CHDO</b> Exhibit: 7-32 April 20, 2021	<b>Oversight of Program Partners &amp; Their Written Agreements</b> Exhibits: 7-34   7-35   7-36 April 22, 2021
	<b>Homebuyer Development</b> Exhibit: 7-27 April 27, 2021	<b>Homebuyer Assistance</b> Exhibit: 7-28 May 4, 2021	<b>Homeowner Rehabilitation</b> Exhibit: 7-26 May 11, 2021
	<b>Rental</b> Exhibit: 7-29 April 29, 2021	<b>TBRA</b> Exhibit: 7-31 May 6, 2021	<b>Long-Term Rental Compliance</b> Exhibit: 7-30 May 13, 2021



# Webinar Objectives

- Introduce the CPD Monitoring Guide Exhibit 7-28 & HUD monitoring of PJ homebuyer down payment assistance (DPA) activities
- Identify homebuyer DPA requirements for complying with HOME regulations
- Introduce program design considerations to enhance a PJ's homebuyer DPA program
- Recommend steps for a PJ to self-assess and prepare for HUD monitoring



# If You Are Using Program Partners

- Requirements in this webinar apply to the entity that administers the DPA program, whether
  - PJ
  - Subrecipient/State recipient
  - Contractor
- When a partner administers program, PJ must oversee the partner's implementation of the DPA program in compliance with HUD requirements & PJ policies (this webinar)
  - PJ must also conduct required oversight of partner (another Webinar & Exhibits 7-34, 7-35 & 7-36)



# Did you attend last week 4.27 –Homebuyer Development Monitoring?

**A.** Yes I attended the session Homebuyer Development Monitoring last week

**B.** No I did not attend the Homebuyer Development session last week

**C.** I don't remember





# Regulatory Requirements



# Key Homebuyer Requirements

DPA – broadly refers to all assistance provided directly by PJ to the buyer of the assisted unit that was not provided for development of the unit

- Downpayment, closing cost, 2<sup>nd</sup> mortgage assistance

## 24 CFR Part 92 (§92.254)

- **92.254(a)** – Basic homebuyer requirements
- **92.254(c)** – Definition of homeownership in §92.2
- **92.254(f)** – Homebuyer program policies
- **92.254(e)** – Applicable if buyer assistance provided through other lenders



# Other HOME Requirements Monitored in Exhibit 7-28

## **Additional program requirements:**

- §92.351 – Affirmative marketing
- §92.203 – Income determinations
- §92.205-207 – Eligible and ineligible costs
- §92.217 – Income targeting/homeownership
- §92.250 – Per-unit subsidy limits, underwriting and subsidy layering
- §92.251 – Property standards

## **Program administrative requirements:**

- §92.502 – IDIS project set-up and disbursement
- §92.504 – PJ responsibilities; written agreements
- §92.505 – Applicability of uniform administrative requirements / procurement
- §92.508 – Recordkeeping



# Introduction to CPD Monitoring Exhibit 7-28

Guide for Review of Homebuyer Downpayment Assistance Projects and/or Policies & Procedures	
<b>Participating Jurisdiction:</b> Click or tap here to enter text.	<b>Subrecipient:</b> Click or tap here to enter text.
<b>PJ Staff Consulted:</b> Click or tap here to enter text.	
<b>Name of HUD Reviewer(s):</b> Click or tap here to enter text.	<b>Date of Review:</b> Click or tap here to enter text.
<b>Type of Monitoring Review:</b>	<input type="checkbox"/> Project File Review <input type="checkbox"/> Policies & Procedures Review <input type="checkbox"/> Combined: Project <u>and</u> Policies & Procedures Review

**NOTE:** All questions contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance.

File Selection Summary (Required)	
<b>Program Year(s) Reviewed:</b>	Click or tap here to enter text.
<b>Number of Files Reviewed:</b>	Click or tap here to enter text.
<b>How were files selected?</b>	<input type="checkbox"/> Random <input type="checkbox"/> Non-Random <input type="checkbox"/> Statistical <input type="checkbox"/> Combination (describe): Click or tap here to enter text.
<b>Were additional files selected for review?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No



# Order of Discussion of Monitoring Topics

Regulatory Requirements			Program Design
Buyer Selection and Qualification	Project Approval	Administration & Monitoring	Program Design & Operational Considerations
Affirmative Marketing	Property Requirements	Procurement (if appl.)	Targeting
Income Determinations	Property Standards	Project Completion	Program Policies
Housing Counseling	Ownership	Recordkeeping	Buyer Assistance
Buyer Underwriting	Resale/recapture		Property Standards
HOME Subsidy	Written Agreement		Program Administration
	IDIS Set-Up		





# Monitoring of Homebuyer DPA Program Requirements

# Discussion of Topic Areas

## Requirements

- Key regulatory requirements on which the Exhibit Questions are based

## Documentation

- Items that must be documented to demonstrate compliance, including both policies & procedures and file documentation

## Compliance Review

- Compliance determinations that go beyond basic file documentation (as needed)



# Requirements: Buyer Selection and Qualification

**Buyer Selection  
and Qualification**

**Project  
Approval**

**Administration  
and  
monitoring**



# Affirmative Marketing

## Requirement

Adopt affirmative marketing procedures to conduct outreach to those least likely to apply for programs and projects of 5+ units

## Documentation

- Affirmative marketing requirements and procedures
- Affirmative marketing records (e.g., documentation of outreach activities and meetings, advertising materials, organizations contacted)





# Income Determination

## Requirements

- Income limits – Buyer at or below 80% of AMI; within 6 months of assistance (i.e., closing)
- Household income – Project anticipated household income for coming year
  - Include income for all HH members
  - Review 2 months source documentation
- Income definition – Use either IRS 1040 or Part 5 (inclusions & exclusions); same definition across program



# Income Determination (cont)

## Documentation

- Completed household application -- shows household size and income
- 2 months' source documentation of household income
- Worksheet, analysis, or CPD Income Calculator
  - HH anticipated income within income limit
  - Followed definition
  - Determined prior to commitment and within 6 months of assistance

## Compliance Review

- Income determined as required by §92.203
- One definition for all buyers



# Housing Counseling

## Requirement

Buyer must receive homebuyer counseling by a HUD-certified housing counselor

- See CPD-18-9 Section V for counseling policy provisions
- Housing Counseling Rule, August 2021

## Documentation

- PJ policy requiring HUD-certified counselor prior to purchase
- In each file, evidence buyer received counseling by a HUD-certified counselor



# Responsible Lending Requirements

## Requirements

- PJ must have homebuyer program policies covering buyer underwriting, responsible lending, and refinancing (§92.254(f))
  - See CPD 18-09 Section IV.B for guidance
- Loan must be sustainable & not contain risky lending features

## Documentation

- PJ underwriting and responsible lending policies
- In each project file, underwriting analysis conducted per PJ policy, including determination that loan does not contain risky features



# Lender Requirements

## Requirements

- If lender administers DPA, must meet requirements of §92.254(e)
  - Written agreement w/ terms of funding
  - PJ must verify income eligibility & inspect the units
  - Lender charges reasonable fees, & no fees to buyer on HOME assistance

## Documentation

- If applicable, lender agreement
- PJ eligibility verification & unit inspection
- Fees charged comply with policy



# Eligible/Reasonable Costs

## Requirement

PJ must determine HOME subsidy to buyer based on buyer underwriting and eligible and reasonable costs

- Administrative & related soft costs must be consistent with §92.206, §92.207
- Fees charged to buyer consistent with §92.214(b)

## Documentation

- Written agreement specifying budgeted costs & fees
- Disbursement documentation



# HOME Subsidy

## Requirements

Invest no more than necessary for quality affordable housing financially viable

- Subsidy must be sufficient to sustain homeownership over the long term

Amount of assistance based on:

- Minimum subsidy/unit – \$1,000
- Maximum subsidy/unit – subsidy limit
- PJ buyer underwriting policies
- Assistance reflects buyer needs

Eligible form of investment



# HOME Subsidy

## Documentation

- PJ homebuyer underwriting policy
- Underwriting analysis
- Written agreement with buyer reflecting eligible form of investment, and amount of assistance based on PJ underwriting
- Note/mortgage or deed covenant reflecting PJ policies & containing HOME requirements





# Requirements: Project Approval

**Buyer  
Selection and  
Qualification**

**Project  
Approval**

**Administration  
and monitoring**



# Property Requirements

## Requirements

- Single-family housing & eligible form of ownership (fee simple or long-term land lease)
- Sale price less than 95% of area median purchase price - HUD published limit (Homeownership Value Limits) or PJ developed/HUD approved value limits
- Environmental review completed prior to commitment (typically CENST)

## Documentation

- Written agreement specifies requirements
- Sales documents (agreement, title) document:
  - Single-family housing unit & ownership
  - Sale price is within applicable program limit
- Environmental review checklist/determination



# Property Standards

## Requirements

- All property standards addressed – state/local codes/standards & HOME
  - Acquisition for homeownership – state/local standards/codes; minimum health and safety deficiencies
  - There are different standards for manufactured housing
- PJ inspection required no more than 90 days prior to commitment

## Documentation

- PJ inspection standards
- Dated inspection report showing standards met

Property Standards Tool: <https://files.hudexchange.info/course-content/home-monitoring-webinar-series-chdos/HOME-Monitoring-Property-Standards-Handout.pdf>



# Resale and Recapture Requirements

## Requirements

Assisted housing must meet program affordability requirements for a minimum period of time, and must be subject to resale or recapture requirements in the event of sale

- Resale/recapture provisions in ConPlan & HUD approved (See CPD-12-003)
- Resale or recapture restrictions imposed through written agreement and enforced via lien, deed restrictions, or covenants running with the land

## Compliance Review

- POA determined accurately
- Provisions comply with approved policy

## Documentation

- Written agreement specifying resale/recapture provisions & POA
- Recorded legal documents
  - If resale, deed restrictions
  - Resale/recapture provisions recorded
- If resold, documentation of transaction & resale/recapture requirements implemented



# Beneficiary Written Agreement

## Requirements

Executed written agreement with each homeowner must include:

- Property address
- Amount and form of assistance
- Use of funds
- Deadline for acquisition
- Property standards that must be met
- Estimated value
- Principal residency requirement
- Period of affordability
- Resale/recapture
- Dated signatures of PJ and owner

## Documentation

- Signed agreement in file for each buyer specifying:
  - Price, principal residence, assistance, resale/recapture, deadline, address, POA
  - Noncompliance remedies
  - Refinancing guidelines



# Commitment and Set-Up

## Requirements

- Buyer underwriting before commitment
  - See CPD-18-09 Section IV
- Underwriting complied with PJ guidelines
- Project set-up in IDIS after written agreement executed by parties
- Closing within 6 months of commitment

## Documentation

- Underwriting analysis per PJ policy documented
- Written agreement signed & dated prior to IDIS set up
- Closing occurred within 6 months of commitment



# Requirements: Administration and Monitoring

**Buyer Selection  
and  
Qualification**

**Project  
Approval**

**Administration  
and monitoring**



# Procurement and Contractor Oversight

## Requirement

If the PJ procures a contractor to administer all or part of its homebuyer DPA program, federal procurement rules at 2 CFR Part 200 Subpart D

- If procurement applies, Exhibits 34-3a and 7-34 will also be used to determine compliance with procurement requirements

## Documentation

If PJ procurement of contract administrator, procurement followed 2 CFR 200





# Project Completion

## Requirement

Project must be completed in IDIS within 120 days of the final project draw

## Documentation

File consistent with IDIS completion information



# Record Retention

## Requirement

- Homebuyer recapture/resale documents retained for 5 years after POA
- Written agreement retained 5 years after agreement terminates
- Other homebuyer records must be kept for 5 years from project completion

## Documentation

PJ files document compliance with record retention requirements including:

- Resale/recapture documents retained 5 years after POA terminates
  - Including documentation of resale/recapture events
- Written agreements retained 5 years after termination
- Other project documentation – 5 years after completion



# What are the most common issues you see in your files while monitoring?

**A.** Inspection to determine unit meets property standards is not properly documented

**B.** Missing or incomplete disclosure notice for Lead Safe Housing Rule

**C.** Missing or incomplete documentation for income determination

**D.** More than one of the above issues





# **Program Design Considerations: Enhancing Homebuyer DPA Programs**

# Overview to Program Design Considerations

Policies and procedures must reflect a PJ's program design and operations

- Policy – program policies that go beyond HOME Rule, e.g.:
  - More specific targeting of populations to be served
  - Property location and eligibility requirements
  - Types and limits of financial assistance
- Procedures – reflect the PJ's unique administrative structure and staffing
  - Staffing changes, software adoption, financial management procedures



# Overview to Program Design Considerations (cont.)

PJs should regularly assess their programs, identify performance issues, and modify aspects of program design as needed to ensure compliance and improve results

- Is program meeting its goals? Have the goals changed?
- Are there program design changes that will allow for more effective response to current conditions and needs?
- Are program operations effective and efficient?
- Are there changes to administrative structure, staffing, and procedures that will enhance program performance?



# Program Targeting



Who are your targeted buyers? Is your program reaching the homebuyers you have targeted?



Is your program design appropriate for current homebuyer market conditions?



# Effectiveness of Homebuyer Program Policies

## Counseling

- Is your counseling effective in helping to ensure homeownership sustainability?

## Buyer Underwriting and Responsible Lending

- Is your homebuyer underwriting helping to ensure sustainable homeownership?
- Are your responsible lending policies ensuring that your buyers are obtaining reasonable and appropriate first mortgages?

## Refinancing

- Are refinancing requests achieving the intended policy outcomes, ensuring fair treatment of owners, and protecting the HOME investment?





# HOME Buyer Assistance

- Is the amount and form of assistance to homebuyers appropriate to current market conditions (prices, affordability)?
- Is the amount of assistance:
  - Based on individual needs?
  - Consistent with underwriting policies?
  - Appropriate in all cases?
- Direct buyer assistance provided to HOME-assisted development projects – If a buyer is purchasing a HOME-developed property, is the total assistance reviewed for compliance and appropriate levels of total assistance?



# Property Standards

- Are your standards sufficient to help ensure sustainable homeownership for at least the affordability period?
  - Useful life standards?
  - Lead-based paint standards?
- Are you providing adequate training to your property inspectors?



# Resale/Recapture

- Administrative considerations:
  - Are the legal documents being recorded (and stored for the POA)?
  - Are you monitoring principal residency during the affordability period?
  - Are you being notified when HOME units under a POA are being sold?
- Effectiveness:
  - Are your resale/recapture provisions balancing long-term affordability with the need for future funds?
    - Recapture: buyer equity v. recapturing for future program activities
    - Resale: fair return v. affordability to future buyer
  - Are they appropriate to current market conditions?





# Preparing for HUD Monitoring

# CPD Monitoring Handbook Exhibit 7-28 – Homebuyer DPA

Guide for Review of Homebuyer Downpayment Assistance Projects and/or Policies & Procedures	
<b>Participating Jurisdiction:</b> Click or tap here to enter text.	<b>Subrecipient:</b> Click or tap here to enter text.
<b>PJ Staff Consulted:</b> Click or tap here to enter text.	
<b>Name of HUD Reviewer(s):</b> Click or tap here to enter text.	<b>Date of Review:</b> Click or tap here to enter text.
<b>Type of Monitoring Review:</b>	<input type="checkbox"/> Project File Review <input type="checkbox"/> Policies & Procedures Review <input type="checkbox"/> Combined: Project <u>and</u> Policies & Procedures Review

**NOTE:** All questions contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance.

File Selection Summary (Required)	
<b>Program Year(s) Reviewed:</b>	Click or tap here to enter text.
<b>Number of Files Reviewed:</b>	Click or tap here to enter text.



# Preparing for HUD: Document Assembly

## Document Assembly

- IDIS reports
- DPA P&Ps
  - Address homebuyer outreach, intake, eligibility & qualification, including underwriting
- Resale/Recapture provisions
- Applicable HOME limits: income, max per unit subsidy, max purchase price
- Written agreement templates
- Past monitoring
- Citizen input
- Exhibits 7-24 and 7-28

**Self-  
assessment**

**HUD  
Monitoring**



# Preparing for HUD: Self-Assessment

**Document  
Assembly**

## **Self-assessment**

- P&Ps review
- Documentation review
- Monitoring questions review

**HUD  
Monitoring**



# Pre-monitoring Self-assessment

## Regulatory Compliance

- Policies and procedures
- Written agreements and docs
- Regulatory limits and requirements
- Eligibility documentation

## Program Performance

- Program status (IDIS)
- Production vs. ConPlan goals

## Monitoring & Evaluation

- PJ monitoring
- Response to prior monitoring
- Citizen comments/media
- Staff skills/training
- Changes to program

<https://files.hudexchange.info/course-content/home-monitoring-webinar-series-understanding-monitoring/HOME-Monitoring-PJ-Self-Assessment-Handout.pdf>







# Resources & Tools

# CPD Monitoring Handbook

<b>CHAPTER 7: HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)</b>	<b>WORD</b>
<b>Optional Attachments 7-0 (4 files), Exhibits 7-1 through 7-23, and Attachment 7-1 – (REMOVED)</b>	
<b>Exhibit 7-24 - HOME Pre-Monitoring Checklist</b>	<b>WORD</b>
<b>Exhibit 7-25 - Guide for Review of Program Oversight, Financial Management, and Cost Allowability</b>	<b>WORD</b>
<b>Exhibit 7-26 - Guide for Review of Homeowner Rehabilitation Projects and/or Policies &amp; Procedures</b>	<b>WORD</b>
<b>Exhibit 7-27 - Guide for Review of Homebuyer Development and/or Rehabilitation Projects and/or Policies &amp; Procedures</b>	<b>WORD</b>
<b>Exhibit 7-28 - Guide for Review of Homebuyer Downpayment Assistance Projects and/or Policies &amp; Procedures</b>	<b>WORD</b>
<b>Exhibit 7-29 - Guide for Review of Rental Development or Rehabilitation Projects and/or Policies &amp; Procedures</b>	<b>WORD</b>
<b>Exhibit 7-30 - Guide for Review of Rental Project Compliance and/or Policies &amp; Procedures</b>	<b>WORD</b>
<b>Exhibit 7-31 - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies &amp; Procedures</b>	<b>WORD</b>
<b>Exhibit 7-32 - Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies &amp; Procedures</b>	<b>WORD</b>
<b>Exhibit 7-33 - Guide for Review of Match Requirements</b>	<b>WORD</b>
<b>Exhibit 7-34 - Guide for Review of Contractor Written Agreements</b>	<b>WORD</b>
<b>Exhibit 7-35 - Guide for Review of State Recipient Written Agreements and Oversight</b>	<b>WORD</b>
<b>Exhibit 7-36 - Guide for Review of Subrecipient Written Agreements and Oversight</b>	<b>WORD</b>

[https://www.hud.gov/program\\_offices/administration/hudclips/handbooks/cpd/6509.2](https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2)



# HUD Exchange HOME Page – Homebuyer Topic Link

## HOME Topics



## HOME Homeownership

HOME Investment Partnerships Program (HOME) assistance can be provided to eligible homebuyers for acquisition only, acquisition/rehabilitation or new construction of homes. All HOME funds used for homeownership assistance must benefit homeowners whose family income does not exceed 80 percent of the area median income. In addition, the assistance must meet the following requirements:

- The assisted housing must be the owner's principal residence.
- The estimated value of the property must not exceed 95 percent of the median area purchase price.
- The Participating Jurisdiction (PJ) must establish resale provisions that safeguard the property's continued affordability or recapture all or part of the HOME subsidy invested.

PJs can structure the form of financial assistance for homebuyer activities according to the particular needs of the program's target participants. Generally, the form of assistance will include grants, deferred-payment loans, below-market-rate loans, or loan guarantees.

For more information on homeownership, see [24 CFR 92.254](#).

### Find by Resource Type

[Policy Guidance and FAQs](#)

[Guidebooks and Tools](#)

[Videos and Training Material](#)

### Policy Guidance and FAQs

#### FAQs

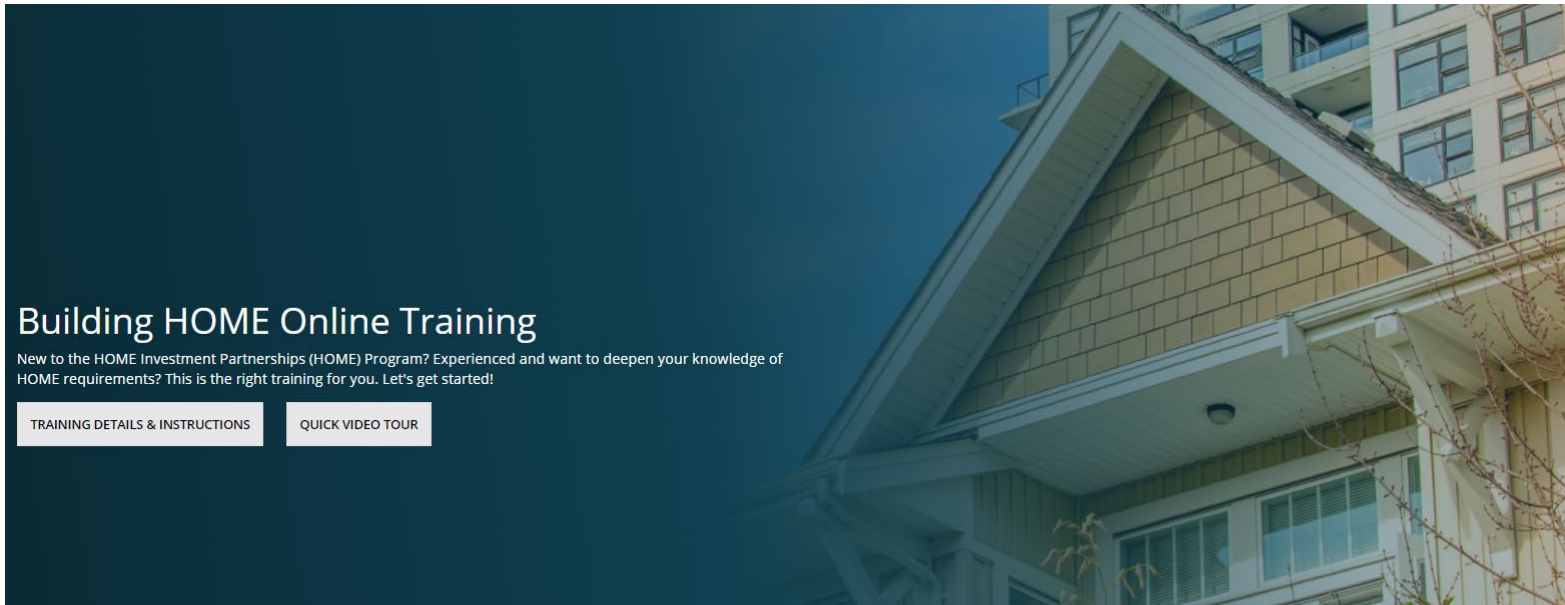
[Homebuyer Assistance FAQs](#)

[View Homebuyer Assistance FAQs.](#)

#### Program Limits







# Building HOME Online Training



**Building HOME Online Training**

New to the HOME Investment Partnerships (HOME) Program? Experienced and want to deepen your knowledge of HOME requirements? This is the right training for you. Let's get started!

[TRAINING DETAILS & INSTRUCTIONS](#) [QUICK VIDEO TOUR](#)

-  Engaging, self-paced training when you need it
-  Foundational training for government, nonprofit, for profit, and property management staff
-  Guidance including notices, HOMEfires, and guides
-  Challenge questions and exams to test your understanding of the requirements



**Module 5**

**Homebuyer Programs**

<https://www.hudexchange.info/trainings/building-home/>



# Other Tools Available

CPD-12-003: Guidance on Resale and Recapture Provision Requirements under the HOME Program

<https://www.hudexchange.info/resource/2690/notice-cpd-12-003-guidance-resale-recapture-home/>

CPD-18-09: Requirements for HOME Homebuyer Program Policies and Procedures

<https://www.hudexchange.info/resource/5742/notice-cpd1809-requirements-for-home-homebuyer-program-policies-and-procedures/>

Self-Assessment Tool: <https://files.hudexchange.info/course-content/home-monitoring-webinar-series-understanding-monitoring/HOME-Monitoring-PJ-Self-Assessment-Handout.pdf>

Property Standards Tool: <https://files.hudexchange.info/course-content/home-monitoring-webinar-series-chdos/HOME-Monitoring-Property-Standards-Handout.pdf>

Need technical assistance to prepare for HUD monitoring? [Request TA on the HUD Exchange.](#)





# Wrap Up

# Questions?





# HOME Monitoring Webinar Series Overview

Understanding Monitoring April 13, 2021			
General Administration	<b>Program Oversight and Financial Management; Match</b> Exhibits: 7-25   7-33 April 15, 2021	<b>CHDO</b> Exhibit: 7-32 April 20, 2021	<b>Oversight of Program Partners &amp; Their Written Agreements</b> Exhibits: 7-34   7-35   7-36 April 22, 2021
	<b>Homebuyer Development</b> Exhibit: 7-27 April 27, 2021	<b>Homebuyer Assistance</b> Exhibit: 7-28 May 4, 2021	<b>Homeowner Rehabilitation</b> Exhibit: 7-26 May 11, 2021
	<b>Rental</b> Exhibit: 7-29 April 29, 2021	<b>TBRA</b> Exhibit: 7-31 May 6, 2021	<b>Long-Term Rental Compliance</b> Exhibit: 7-30 May 13, 2021

