



HOME Program Monitoring Series

Session 9: Homeowner Rehabilitation

Spring 2021



Overview

Presenters

Kris Richmond

Les Warner



HOME Monitoring Webinar Series Overview

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



Webinar Objectives

- Review homeowner rehabilitation monitoring – what does HUD monitor?
- Introduce the CPD Monitoring Handbook, Exhibit 7-26
- Identify:
 - HOME homeowner rehabilitation requirements and required policies & procedures
 - Required documentation – to demonstrate compliance
 - Program design considerations
- Recommend steps to prepare for HUD monitoring



Compliance Requirements for PJs and Partners

- Requirements in this webinar apply to the entity that administers the homeowner rehab program
 - PJ
 - Subrecipient
 - State recipient
 - Contractor
- When a partner administers program, PJ must provide oversight
 - Is partner compliant with homeowner rehab requirements? (covered in this webinar)
 - Is PJ conducting required oversight of partner?
 - See Exhibits 7-34, 35 & 36; related webinar



How Much Experience Do You Have Monitoring Homeowner Rehab Programs?

A. Less than 1 year

B. 1-5 years

C. 5+ years





Regulatory Requirements

HOME Final Rule Part 92 – Homeowner Rehab Requirements

HOME Requirements in Exhibit 7-26

Key Requirements for Homeowner Rehabilitation

- Sections §92.254(b) and (c)
 - Property value
 - Principal residency
 - Ownership interest

- §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

- §92.502 – Information and disbursement system
- §92.504 – PJ responsibilities; written agreements; on-site inspection
- §92.505 – Applicability of uniform administrative requirements / procurement
- §92.508 – Recordkeeping



CPD Monitoring Handbook, Exhibit 7-26

Exhibit 7-26
HOME Program

6509.2 REV-7 CHG-1

Guide for Review of Homeowner Rehabilitation Projects and/or Policies & Procedures	
Participating Jurisdiction: Click or tap here to enter text.	Subrecipient: Click or tap here to enter text.
PJ Staff Consulted: Click or tap here to enter text.	
Name of HUD Reviewer(s): Click or tap here to enter text.	Date of Review: Click or tap here to enter text.
Type of Monitoring Review:	<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.



Overview of Homeowner Rehabilitation Program Policies & Procedures

Regulatory			Program Design
Marketing & Participant Selection	Project Review & Selection	Administrative Requirements	Program Design & Operational Considerations: PJ Decisions
Affirmative Marketing	Form of Ownership	HOME Subsidy Amount	Program Targeting (Beneficiaries)
Beneficiary Eligibility (Income)	Principal Residency	Project Commitment	Rehab Standard
	Property Eligibility	Written Agreement with Beneficiary	Level of Subsidy
	Property Standards	Refinancing	Cost Control
	Cost Reasonableness & Procurement	Project Completion	Quality Control
		Records Retention	





Monitoring of Homeowner Rehabilitation 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: Marketing & Participant Selection Phase



Affirmative Marketing

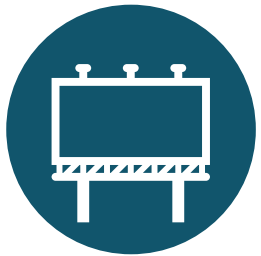
Requirements

- PJ must conduct outreach to those people who are least likely to apply

Documentation

- Copy of the PJ's affirmative marketing policy
- Documentation of all outreach activities – *shows compliance with the PJ's policy*

For complete review of civil rights-related requirements, refer to Exhibit 22-3, *Guide for Review of Civil Rights-Related Program Requirements for the HOME Investment Partnerships Program*



Ads



Flyers



Social Media



Beneficiary Eligibility – Income Determination

Requirements

- Income limits – Household must be at or below 80% Area Median Income (AMI) for the area
- Income definition – Use either Part 5 or IRS 1040 (same definition must be used throughout the program)
- Determination of household income
 - Must project anticipated income
 - Must include income for all household members
 - Must be verified with source documentation



Beneficiary Eligibility – Income Determination (cont.)

Documentation

- Completed household application -- *shows household size and income*
- Copy of 2 months' source documentation (pay stubs, unemployment compensation statement, statement from another income-based program) – *verifies household's income*
- Worksheet, analysis, or printout from CPD Income Calculator
- For all projects, analysis based on same definition of income

Compliance Review

- Confirms household income within applicable HOME income limits;
- Correct application of income definition (for Part 5, inclusions and exclusions must be correctly applied)
- Anticipated income of all household members was counted
- Date of analysis was within 6 mos. of funding commitment



Requirements: Project Review and Selection Phase



Eligible Forms of Ownership

Requirements

- Applicant must own their home with a HOME-eligible form of ownership:
 - Fee simple
 - 99-year ground lease, or
 - For housing in insular areas, 40-year ground lease
 - For housing located on Indian land or a Community Land Trust, 50-year ground lease
 - Inherited property with multiple owners
 - Life estate property
 - Inter vivos trust
 - Beneficiary deed
- Eligible forms of ownership are defined and described in detail at §92.254(c)



Eligible Forms of Ownership (cont.)

Documentation

- Copy of title search, or
- A recent search of (recorded) property – *shows eligible form of ownership, and no encumbrances that cloud title*

Note: Copy of deed alone is **not** sufficient documentation.



Principal Residency

Requirements

- Property must be owner's principal residence

Documentation

- Documentation showing that the PJ verified principal residency, including but not limited to:
 - Owner self-certification
 - Utility records
 - Tax records



Property Eligibility

Requirements

- Any type of housing that is ownership under state law
 - Single family, co-op, condo
- After-rehab value of home must be $\leq 95\%$ of median purchase price for the area
 - HUD-issued value limits, **or**
 - PJ's own value limits, based on market analysis [see § 92.254(a)(2)(iii) for detail]
- Must clear environmental review & comply with any site-specific requirements
 - See CPD Monitoring Handbook Exhibit 21-1 for comprehensive monitoring of environmental review requirements



Property Eligibility (cont.)

Documentation

- Evidence of the after-rehab value of the home; must be one of following:
 - Appraisal that accounts for added value of improvements
 - Estimate of value by qualified PJ staff
 - Tax assessment if based on market value of comparable unit to post-rehab
- Copy of the value limits used – *must show that value does not exceed the limit applicable at time of commitment*
 - If PJ establishes its own estimate of 95% of median purchase price, copy of its analysis per 92.254(a)(2)(iii) methodology, as published in its Action Plan & approved by HUD
- Copy of RE's Request for Release of Funds & evidence of compliance with property-specific requirements, if any
- If property is in flood plain, copy of flood insurance



Property Standards

Requirements

PJ's Written Rehab Standards

Details methods, materials, & requirements that housing must meet upon completion. Must include [per 92.251(b)]:

- State & local codes, ordinances OR national rehab standard
- Lead-based paint (pre-1978 properties)
- Accessibility
- Disaster mitigation, if applicable
- Minimum deficiencies of inspectable items/areas, per HUD's Uniform Physical Condition Standards
- Health & safety, including life-threatening deficiencies for occupied housing

Useful Life of Major Systems

Major systems must be replaced if remaining useful life is < 5 yrs

- PJ can adopt stricter standard
- PJ can set system-specific standards

Inspections

PJ inspections policy, specifying:

- Initial inspection (pre-rehab) to identify scope of work
- Progress inspection(s) to confirm work complies with approved work write-up
- Completion inspection to verify work complies with approved write-up & meets PJ's rehab standards
- Inspector minimum qualifications

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



Property Standards (cont.)

Documentation

- Policies
 - PJ's written rehabilitation standard
 - PJ's inspection policy
- For each project
 - Contract (including scope of work) with contractor & approved work write-up – *shows that scope is based on initial inspection and property will meet PJ's rehab stds upon completion & major systems w/ useful life < 5 yrs will be replaced*
 - Assessment of remaining useful life of major systems
 - Initial, progress & final inspection reports – *to show compliance with work write-up and PJ's rehab std*
 - For occupied property with life-threatening deficiencies, evidence that these were addressed immediately
 - Evidence of disaster mitigation, if applicable
 - For pre-1978 property, evidence of compliance with LBP requirements
 - See Exhibit 24-1 for full Lead-Safe Housing Rule compliance review



Procurement & Cost Reasonableness

Requirements

- PJ must determine all costs are HOME-eligible & reasonable
- Procurement
 - If PJ (& state recipients & subrecipients) select contractor, must follow 24 CFR Part 200 for procurement
 - If owner selects contractor, PJ must ensure cost reasonableness
 - See Exhibits 7-34 and 34-3 for review of procurement requirements

Documentation

- PJ review & approval of cost estimates – *to show eligibility & reasonableness; based on scope and/or bidding*
- Work write-ups, GC contract, and final project budget – *consistent with PJ review of costs*
- Budget - *shows the source and application of HOME funds*
- If PJ procures contractor, documentation to show that PJ followed its procurement policy & Federal requirements were followed



Requirements: Administrative Requirements



HOME Subsidy Amount

Requirements

- Minimum HOME subsidy: \$1,000 per home
- Maximum HOME subsidy: Applicable max. per unit subsidy limit issued by HUD
- Subsidy must be provided in eligible form (e.g., amortizing loan, deferred loan, grant, etc.)

Documentation

- Work write-ups/cost estimate - *shows cost is at least \$1,000*
- Loan/grant agreement plus change orders - *shows that subsidy is below applicable per unit subsidy limits in effect & shows form of assistance is eligible*



Refinancing

Requirements

- When loaning HOME funds, PJ is permitted to refinance owner's existing debt only if:
 - Refinancing is needed to reduce overall housing costs to the borrower and make the housing more affordable, and
 - Rehab cost is greater than the amount of debt being refinanced

Documentation

- For project involving refinancing, copy of PJ's analysis and determination of compliance with refinancing requirement



Project Commitment

Requirements

PJ must evaluate all projects before committing funds



Project Financing

- All needed funds secured
- Sources & uses
- Underwriting, if amortizing loan
- If other funders:
 - Written funding commitments
 - Subsidy layering



Environmental review



Construction starts within 12 mos.



Project Commitment (cont.)

Documentation

- PJ's policy for pre-commitment review of projects that clearly states all review elements, including underwriting review if applicable
- For each project:
 - Final sources and uses statement
 - Costs based on scope of work and subsequent bidding
 - PJ's underwriting analysis, if amortizing loan
 - Copies of firm funding commitments & subsidy layering analysis, if other funders
 - Form 7015.16, Signed Determination of Exemption or Categorical Exclusion Not Subject to Related Laws or Authority to Use Grant Funds – *to show environmental review*
 - Schedule - *shows rehab work expected to start within 12 months*



Written Agreement with Beneficiary

Requirements

- PJ must execute a written agreement with each homeowner
- Agreement must include all required provisions
- Project must be set up in IDIS after execution of written agreement

Documentation

- Written agreement with each homeowner
 - Includes all required elements; dated & signed by PJ and owner
- Comparison of project set up date in IDIS and date of agreement execution

Loan documents such as mortgage notes or deeds of trust & promissory notes are not written agreements.



Written Agreement with Beneficiary (cont.)

Required Provisions per § 92.504(c)(5)(ii)

- ✓ Dated signatures of PJ & owner
- ✓ Estimated and maximum after-rehabilitation value
- ✓ Principal residency requirement
- ✓ Amount & form of assistance
- ✓ Scope of work
- ✓ Property standards to be met upon completion
- ✓ Expected completion date



Project Completion - Timelines

Requirements

- Projects must be completed within 4 years of project commitment unless HUD approves an extension (up to one year)
- PJ must enter project completion data in IDIS within 120 days of final project draw

Compliance Review

- Project review for any completed project:
 - Completed within four years of commitment or, 5 years with HUD extension
 - Documentation of 1-year extension request needed, if applicable
 - Completion data (address, beneficiary info) entered in IDIS within 120 days of final draw
- IDIS data = data/info in the written agreement & project files



Records Retention

Requirements

- Project records must be retained for five years after project completion
- Written agreement with the homeowner must be retained for 5 years after termination

Compliance Review

- Project review for any completed project:
 - Files retained for 5 years after completion
 - Written agreement with beneficiaries retained 5 years after agreement terminates



When HUD monitors a homeowner rehab project, what documents might it review? Select all that apply.

A. Homeowner's application, pay stubs & household size

B. Agreement of sale when homeowner purchased property originally

C. Appraisal or PJ estimate of the home's after-rehab value

D. Environmental Review

E. Certification from neighbors that the owner is a responsible homeowner





Program Design Considerations: Enhancing Homeowner Rehab Programs

PJs Decisions: Housing and Community Development Goals

Who is the homeowner rehab program trying to serve? Are beneficiaries being served effectively?



Targeted or City-wide

- Target by beneficiary, neighborhood, property/level of rehab
- Administer city-wide program open to all eligible low-income owners



Qualifications

How are qualified owners be selected?

- First-come, first-served
- Lottery



PJs Decisions: Program Operations

Program Administration

- Who administers the program?
 - PJ
 - Contractor
 - State recipient
 - Subrecipient
- If partner administers, who retains records?

Housing Types

- What types are permitted?
 - 2-4 units
 - Co-op/condos
 - Manufactured housing (rehab or replace?)
- How to determine scope and cost allocation?
- Level of deterioration?

Form & Amt of Subsidy

- How will PJ decide form of assistance to homeowner?
 - Loan v. grant?
 - Amortizing loan (triggers underwriting) v. non-amortizing loan?
- \$ to cover all costs or cap assistance to increase # of homes that can be treated?



PJs Decisions: Program Operations

Contractor Selection

- PJ or owner selects contractor?
- If owner selects, how will PJ approve & enforce?

Insurance

Are owners required to maintain insurance?

Communication

- How will the PJ ensure that the owner, contractor & PJ agree on scope, timetable, inspection schedule & completion standards?
- How will conflicts be resolved?



PJs Decisions: Program Operations – Written Rehab Standard

Written Rehab Standard: specific, detailed, consistent

Which rehab work will PJ pay for?

- Will PJ pay for more than cheapest option? When?
- Is there a temporary relocation policy? What will it cover?
- What happens if doing more than standard renovation?

How does PJ keep control of costs?

- Are policies clear and followed consistently?
- Change order policy?
- Retainage policy?

How does PJ ensure final product meets requirements and expectations?

- Are payments based on PJ inspections and owner approval throughout rehab?
- Is it clear what reviews and approvals are needed for final sign-off?
- Dispute resolution procedures?





Preparing for HUD Monitoring

CPD Monitoring Handbook, Exhibit 7-26

Exhibit 7-26
HOME Program

6509.2 REV-7 CHG-1

Guide for Review of Homeowner Rehabilitation Projects and/or Policies & Procedures	
Participating Jurisdiction: Click or tap here to enter text.	Subrecipient: Click or tap here to enter text.
PJ Staff Consulted: Click or tap here to enter text.	
Name of HUD Reviewer(s): Click or tap here to enter text.	Date of Review: Click or tap here to enter text.
Type of Monitoring Review:	<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.



Preparing for HUD: Document Assembly

Document Assembly

- Homeowner rehab P&Ps
- Program marketing materials
- Program application & materials
- Written agreement templates
- Written rehab standards
- Citizen input
- Past monitoring (by PJ & HUD)
- Monitoring Exhibit 7-26
- Applicable HOME limits: income, max per unit subsidy, after rehab value
- IDIS Open Activities Report
- Con Plan / Action Plan

**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

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

https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2



HUD Exchange HOME Page – Homeowner Rehab Topic

HOME Topics



HOME Homeowner Rehabilitation

HOME Investment Partnerships Program (HOME) funds may be used to assist existing homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units. Whenever HOME funds are used for rehabilitation activities, the work must be performed according to the Participating Jurisdiction (PJ)'s written rehabilitation standard and the unit must be brought up to the applicable state or local code. This means that PJs may not undertake some forms of special purpose homeowner repair programs, such as: weatherization programs; emergency repairs programs; or handicapped accessibility programs.

To be eligible for HOME funds, the homeowner must be low-income and occupy the property as a principal residence. Additionally, the value of the HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area.

For more information on Homeowner Rehabilitation, see 24 CFR 92.254(b)(1) and (2).

Find by Resource Type

[Policy Guidance and FAQs](#)

[Templates and Forms](#)

[Videos and Training Material](#)

Policy Guidance and FAQs

FAQs

[HOME Homeowner Rehabilitation FAQs](#)

[View HOME Homeowner Rehabilitation 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 4

Homeowner Rehab Programs

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



Other Tools Available

- Lead Based Paint (applies to pre-1978 homes), HUD Exchange <https://www.hudexchange.info/programs/lead-based-paint/>
- Real Estate Acquisition and Relocation, HUD Exchange <https://www.hudexchange.info/programs/relocation/>
- 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	Program Oversight and Financial Management; Match Exhibits: 7-25 7-33 April 15, 2021	CHDO Exhibit: 7-32 April 20, 2021	Oversight of Program Partners & Their Written Agreements Exhibits: 7-34 7-35 7-36 April 22, 2021
Homeowner	Homebuyer Development Exhibit: 7-27 April 27, 2021	Homebuyer Assistance Exhibit: 7-28 May 4, 2021	Homeowner Rehabilitation Exhibit: 7-26 May 11, 2021
Rental	Rental Exhibit: 7-29 April 29, 2021	TBRA Exhibit: 7-31 May 6, 2021	Long-Term Rental Compliance Exhibit: 7-30 May 13, 2021

