Building HOME Webinar Series
Office Hours 2-1-18

Kris Richmond: Shawna will be going to be going over exercises and answering questions. This is our Building HOME office hours meeting that we're having today. My name is Kris Richmond; I'm with ICF. And I am accompanied by my colleague, Shawna Moraille. And Michael Reich is helping to provide some support for us on the WebEx system.

Just want to remind everybody a couple things. As Shawna's going over the exercises, if she has scrolled down and you can't see it, that's because you need to be able to control your own page today. So there's a grey bar on the side and you'll use it just like any other word document. And when you want to scroll down, you'll click on that and you move it down and that'll move it down the page. So she's unable to move it for everybody, you're going to move it yourself if you can't see it, if she's -- if she [inaudible] talking about questions that are further down the page.

Then if you have any technical issues: if you can't hear us anymore or you can't see anything, I want you to go to that chat box and type in your issue in the chat box and Mike is going to help you troubleshoot that.

And then if you have any questions that have come up about what we've been talking about, about the exercise, or just other general questions that you didn't get a chance to ask yesterday, please go ahead and ask those in the Q&A box and we'll be fielding those questions throughout this next hour or so.

And then I also want to let you know, when Shawna goes over each answer, I am going to be pasting that answer into the chat box so you can kind of monitor that and we'll be putting some answers for the exercise into that chat box. And you should be able to copy and paste that into a word document from your own system of you want to save it for later. So, I'm going to hand this over to Shawna. You want to go over the exercises with us, Shawna?

Shawna Moraille: Hello, everyone. Happy afternoon or happy morning depending upon where you are. We are going to do exercise five together, which is on three different recapture scenarios and possibly one resale scenario. We'll just go ahead and roll into this. I'm not going to read it to you. Hopefully you are able to take a look yourself. I'm just going to highlight some of the FAQs here that we need to know.

So Bob has a HOME loan. And he purchased a home for $60,000. He provided some of his own money: 10 percent down payment of $6,000. And the PJ provided him with $5,000 and a deferred payment loan. And this is the HOME assistance that has been provided. And in this scenario, the PJ has decided the recapture requirement would be that pro rata reduction. So that's over five years, because $5,000 is five years, would be 20 percent each year.

So when he's going to sell the home -- Bob sells his home a couple years later; modest market here. Increase to $63,000. He has $58,000 left in his first mortgage and then he has $3,000 in closing costs. So what is the total amount of funds that the PJ will recapture here? So if we look at our scenario here, the net proceeds is what we're going to calculate first. So let's figure out what's available from this sale.

So we might remember that our formula is sales price minus non-HOME debt minus closing costs equals the amount that's available for net proceeds. So we would take the $63,000 minus $58,000 minus $3,000, and we would get $2,000. And Kris has helpfully provided that math for you in the chat box. So that's the available funds through net proceeds.

So they have chosen to forgive, like I said, 20 percent a year. So if they have $5,000 in HOME subsidy, five divided by five, $5,000 divided by five is $1,000. So $1,000 is forgiven each year. So he's fulfilled four years and he has $1,000, then, that he owes back to the PJ. So he gets to keep $1,000 and $1,000 is provided back to the PJ. And this is a very simple example. It's obviously a place where housing costs are also modest.

So scrolling down to the second scenario here -- WebEx is a little temperamental here. Just got to get it to the right place. I'll do the very slow scroll here. Okay. So this is a separate household, separate scenario. Little bit higher cost area. But Lucy Jones is provided a low interest HOME loan to assist her in purchasing her new home. Her new home at the time, in 2009, was $80,000. And she had to put 10 percent down payment down at the time and then she had this private mortgage amount.

And we're going to zero in on here -- the HOME loan amount was $22,000. And they went ahead and said, okay, it's interest-bearing as well. Things like interest-bearing, etc., are not going to be discussed here in terms of the recapture scenario. So in 2014, Lucy's going to sell her home and we learn from the paragraph right above is that the PJs decided to share 50-50. They're going to share proportionally with the net proceeds. So, we're just going to split them 50-50. She gets half and the PJ gets half.

So Lucy sells her home for $150,000. She has $45,000 remaining in her first mortgage. She must have really paid off a lot of her mortgage, potentially, at the time. And $5,000 in closing costs. $21,000 is remaining on her HOME loan. So what are the funds that are able to be recaptured here?

So let's go ahead -- and, again, we're going to do net proceeds first. So in the net proceeds example, for Lucy Jones -- so we're going to take the sales price when she sold it for $150,000. We're going to subtract her superior non-HOME debt, which is that first mortgage of $45,000, minus her closing costs. So that equals $105,000. And, again, you'll see that in the chat box. So there's a lot of net proceeds in this example.

And the PJs said let's just share 50-50 in net proceeds. So we just simply split it down the middle, so $105,000 divided by two equals approximately $52,500 for the PJ and $52,500 for the homebuyer. And what's a common question that Kris and I receive is that this is more than the HOME assistance. That is okay. You gave this household an affordable unit and the market is fairly strong here and it appreciated. So not a problem to share in the net proceeds.

So let's scroll down to scenario number three. So in this case we've got a CHDO who received $25,000 in HOME funds and then they're going to develop five units for some low-income home buyers. And the city provided a cost of $90,000 -- the cost to develop those units was $90,000, but the market price was $80,000. We often see that it costs more to develop than actually the market price. That's that amount that we talked about yesterday as the development subsidy.

So if the units are sold at market, which, again, is what everyone should be doing, is selling at market of $80,000, the homebuyer's did not receive any other HOME assistance. The only thing that happened here was we provided HOME funds in the development cost. So we are -- we cannot do recapture. The period affordability is on total HOME funds in the project, and so that's obviously 15 years. And divide $250,000 by five that's $50,000 per unit. And $50,000 per unit is the 15 years in terms of the longest period affordability.

If the PJ wanted to provide some down payment assistance or something like that to the homebuyer, they can certainly do that. Then they would have an amount that is direct assistance that they could use the recapture provision if they chose.

So those are those three scenarios. Kris has provided all of the answers in the chat box and she recommended just simply try to copy and paste into your own version or in a separate word document. But that's it for exercise five. Are there any questions in the Q&A box related to these exercises, Kris?

Kris Richmond: No. There hasn't been any questions that have come in yet. I did think that if there hasn't been any questions that came up with this exercise that we could talk a little bit -- I could put again in the chat box the link for underwriting training. We talked a little bit yesterday when we were trying to right-size loans, people were asking if there was going to be a template available that they could use, and the good news is there is a template that's going to be available.

The bad news is it's not posted yet. There are a few little quirks that they're working out with that system. But it should be ready soon. There should be an alert that comes through the HUD Exchange system. But we did post in the chat box the link to the HUD Exchange that lists the training. There was a training last year, a webinar, and you can listen in by going into that link and then if you missed it -- and then, hopefully in the month or so, the template should be made available.

Shawna Moraille: Okay. Thanks, Kris. And it looks like somebody might have written in about clarifying net proceeds in scenario number two. So the formula we might remember from yesterday for net proceeds is the sales price minus non-HOME debt minus the cost to sale -- so those closing costs and things like that -- equals net proceeds. So it's all non-HOME debt is what we're looking at in terms of net proceeds. So that's why we don't reduce it by anything related to the balance of HOME assistance.

Somebody asked to repost the answer. You guys should have a scroll bar where you're able to scroll back and grab that answer. I think that's probably the best thing, Kathy, at this point. Oh, one -- all the way back at one. Okay. Yes. If you could scroll all the way back. Sorry. I will give you -- the answer is $1,000 is what's forgiven each year and it's $1,000 remaining, so the PJ can capture $1,000 in answer one. But you can scroll back to get the details. My computer wasn't scrolling very well. I'm sorry.

Kris Richmond: Yeah. And Shawna, are you seeing these questions in the Q&A box? Because I'm not seeing them pop up.

Shawna Moraille: No. They put them in the chats.

Kris Richmond: Oh, okay. Please go ahead and put your questions in the Q&A box because I'm -- that's what I'm scanning, so I'm sorry if I've missed these questions coming in.

Shawna Moraille: Oh, that's okay. That's two -- takes two to tango here. So I just wanted to -- okay. Great. So I also wanted just to say related to exercise that these are only three of the four options. The other option that we didn't talk about, at least in exercises one, where the homebuyer received their assistance back first. So some people choose to use that recapture scenario because they feel like that is fair. Okay.

So I think maybe before -- Kris -- we take -- it looks like there's at least one question in the Q&A box. Should we go ahead and go through some of the questions from yesterday? I know that you and I both worked on some of the answers here. So should we do that next?

Kris Richmond: Sure.

Shawna Moraille: Okay. Does Michael have that version? If not, I guess --

Kris Richmond: No. We don't usually post that. We usually just go through it verbally.

Shawna Moraille: Okay. And that's fine. That'll save us a little bit of time as well, because there might be a couple other things we can do and you guys might have more questions. Okay. So the first -- this was possibly a hold-over from last week when you folks talked about commitment deadlines and hopefully -- you know, I'm sure last time Kris covered that for right now the commitment deadline in general is not being tested unless it's a CHDO -- the CHDO reservation.

But if you do want to check yourself, want to make sure that you're on target, you can also do a couple things. You can -- this was like, how do we check our commitment deadline, basically? Like how do we check to make sure that we are going to be okay? So I provided the link yesterday and I'm happy to put it into the link here in the chat box. But we always recommend that you use -- there are two different types of deadline compliance reports that are available on the HUD Exchange. One is grant-specific and one is the cumulative deadline for commitments.

So those are two HOME reports that you can run. I provided the link just to one of them here. The other thing you can also do is run the PR49, and the PR49 helps you also with making sure that you're meeting your commitment deadline. And then finally, to zero in on CHDOs, you can always run the PR25 to see if you have any activities where there are commitment deadlines that you need to meet as well as expenditure deadlines. So you can certainly run the PR25 to do that. That was the first question that we received yesterday that we thought we would touch on. Kris, do you want me to just keep going through? You want to --

Kris Richmond: Sure.

Shawna Moraille: Okay. Somebody asked -- and we -- this is such a common question that we wanted to make sure that we touch on.

Somebody asked about whether or not -- and this was, I believe, when Kris was talking about homeowner rehabilitation, is that whether or not, if they did some type of reconstruction, does it need to be on the same footprint? And this is a slightly older rule, I believe, for CDBG, Kris? But it's not the HOME rule.

Kris Richmond: Yeah. I think it goes back to CDBG.

Shawna Moraille: And so it does not need to be in the same footprint. So that's a good question to ask. Somebody also asked yesterday about a garage. So I was able to answer the garage question in terms of rehabilitating it, if it is falling apart. And I said, the answer somewhat depends. So if we're ready to talk about garage clarification -- this is not written anywhere that we are aware of, but it is a common question, so we'll provide the answer.

So let's do rehabilitation first. So if it's rehabilitation -- okay, this is -- sorry -- homeowner rehabilitation. So if you're doing homeowner rehabilitation and there is an attached garage, then you can rehab it in conjunction with the living space. So if it's attached, it is not a problem. If it is detached and it's part of a rehabilitation project, then you can only rehab health and safety code violations. So it really needs to be where there is some type of health or safety issue that you can touch it, even though you're rehabilitating the primary residence or living space.

If we're talking about -- I know the question was just about rehab but we just thought we would also touch on -- if it's new construction -- so part of a new construction project -- so attached garages are not a problem when it comes to -- sorry -- for new construction. However, if it is a detached garage, then we're really looking for whether or not they need the detached garage because of accessibility modifications or something like that. Maybe it is common to have a detached garage in the area. Things like that.

So we really have to be careful when we're looking at new construction. It's about reasonable accommodation or a local ordinance says you have to provide that detached garage. All right. And we will continue to ask -- maybe this become a frequently asked question. But I don't believe that it is there today. Okay. So that was garages. And Kris, I think, because you're monitoring the Q&A box, let me make sure that no one's written in any clarification to the first, I guess, two or three questions we went over.

Kris Richmond: No. They haven't.

Shawna Moraille: Okay. Great. Thank you so much. Okay. All right, and then we --

Kris Richmond: Oh --

Shawna Moraille: Yeah. Go ahead.

Kris Richmond: No. I was just wondering if you want me to talk about the PITI --

Shawna Moraille: Absolutely.

Kris Richmond: -- question that came in. Somebody was asking about PITI and might be new to this. PITI stands for principal, interest, taxes, and insurance. And those are -- those are the four components of a monthly mortgage obligation. So those are the things that the PJ's looking at. They'll have ratios. They'll have a frontend ratio and a backend ratio, and then they'll have percentage numbers against those ratios and they'll be doing a calculation to determine if the potential homebuyer will fit within those ratios.

So the frontend ratio is looking at the mortgage expenses to their monthly income. And so they're looking at that principal, interest, taxes, and insurance and -- against the monthly income and determining what that ratio is going to be.

And then the backend ratio is the portion of a person's growth income that goes toward debt service. So you're looking at what the mortgage loan payment would be and perhaps they have other debt. Maybe they have a car payment -- there's an auto loan payment. So those are types of debt that they're looking into for the back-end ratio. And so as part of your underwriting criteria and review, you'll identify what your front- and backend ratios are and then you do the calculations to determine if this homebuyer is going to fit within those ratios. Do you have anything you want to add or expand to that, Shawna?

Shawna Moraille: No. I think you covered it well.

Kris Richmond: Great.

Shawna Moraille: Okay. Great. So, just, again, couple other things we wanted to highlight: we talked extensively about the home ownership limits and we provide the link for those home ownership limits. I'm going to go ahead and also put this in the chat box -- it's the next link to provide you -- we are still looking at the 2017 limits that you're supposed to compare. If you're doing rehab or if you're doing homebuyer, you compare either the sales price or appraisal, etc., depending upon if we are looking at rehab or outright purchase. So those limits are available. They're done by county. Couple people asked about, what's the service area? But it's done by county. The next one was on inspections, Kris. Do you want to take that one?

Kris Richmond: Sure. They wanted to know if they could hire an outside inspector -- if the PJ or sub-recipient could do that. And the answer is yes. You can hire a contractor to do your inspections. But you need to make sure that you're competitively procuring them if you are the PJ or the sub-recipient.

Shawna Moraille: Okay. Great. Thank you.

Kris Richmond: And then the next one, it was about -- we were talking about homeowner rehab and somebody was asking, do we need to review their income again, if we say there needs to be so many years on -- remember HUD does not have an affordability period. But perhaps the PJ had an affordability period; do we need to check to make sure they're still income eligible? And the answer to that is no.

For homeowner rehab, for homebuyer, we're never checking somebody's income again after the assistance has been received. If you've added additional requirements on -- that -- for homeowner rehab, that they're -- that they have to live there for a certain number of years, then you need to check their principal residence. And definitely for homebuyer, you need to be checking their principal residence for the period of affordability. But we're not checking incomes again after the project has been completed. The whole hope of this program is to invest in the community and hope that their incomes do increase, so we're not checking that again.

Shawna Moraille: Hopefully that is why we're all in the business of affordable housing, is to help folks get a leg up.

Kris Richmond: Another question came up asking about -- we were in homeowner rehab module in -- about CHDOs -- using the CHDOs set aside for homeowner rehab. You are not allowed to use CHDOs set aside for homeowner rehab programs. It's not an eligible CHDO set aside activity. We could have an existing CHDO wearing a sub-recipient hat and administering a homeowner rehab program on behalf of the PJ, but we wouldn't be calling them a CHDO during that time. We would be using our regular HOME dollars and we would not be accessing CHDO set aside funds for any type of homeowner rehab activities.

Shawna Moraille: And if I can add to that, I feel like there's a lot of really savvy non-profits out there that many of you are working with that happen to be CHDOs for some activities and they might be a sub-recipient for another activity like homeowner rehabilitation. So we just need to make sure that you have the right written agreements in place that includes all the right requirements, because sub-recipients and CHDO agreements are completely different. Sub-recipients earn program income. They have to competitively procure contractors. There's [inaudible] requirements as well. I mean, there are a host of other things that an organization has to do once they are a sub-recipient.

Kris Richmond: Great. And then somebody just asked, where can I find the HOME subsidy limits? And you need to reach out to your local HUD field office to be able to access those subsidy limits. So if you are a PJ, you should reach out to your HUD office. If you are owner, developer, sponsor, or a non-profit, then you should reach out to your PJ to be able to receive those subsidy limits.

Shawna Moraille: And they are also on the HUD Exchange as well, but they provide there the basic limits, and then some high-cost percentages, and if you're not working with your field office to get the right limit, you may think that you're in a high-cost area and you may not be, so that's why Kris is suggesting just go ahead and ask your rep for those limits.

Kris Richmond: We had a couple people ask yesterday, where can I find a list of eligible costs? Those are found at 92.206. That's the -- let me see if I can type that into the chat box -- for eligible costs. That's the regulatory site that they can be found, 24 CFR 92.206, as well as each chapter has a nice box that lists some sample examples of eligible costs, so the homebuyer chapter as well as the homeowner rehab chapter have some charts in those chapters that list them or you can go straight to the regulations to look at what's eligible as well.

Let's see, the next question that came in was about beneficiary deeds, and that was one of the new definitions of ownership that the HOME program now accepts with the new HOME rule change. And the beneficiary deed is a document that's used to determine who gets the property when the original owner dies. It might be referred to as a transfer on death. And it really helps avoid probates. But you have to be careful, because it's not accepted in all states. So you really need to work with your attorneys, your counsel, to determine if a beneficiary deed is accepted in the state that you're working in as a form of ownership, because that's what a beneficiary deed is. Do you want me to answer the one about appliances?

Shawna Moraille: Yes. Please.

Kris Richmond: Okay. So somebody was asking, can we -- can the kitchen and household appliances be used that are energy-efficient? Are those considered eligible under homeowner rehab? And they are. It just needs to be part of your written rehab standards. Because you want to be really clear and transparent in what you're going to pay for and what you're not. So you want to make sure it's in your policies and procedures as well as your written rehab standards if you want to have certain energy-efficient type of appliances. Shawna, do you have questions? Yep. Go ahead.

I was going to say, there was a question that came in, it says, what is the difference between the HOME subsidy limits and the median purchase price? So the HOME subsidy limit is the max amount of HOME funds that you can invest into a project. That's what the HOME subsidy -- maximum subsidy limits are. Most PJs set their programs much, much lower than the maximum subsidy limits. Because some of the subsidy limits are like $200,000. And, you know, if you're running a homeowner rehab program and you want to assist a number of homes, you're probably going to set your limit much, much smaller, maybe somewhere between -- anywhere between $20,000 and d$40,000, if you can achieve bringing that entire house up to codes and standards. But, Shawna, I'm now seeing your screen and I've lost the questions.

Shawna Moraille: Oh, I'm sorry.

Kris Richmond: That's why I'm -- I'm hesitating here. I was looking at it and then it went away. Okay. It's back. So the median purchase price, those are -- maybe you want to expand a little bit on this, too, Shawna -- that is the value limits that are provided by HUD to ensure that we're working with modest housing. You want to add or expand on any --

Shawna Moraille: Well, I just thought -- and I apologize, Kris. I thought you guys said that you didn't share the questions, so I apologize. I just thought it might be helpful to show the HUD Exchange. Can you guys see the HUD Exchange?

Kris Richmond: Yep. Yeah. And it was just my view that disappeared, that's all.

Shawna Moraille: Oh, okay. That's good. Okay. So there are two different limits. And here are the links. This is on the HOME landing page on the HUD Exchange, which is just the hudexchange.info, programs, HOME, or you can get to it from the programs box. But I just thought that it might be helpful for you to point here in terms of where you go for each of these. It describes each of the things we talked about yesterday about the two types of limits, and then this is the 2017 limit that you see here. If you want to see the methodology, certainly can click on that.

And then the same thing for the maximum subsidy unit is provided here and talks a little bit more about how there's a basic unit and it's section 234 now. Some of us have been in the program for eons. It was a different HUD limit, but now it's the 234 basic limit and then there are some high-cost percentage areas, as I mentioned. So the latest limits are for 2016. You can click on here to get the basic statutory indexing. It is [elevator ?]. And then here is the high-cost percentages. But again, a lot of communities are not listed on this list, so if you want to know exactly what your limit is, your CPD rep will provide it to you.

Kris Richmond: Yeah. And it says it right there in the middle, PJs should contact their CPD rep for these numbers. Shawna, since you got the website open, someone's asking about the income calculation template. Do you want to show them the income calculator?

Shawna Moraille: Sure. So the best way to get to the calculator is to go into the resource library. You can also go into your own account. My HUD Exchange also has it as well. You have to have a HUD Exchange account in order to use the calculator. And the HUD Exchange account is different than receiving e-mail or mailing list updates. It is something where, if you're taking a training like this, that's how you register, etc.

So the calculator is here. And I probably don't have time, just because we have a lot more questions to get to. But this is the landing page for the calculator. It came out in 2011. We've made updates over time to add programs, etc. I always tell people that the related materials are incredibly important. We keep up this user manual, which is about 40 pages at this point, that talks about the ins and outs of the calculator, why we use certain terminology there.

It also has some good guidance on CDBG and some other programs that isn't written anywhere. We also link to the various income limits as well that are used in the calculator, but we thought we'd provide little handy things. I'm just going to go down here and show you. Every time we update the calculator for new income limits, we send out a LISTSERV message that says that the income limits are, A, one, available on the HUD Exchange, and B, the income limits are available on the calculator. And so we always put in which income limits are currently in place. I know you guys haven't gotten to -- maybe to this in the presentation, but we are still awaiting the 2018 income limits.

So I just hit the button that said go to my dashboard, and I have a zillion calculations here. But you can go down to HOME and select new calculation and it -- you would walk through a serious of questions. You would have to set up each of your households using this beneficiary ID, talking about the number of -- I'm sorry -- the number of household members, etc. And the calculator does do annual gross income, which is, are you eligible for my program? This is what everyone uses for all four of the HOME activities: homebuyer, owner occupied rehab, rental, and tenant-based rental assistance.

And then for tenant-based rental assistance, there is also an adjusted income path. And then finally, a tenant-based rental assistance path that you can also go down. After you start with annual income, just move on to adjusted, and then move on to tenant-based rental assistance. So there's a lot of things that have been built into the calculator to help avoid any issues.

Okay. Great. So what would you like me to -- we don't want to show the questions, right? So I guess I'll show my trainer notes right now. And we can easily go back, too. We can easily go back to the -- actually, I can pause, right? Okay. So let's tackle some more questions here from yesterday. So at least one person wrote in and asked about templates or sample policies, sample written agreements, etc.

So for policies and procedures and other samples, there aren't a lot that have been developed that are available publically on the HUD Exchange. We strongly recommend that you work with lots of state associations. Like here in Ohio, we have the Ohio community -- Conference for Community Development, OCCD. Lots of members there. And also some national organizations like the National Community Development Association. Or if you're a state, National Council for State Housing agencies. Also Cosca [ph].

So they have a bunch of members, and asking for sample procedures through their e-mail box, when you see other members -- they're always a good place to turn to see samples. The only thing that Kris and I would warn you, obviously, is that you can't just wholesale adopt somebody else's procedures or written agreement or anything like that. You really need to make sure that you adopt everything to how your program is designed. But I did want to touch on that. Okay. So let's see. I think we talked about eligible costs extensively.

Kris Richmond: Yep.

Shawna Moraille: Okay. Somebody clarified that the sales price must be set at the appraised value. Again, I think that -- again, we mention -- our slide talks about -- it might be a sales price that's below market. No one does a sales price below market at all anymore. We don't want to suppress the values in our market, so you really do want to make sure that your sales price equals the appraised value.

Another person asked yesterday about -- if I've got two individuals living in a home, is their income combined to determine income eligibility. You are looking at a snapshot of that family, who lives in that household today, or if it's homebuyer, who will occupy that homebuyer unit. So, yes. You're looking at all household members, related, unrelated, etc. Somebody also asked what the most popular income definition was, in case you missed it yesterday. It is the part five definition.

Kris Richmond: Okay. Somebody was asking about eligible costs and air conditioning, wall heating, and they said, to install a new air conditioning, heating unit, is that considered an eligible cost, or are they only allowed to replace them? And I let them know, they need to be identified in their policies and procedures and their rehab standards of what they're going to do. Perhaps maybe replacing, you'd be able to get something that's more energy-efficient rather than fixing what's currently there. But you need to have [the site ?] clearly identified in your policies and procedures in your rehab standards on how you're going to handle these different types of components.

We had somebody who seemed to be a little confused about income eligibility and the cost of what your project was going to be, and we reminded them that when we talk about income eligibility, we are trying to determine, is that person at or below 80 percent of median family income to be eligible to receive HOME funds? That's what we mean by income eligibility.

You, in your own program, might have certain ratios set up, your frontend and backend ratios, to determine if that person is going to be able to afford to live in that homebuyer unit and be able to be sustainable and stay in there and not go into foreclosure based upon what their current income is and their ability to pay. Those are all different things than what we were originally talking about when we mentioned income eligibility. Do you want to add anything to that, Shawna?

Shawna Moraille: No. I think you covered it.

Kris Richmond: Okay. Do you have any thoughts on the one that came in the Q&A box about resale?

Shawna Moraille: You know what, I think I have to -- [inaudible] stop sharing for a second. Okay. Now I can get into it. Okay. I have not been looking at the resale ones, so which one is it?

Kris Richmond: It's the last one that just came in.

Shawna Moraille: Maybe mine is still catching up because I paused. It's only the -- you answered at 1:31.

Kris Richmond: Okay. Can you --

Shawna Moraille: The question's been answered verbally, but --

Kris Richmond: -- go back to the other view, because now I can't move my Q&A box again. Sometimes that happens when we switch views. This was a little quirky .

Shawna Moraille: Oh, okay.

Kris Richmond: See if I can get it back. Okay. Back again. All right. So this is a question that came in, and I might need to do a little research because I don't know if I can answer it off the top of my head and I don't know if Shawna can either. But they're asking, if we have a resale provision and the homebuyer dies, is the heir able to assume the remaining period of affordability or must they be income qualified? So this is for resale.

Shawna Moraille: I believe they have to be income qualified. So I'm not sure, in resale, when it's required to be sold to a low-income buyer there's any work around that. I mean -- yeah. I don't think so. I know --

Kris Richmond: That's the only other questions that have come -- oh, someone just came in with another question: does the forgivable loan create a tax liability for the homeowner? Well, usually the people that we're working with have very low incomes. Haven't done enough review of the new tax laws to see how that affects that yet. So I'm sorry, Bob, I can't give you a good answer on that one. Do you have anything?

Shawna Moraille: Yeah. I do know that we've also had the question, Kris, don't you remember this, where it was whether or not PJs need to issue a 1099? So it might be related to that, Bob. And the answer that we've been told to provide is that we are not IRS experts. I'm sorry to say, we like to -- Kris and I like to play different roles in our jobs, but that one is not one that HUD wants us to do. Yeah. So -- and I'm sure there's a lot that we're going to learn about the new tax laws.

Kris Richmond: Yeah. The next year.

Shawna Moraille: So sorry we can't be more helpful there.

Kris Richmond: Are there any other questions that came in yesterday that we haven't covered yet?

Shawna Moraille: The only other one, I think -- oops. Only other one I think I was going to cover is -- and I'm so sorry if somebody thought I said this -- you can use a contractor to do inspections for you and that contractor needs to be competitively procured. And it just needs to be a third-party. We have had some jurisdictions get really creative because they are funding the same unit. It might be a single -- it might be a state funding a project and then a locality, like a city or county, and they've kind of gotten together and have done some MOUs and some other sort of arrangements in terms of monitoring and inspections.

But please know that you're supposed to use a third-party contractor -- or somebody under contract. Sorry. I'm not meaning to use the word "third-party." Somebody under contract. So if the state happens to be funding them and the state is under contract to you as a locality to perform inspections, it's totally fine. But it's about you directing their work, which is why that contract is important.

Kris Richmond: Great. So if you have other questions please go ahead and type those in the Q&A box and we'll try to answer them to the best of our abilities.

Shawna Moraille: We dealt with the one on lead-based paint in new construction.

Kris Richmond: Yeah. We talked about it yesterday. But just to remind folks, if you jumped off before we gave the answer, the lead-based paint inspections are only for pre-1978 units, so units that were built before 1978 is when you need to deal with the lead-safe housing rule. Anything after 1978 is exempt because lead-based paint was banned in the United States and it's no longer -- was available to be used commercially after that time.

Shawna Moraille: And I don't think we provide -- somebody wrote in about providing the Q&A. That is not something that is distributed to attendees. Is that correct?

Kris Richmond: That's correct. Yeah. Unfortunately.

Shawna Moraille: Okay. And the chapters, the PowerPoints, everything was available through the Dropbox, so you folks should have received the Dropbox link so you can use that to grab the materials.

Kris Richmond: And someone was asking, will the exercises with the answers be posted online after the final session has been completed? The answer to that is no. I did paste them in the chat box, so you can go back in the chat box and copy and paste and put them in a document for your own keeping, because we do teach this numerous times during the year, and we have used the same exercises, which is why it's not necessary for you to go through the training again, because it's the exact same one.

Shawna Moraille: I think that's it in terms of that. Is there any other questions that people have?

Kris Richmond: Yeah. It looks like someone came in through the chat box asking, can housing staff perform rehab inspection rather than hire a contractor? And absolutely. That was how we did it when I worked for a PJ. We had rehabilitation staff and they were the ones that did all of our inspections. And they were very familiar with what our requirements were.

Shawna Moraille: Great.

Kris Richmond: Looks like we got another one that just came in. Shawna, so it says regarding question two from today's exercise, what about the HOME loan balance, $21,000. Do we need to pay it off before calculating net proceeds?

Shawna Moraille: So I feel like that's the same as what somebody -- I don't know if that's the same question, Kris, that somebody wrote in a little bit ago. But the definition of net proceeds, try to figure that out, is the sales price minus non-HOME debt minus sales.

Kris Richmond: Minus closing costs.

Shawna Moraille: Yeah. And just because there's a remaining balance, that is different than what the available net proceeds are. And so, in this case, the PJ's going to get back half the available net proceeds, right? The $52,500? So they only had paid off like $1,000 or something like that.

Kris Richmond: And that's why it's important in your written agreements to identify that it's based upon net available proceeds, because if there's no available proceeds, then you don't want to have to be finding other money to repay.

Shawna Moraille: I mean -- yeah. And I mean, because that had a repayment, you could give credit for that $1,000 and just not take -- it might be the $52,500 minus $1,000, but you'd have to write that in there, that that is how you're going to operate. So I know that one's a little weird because it has a repayment. I think most people don't require repayment. Oftentimes, if they're going to -- I think most people do forgivable loans these days. So that's just what we commonly see. [inaudible].

Kris Richmond: So somebody was asking about procurement and I've directed them to the new SuperCirculars. Everything's now at 2 CFR 200 [inaudible] procurement, any type of financial information, that's all at the new SuperCircular. Somebody else is asking a complex question about fish ponds and electrical work. And --

Shawna Moraille: Oh. I'm sorry. I can't see that.

Kris Richmond: You want to look at -- yeah.

Shawna Moraille: I can't see it, because if I pause it again, we'll both be paused. I'm sorry.

Kris Richmond: Okay. If electrical rehab is taking place -- now remember, we're not just working on certain components. For the HOME program we need to be rehabilitating our entire unit, making it meet all codes and standards. So please keep that in mind. And they found that there's a makeshift cord that runs from the house to the fish pond, can the electrical work be considered as rehab health and safety repair?

So we are not allowed to do only health and safety repairs for the HOME program, we need to be rehabilitating our whole unit up to codes and standards. And fish ponds -- I mean, I -- most PJs that I work with would not fund a fish pond. So, they have very limited funds available. They're trying to make sure that the housing that people are living in is safe and sanitary and they would consider that ineligible. You want to add anything to that, Shawna?

Shawna Moraille: I have never heard of anything like that in my life. But there are probably other funds that could be used if there is some type of remediation that needs to be done to that water or if it becomes an environmental issue. I would probably seek other funds. Or you would need to. I'm sorry. Because we're really not [inaudible].

Kris Richmond: Right. Okay. I don't have any other questions that have come in yet. So we have a couple more minutes if you want to type in another question.

Shawna Moraille: And I guess while we're --

Kris Richmond: Or --

Shawna Moraille: Oh, sorry. Go ahead.

Kris Richmond: Yep. I was going to say, while we're waiting, I just want to remind everybody that next week on Wednesday, we are going to spend the whole two hours going over the rental section. In the past we have tried to do 90 minutes of rental and 30 minutes of TBRA and it's really too rushed. So we are spending the entire two hours reviewing the rental section next Wednesday.

And then on Thursday, we'll spend the first half of our office hours going over the tenant-based rental assistance section and then fielding questions the second half of our office hours. There will be no exercises next week that are assigned. But go ahead, Shawna. I still don't see any more new questions.

Shawna Moraille: Well, I just wanted to make people aware of -- there's so many great resources on the HUD Exchange, so hopefully you have bookmarked this page or you quickly go to it through programs and then choose HOME. But there are notices that are available here. I'm just going to show you the couple of things that I go to routinely. There are a bunch of notices that are still in effect here.

So we talked about cost-allocation yesterday, so here's the link to the cost allocation. It's done by year, etc. You can also get a bunch of notices if you go through the HOME topics down here, which gives trainings on different topics, notices, etc. Just please note that Building HOME here is out of date. You guys have the most recently published version.

I also -- I work with IDIS, which is how I knew the answer to that question about commitments. So HOME FAQs explains a lot of the detailed requirements related to IDIS, your trust fund account, your HOME trust fund account, how to -- specific reports, how to deal with grant-based accounting. I mean, you name it. So the HOME FAQs is where I spend a lot of my time and also your finance team or somebody working in IDIS might appreciate.

There haven't been any home fires in the last couple years. But there are some HOME FAQs that you can take a look at. You can download all of them. You can also go to the searchable database here as well in these HOME FAQs. But we have -- you can download all of them. You can go specifically to rental housing or owner-occupied rehabilitation. These were published and have been updated as of August of 2016. Some recent policies are provided here. And again, this is sort of my go-to.

And all of the -- there's a ton of HOME reports here where we mentioned the deadline compliance status report and this grant-specific report. This is to help you with commitments as well as your expenditures. So commitments are here. So these are different -- so you need to click on each of these.

And there's a ton of other reports from snap-shots that you can take a look at how you're doing with regard to your rental report. You can look at open activities. You can look at expiring funds, which are the funds that are in danger of being recouped by the U.S. Treasury for the Defense Effort. That page talks about that. And then all your limits are down here: income limits, rent limits, home ownership value limits as we talked about and that maximum per unit subsidy.

You guys should have a HUD Exchange account because you registered for this training. But if you go to the top here -- but -- maybe it's because I have a different view. Okay. Sorry. E-mail updates is where I was saying to get on the mailing list. And so e-mail updates are something completely different. You just sign up here to get e-mail updates and then you can -- if you already have an existing HUD Exchange, you're on the e-mail list, you get our e-mails. Update your preferences is something that I like to do in case I change my focus and I want to add something like Affirmatively Furthering Fair Housing or something like that to my preferences. So I make sure I get e-mails about certain topics. So there are two different things. E-mail is different from your HUD Exchange account. So want to make sure that you guys knew that.

Kris Richmond: Yeah. That's a really good point to make, Shawna, especially with so many changes and things happening, that if you signed up for an account several years ago, then now, all of a sudden, you have new job responsibilities, it's really important to go in in your profile and update those, so you make sure you're getting the most current information in the areas that you're working in.

Shawna Moraille: Exactly.

Kris Richmond: So I don't have any more new questions that have come in. So I think we can probably wrap it up. But that's really helpful, Shawna, for you to show everybody that overview of the HUD Exchange and where they can go for those most common reports and information.

Shawna Moraille: Okay. Great. Well, it was a pleasure being here, Kris. Thanks for letting me step in [inaudible] this week.

Kris Richmond: Sure. All right. Well, thanks, everybody. We'll meet again next Wednesday to go over rental housing. Thanks. Bye-bye.

(END)