2019 Building HOME Webinar Series IV Office Hours Session 3

Les Warner: Welcome, everyone. This is our office hour session for the third week of our Building HOME Series. We're going to start out today by going through Exercise 5 which is showing on the screen. One of the things I'll just mention is that when I scroll down on my screen, it will not move yours.

So as we work through this exercise, you're going to have to scroll down if you're looking at the screen. So we're going to start out with the exercise and then we will shift to answering any questions that you may have. So if you're coming to today's office hour session with some questions, use the Q&A box which is on the top right hand of the screen. You can go ahead and enter those questions now or at any time during the session.

I'm joined today by Kris Richmond, who's also assisting me on this. As we mentioned yesterday, if you're having any kind of technical issues or questions about getting the materials, if you use the chat box and send your chat to the ICF event host which is John today, he can assist you in resending out those materials to you if you did not receive those for some reason.

So let's just go ahead and jump into the exercise. So this is following our chapter five, talking about homebuyer and our use of the resale or recapture provisions to enforce our affordability period. And so in these exercises you've been provided some examples on this, and needing to then make the calculations and be able to essentially follow the provisions that have been laid out. And I'll just note here that you'll see the cost of housing is awfully cheap in this area, so you might think in terms of adding another $100,000, $200,000, depending on where you're living on what might more line up with what you might likely see in your area.

So in our first example we're provided Bob who has received down payment assistance and closing costs for a home that he purchased in 2009. And he got this great deal, a new home for $60,000. He provided 10 percent down payment, so $6,000. He got private financing. And then the PJ provided him with $5,000 in a deferred payment loan. And out of that, $3,500 of that was for down payment assistance, and then $1,500 was for closing costs. And Bob paid additionally the balance of what was needed, so an additional $3,000 total.

So the terms that the PJ put in place in its provisions for its recapture requirements were what we talked about this proration. So they're choosing to forgive 20 percent of the home debt per year of occupancy. So they've got a five year affordability period. And we're going to forgive 20 percent of what is subject to recapture essentially for each year that he occupies the house. So in April of 2013 he is -- wants to sell his house. And he's able to sell it for $63,000. He still owes $58,000 on the first mortgage and he has $3,000 in closing costs for the sale. So we're asked to figure out the dollars that the PJ is actually going to recapture.

So our process on this is always first looking to see what is the available net proceeds. And we said that our recapture language is always going to have language in a provision that says that the maximum amount subject to recapture is capped or limited by the available net proceeds.

So our formula for calculating the net proceeds is looking at the sale price minus superior debt, so something that's going to position ahead of the home debt, and then also the seller's closing costs. So we've got $63,000 sale price, $58,000 remaining on that mortgage, and the $3,000 in the seller's closing costs. So our available net proceeds are only $2,000 in this case.

Our original assistance to Bob was $5,000 for a five year period. And so we have forgiven $1,000 per year. And Bob has occupied his home for four years. So $4,000 of the $5,000 has been forgiven. And so the PJ is going to only recapture the $1,000, which is based on our calculation is the amount that's due.

If we were to calculate and determine that the amount that was due was let's say $8,000, and our available net proceeds were only $2,000, we could not collect the entire amount, and we would only be capturing, recapturing the $2,000, which is the available net proceeds. So that's kind of the -- we completed our task, if we follow this protocol, and it is capped or limited to the available net proceeds.

All right, let's look at the second example. You would have to scroll down your page if you're going to look at this on your computer screen. So in February of 2009, Lucy Jones is assisted with the purchase of a home. She purchased it for $80,000. She put down 10 percent or $8,000 in down payment. Private mortgage was $50,000. And a home loan was provided at $22,000, and that was at 1 percent interest. So they don't always have to be deferred forgivable. They don't have to be zero percent. That's something that you as part of your underwriting and part of your local policy could have in place.

So this PJ, as part of the recapture provisions, said that when we have a sale or transfer, that the way we're going to divvy up the available net proceeds is that it will be a 50/50 split of those available net proceeds. So in this case in 2014, Lucy sells her house for $155,000. So luckily for her in this case the value of that home has risen for her. And she has $45,000 remaining on the first mortgage. And she'll incur $5,000 in closing costs as the seller. She still has $21,000 remaining on her home loan.

So our first step as always is to calculate what the available net proceeds are. So in this case again it's sale price, 155, minus her existing superior debt which is 45,000, and then also subtracting out the seller's closing costs. So that leaves us with $105,000 in available net proceeds. So this is when we then look at our recapture provisions to see how we said we were going to divvy this out. So our language is very simple, and simply says that it's going to be a 50/50 split in net proceeds. And so in this case we've got $105,000 available. So the PJ is going to receive $52,500, and the same amount will then go to the HOME buyer.

So some of you in looking at this may have said, well wait a minute, there was $21,000 remaining on this home loan. Well, our recapture provision does not say that first any loan would have to be satisfied and then any remaining net proceeds would be divided. So we're going to follow that recapture provision.

So you do have to think about -- and that's part of the concern about making sure that recapture provisions are really well-written, to think about how do I want this process to operate, how do I want to divide up available net proceeds, and then making sure that my recapture provision clearly details how that will happen, and would be understandable for not only your staff or future staff that might be doing this, but then also that the homeowner would know how that's going to work.

All right. Let's look at the last example that we have. Well, I'm having trouble getting it -- my page won't move for some reason. John, why don't you see if you can move the page.

Kris Richmond: It's on the bottom of our page that we see, Les. It's just scrolling down. It's all on the same page.

Les Warner: Oh, okay.

Kris Richmond: You have to scroll down to the bottom.

Les Warner: So that's why. All right.

Kris Richmond: Yeah. And then just to let you know --

Les Warner: Well, no wonder I can't change the page.

Kris Richmond: There you go. And just to let folks know, I've been putting the answers in the chat box. So if you miss the answer that Les said, go ahead and look in the chat box, because I've been putting the answers in there.

Les Warner: Perfect. All right. So our last example, in this case we have a CHDO that received $25,000 in HOME funds -- $250,000 in HOME funds to develop five units of low -- for low income HOME buyers. And so the cost to develop the units was $90,000. Market prices is lower. And that's not uncommon. I mentioned that yesterday where we oftentimes for development, whether it's acquisition, rehabilitation, and then resale, or it's new construction, that it's not uncommon particularly in an area where we're doing redevelopment, to have the fair market value of that completed unit be less than what our actual cost to produce that unit would be.

So in this case the CHDO is going to sell these houses at the fair market value, which is really our best practice. And in this case these are affordable to the HOME buyer. So when we do our underwriting, they are not needing additional assistance to make these units affordable. And so we're asked, can the recapture option be used, what's the affordability period.

So the answer here is that for -- we said early on in the slides yesterday that we can always use resale, but recapture can only be used when we have direct assistance to that HOME buyer. And we listed examples of direct assistance as being things like down payment closing cost, some kind of gap financing, a below market sale. And we don't have any of those things. These units were sold at fair market value and no additional assistance was provided to these HOME buyers because they were affordable.

So in this case we cannot use a recapture provision. And so we would have to use a resale restriction. And so in this case when we look at a resale restriction, when we calculate what that affordability period is, we're going to look at the total amount of assistance per unit. And so in this case there was $50,000 provided per unit. And so we're going to have a 15 year affordability period on that.

So the one thing I will mention, I recently was working with a community on completing their recapture provisions, was we talked about this idea that, you know, there could be households that when we go to qualify them, we discover that they're income eligible, but based on our underwriting they don't actually need any additional assistance for that unit to be affordable. And so in that case, much like this, we would not be able to use a recapture provision. So in that case we recommended that that community also adopt a resale provision as part of their plan.

And then they stated in that particular instance that they were always going to use recapture unless they had households that did not need any direct -- disqualify you for any direct assistance. And those households would be using the resale. So it's one thing to think about and, you know, it's possible that you would be operating a HOME buyer program and have some households that would not qualify to be able to use the recapture provisions. Kris, do we have questions that have come in that we should go to? Or should we go into some of the things from yesterday?

Kris Richmond: It has been very quiet. There have been no new questions that have come in.

Les Warner: All right. Well, I went through yesterday's questions and highlighted a couple that I thought might make sense to be able to just revisit. And partly because as you're participating in the webinar itself, I would think kind of also managing reading all of the questions that come through and the answers might be a little bit challenging.

So there was a question about homeowner rehab activities, and do they always have to be in the form of loans. And if so, who pays them back for that. So for a homeowner rehabilitation program, you have the option of doing grants, you could loans as part of that. I think typically we usually see that a PJ will maybe by the size or level of assistance make some things a grant versus a loan, simply because of the logistics of issuing a mortgage, having a promissory note in place, filing a lien for that, might be work than it's worth if we had a lower, much lower level of assistance.

And keep in mind, we have to inspect the entire unit, we have to bring that unit up to meet all of the property standards. But we could from time to time run into a home that had been well-maintained and that was kind of a short list. So there's no requirement whether it's a grant or a loan. Also Kris talked about the fact that with homeowner rehabilitation you have the option as to whether you choose as a local program design to impose an affordability period. So for homeowner rehabilitation there is not an affordability period that's required under the HOME regulations themselves.

It's somewhat typical for PJs in looking at the level of assistance that they're providing to go ahead and choose to impose some kind of an affordability period with the concern that not wanting, you know, let's say we're spending $30,000 on rehabilitating a house, we probably don't want that homeowner to then immediately sell their home and pocket the money on that. And so it's kind of typical with homeowner rehabilitation to put some kind of a deferred loan in place with an affordability period imposed, so that if prior to completing that affordability period, some portion of that funding be required to be paid back to the program. But that's completely a local option.

I would just also mention as part of that, that that can be as simple or complicated as you want. Probably the simplest is to simply defer those loans until sale or transfer. But you could underwrite those loans and have them making-- households making regular payments. And if so, then keep in mind that under our underwriting requirements, if they're making payments, then we have to underwrite to make sure that what we're seeing up as a loan structure is actually going to be affordable for those households.

Kris Richmond: Hey Les, the person that wrote in about the lease purchase, they had talked to their desk officer. And I know that you also got an official answer from HUD. So maybe that's the next thing you want to review.

Les Warner: Yeah. So we had a very interesting question yesterday, which I don't think had ever been asked before, with lease purchase about specifically when does the affordability period begin. And both Kris and I in pondering thought that the affordability period would begin at the initiation of the lease period. So under lease purchase, we would have a lease in place for up to 36 months for that household. And then at some point during that period they would be closing on the house, purchasing it, there would be a transfer of the property ownership to them.

So we followed up to check to make sure that that was correct. And what we found was that the affordability period will not begin until the transfer of that property has happened, which makes sense in that this is a homeownership activity. And so we might have a household that was leasing or renting that unit for up to 36 months. And our affordability period is then going to start at the point that that property transfer happens.

So in kind of thinking through, we were also having a little discussion about kind of thinking about that written agreement. So you essentially have a renter in place for that initial period until the closing actually occurs. In some lease purchase programs, the underwriting would have been completed at the point that the commitment was made. And so we would have not only a known sale price as part of that lease purchase agreement, but would also have a level of assistance that was going to be provided.

So in some cases that will not be known up front. And you would be amending or updating that agreement once the closing was happening to reflect the level of assistance, the affordability period now that you would be able to calculate that, and knowing when the start of the affordability period would be, being able to include that in the written agreement. So that was a great question that we got, and very interesting to get some, really some new guidance that we had not received previously on that.

I also wanted to mention a little bit about -- Kris mentioned that it's typical for a homeowner rehabilitation program, for the PJ to set their own limits on what the maximum amount that they would spend on that rehabilitation would be. And so in those cases, let's say that you locally have set your maximum investment at let's say $45,000. So when we go in to evaluate that property, we're going to be inspecting it based on all of the systems to determine what work needs to be completed to bring that house up to our standards. And that may well include lead paint remediation, hazard control, or perhaps full abatement on that.

And so in some cases we will have houses that once we evaluate them and do an internal estimate on what it's going to cost, it would be determined that the amount that was needed exceeded what our program limits would be. A lot of programs will call that a walk away policy. And so in that case you would either be needing to say to the household, now are there additional funds that you can provide to fill that gap. That might be that they were able to borrow. In some cases there are other programs that we can layer in in addition to our HOME funds. But we would need to make sure that we had all the funds needed to be able to bring that unit into compliance with our property standards or otherwise we would have to walk away from that unit. And really the concept of this is generally to try to take -- to try to prioritize houses that are still rehab-able with a modest investment and trying to make our HOME dollars go a bit further.

Kind of hand in hand with that, I would just also mention that Kris mentioned also the -- under rehabilitation, one of the things that could be done would be reconstruction. And so we could tear down an existing unit and replace it with a newly constructed unit. And there are times when we look at our investment of HOME dollars when it's probably a better use of our dollars to take down oftentimes a poorly constructed unit that after years of aging and lack of maintenance has certainly not improved. And a lot of times the units also are not energy efficient, accessibility challenges, lead paint, as part of that. So you could as a community have a policy in place about when you would do reconstruction versus when you would do rehabilitation and what the protocol would be on that.

Just a couple of related elements to that. If we're going to tear somebody's house down and build them a new one, obviously they cannot occupy that unit when that occurs. So we may need to provide some what I would call optional relocation. This is a household that is voluntarily participating in this project. So they are not receiving uniform relocation act assistance. But we may need them to relocate. And so that might be part of your project cost. In some cases, particularly if you're in a non-urban area, you might be able to build the new structure in front of, beside, behind, complete that building process, move the family into the new structure, and then tear down the deteriorated original structure.

So I would just suggest that if reconstruction is going to be part of your program, that you also think about when -- what will the trigger be, is there a point at which that we are willing to do reconstruction, or when we are not. That also might include that your limits on rehab versus reconstruction, you might want to have those be different. And you might want more of an affordability period. If you're going to build a new unit, you may want to impose a longer affordability period. Or maybe you're not doing an affordability period otherwise, that might be the instance when you were going to choose to do that. Kris, are there other questions that we should consider?

Kris Richmond: No. There hasn't been any really new questions come in. Somebody asked if we could talk about the 20 year affordability period for new construction. And I reminded them that the HOME buyer affordability for new construction is 15 years. And the 20 years is only for new construction for rental. That's often a spot of confusion for PJs.

Les Warner: Yeah. That's very common to be -- mix the two up, so. Okay. Let's see what else here. So there was a question about the compliance requirements and do they apply to homeowner rehabilitation and HOME buyer.

Well, so the resale recapture, which are the requirements that are based on the affordability period, those are only mandated for our HOME buyer, because HOME buyer has an affordability period and homeowner rehabilitation does not have one required. But everything else, any time we're using federal dollars, all the other federal requirements are going to apply, our procurement requirements, property standards, environmental review, all those things are generally going to apply. The big issue or big difference is that affordability period that's been imposed.

And keep in mind as we mentioned that with HOME buyer, you're required to do underwriting to be able to size that level of assistance. The only time that you're required to do that for your homeowner rehabilitation is when you actually have an amortized loan. So a loan that they're going to be making regular payments on it. Because we want to make sure that those payments are going to be affordable for them so we're not creating a hardship with the way we have set that in place.

There was a question yesterday about luxury items. And so I think Kris covered this and gave some examples. And we had a quiz question about that. So things that are not luxury are things like air conditioning, some moderate landscaping. But things that kind of fit in that luxury category might be things like the spa tub. There's been a lot of discussion in recent years about things like countertops, and whether a granite countertop versus Formica, would that be a luxury item.

And so I know that there are some communities that based on the pricing that they were able to get in their local area, and some documentation about the longevity of the material that was being used, that we have some communities that have kind of made a policy about what was going to be considered as part of their program and be allowable. I would recommend that when you have specific questions on that, that you run those by your field office.

I think also we had a question that came in yesterday asking about security assistance. And my take on that was, you know, if this is a neighborhood where this is a safety item and a needed as an amenity as opposed to a luxury, that that probably would be acceptable. And again, I would want to be clear within my policies and my rehabilitation standards on what you were going to pay for, and then have some justification on that. And I think generally we want to run those by my HUD rep to make sure that they did not have any concerns about the policy that I was undertaking.

It was kind of mentioned just a little bit about property standards. And I think I mentioned a little bit yesterday about the fact that those rehabilitation standards are really important because that's what you're going to use to determine when you go through a unit to determine what's the work that needs to be done. So we talked about having local codes and standards, having talk -- talking about an inspectable deficiency list based on UPCS that HUD's going to issue that would be part of that process. But as part of your written rehabilitation standards, you have the opportunity to add some criteria of your own. So you could be thinking about things like energy efficiency. So we're trying to make these houses not only decent, but also affordable.

So we might have some standards about when we're installing HVAC, or an appliance, or other things, that we would set some standards on the efficiency or performance as part of our written rehabilitation standards. We could include things like standards for sidewall and attic insulation. This is also the chance where you would be -- could spec some standards on the types of materials that were going to be used, the installation methods as part of that.

Now just keep in mind that because we are generally running a program where we're going to be funding a contractor who's the lowest responsive and responsible bidder, that the person that delivers the project at the lowest price is going to be the one who's going to get the work. And so they're going to be seeking the cheapest materials and the quickest installation method to be successful in that.

So if you want better materials, if you want better construction methodologies, then you have to be specific within your specifications so that you can set a standard for what they're actually bidding on, and with an eye on not only health and safety, but also affordability on that. So I would really encourage you to take a really close look at your written rehabilitation standards. And I think it's something that from time to time you should be going back to and revisiting as part of that.

Kris Richmond: Hey Les, we got a question asking about covered carports. So I know we talked yesterday under homeowner rehab that non -- or so detached garage are not covered. But have you ever heard anything about carports?

Les Warner: So I guess my questions on this would be, is this an existing carport and we are maybe addressing some kind of health and safety issue?

Kris Richmond: Yeah. It's for rehab.

Les Warner: Okay. So I mean generally for a detached structure, we would only be dealing with health and safety issues. And that might be that we're knocking it down on that or we're making repairs to it. So I would limit what we're doing on something that is a standalone structure and not part of the unit. So that's kind of where you would detail within your written rehabilitation standards how any assessor restructure would be dealt with.

Kris Richmond: And often carports though are attached to the house.

Les Warner: They could be.

Kris Richmond: Should they check with their HUD staff then? What would you suggest?

Les Warner: I think so. Again, I think usually -- I mean a carport there's not a lot to the structure. And so usually any work that would be done on it, even if it's attached, is going to be sort of the health and safety on is the structure sound.

Kris Richmond: Great. Thanks. Those are the only questions that have come in so far.

Les Warner: Okay. Okay. I'll just mention that -- and I ran a state housing program for a long time where we were doing a lot of homeowner rehabilitation. And where communities oftentimes got themselves into trouble was where they had households that -- the house was sort of too far gone.

And they wanted to assist the household. The cost exceeded what their program limits were. And so they, in trying to make it work, subtracted out things that were originally in the scope, trying to bring the numbers down within their program limits. And of course then what would happen later would be an inspection and determination that the house really had not been brought up to those property standards.

The other thing that I saw happen a lot was that the program had not been really clear with the public on what their program was about, what they would pay for, and what they would not pay for. So I've got an example of that -- had a household in a community, an elderly person, who came to the program, and she had a list of things that she wanted. She wanted a new kitchen. She wanted a concrete driveway. She wanted some gigantic windows. She wanted larger windows in her house.

When the inspection was done, and of course you've got your inspector going out dealing face to face with a homeowner who has a wish list oftentimes, and so in this case when the inspector went through, he found things like the electrical system needed to be upgraded, the roof needed to be replaced, things that were not on her wish list. The health and safety things were not on her wish list. What she really wanted, visual, aesthetic improvements. So instead of clarifying with that household what the program paid for, what it did not, he simply said, well, you know, I'll see how this turns out. So of course the dollar figure was higher than the program limits and they cut out all the things that were on the woman's wish list.

And so she was very angry and felt that she hadn't gotten what she should get from the program, when in actuality that really wasn't the intent of the program. And so as work continued on the things she didn't want, there was a continual stream of complaints and things. And I really think it stemmed back to that original of what is our program doing, what are the types of things that we can assist you with, and having that homeowner as they're applying understand what the program could provide in making a decision about whether that was something that they would benefit from. So I would just encourage you to be very clear on not only your written rehabilitation standards, but also as you're marking that program and as your staff is working with households in explaining what they can and can't do, to be pretty clear on that.

Kris Richmond: Yeah. When I worked for a city, Les, we had that. We had a little brochure and it had part of what can we actually do. And then it also had a part of what is it like when your house is being rehabilitated, what's going to be happening, who's going to be coming in and out. So really just providing some expectations in easy to read and understandable format, so someone knows what they're getting into before that.

Les Warner: Absolutely.

Kris Richmond: Another question came in, and I was answering questions so I'm not quite sure of the context. But she's asking, isn't this part of doing a market analysis that shows what is proposed is consistent with the entry level comps in the market. So I'm not quite sure -- I think it came in right after we were talking about the carports, but I'm trying to figure out the connection.

Les Warner: Well, I mean so if we're talking about HOME buyer and we're doing development, then yes, we need to think about what are the amenities that are expected within hat market, in thinking about what kind of unit are we developing, what's it going to look like. Keep in mind, we still have HOME rules, that because we're a housing oriented program, generally we're not going to build freestanding garages or carports as part of that. But certainly as part of a design for a development, we do have to think about what is expected in the market, how do we make these units attractive, and how marketable will they be based on what the sale price is going to be.

I certainly have seen developments. One in particular comes to mind where all new infrastructure, not with HOME, had been done. And then a bunch of new -- newly constructed houses had been built. And as folks were coming through -- and they were very affordable -- but as folks were coming through, folks were saying, well, you know, the master bathroom doesn't have -- it only has a shower and not a separate tub and shower. And even though this was a very affordable house, it was a nice house that was energy efficient and quite attractive, the buyers had an expectation that I think we would argue was perhaps not reasonable given what their opportunities were for affordable housing. But you do need to try to match and think about what's going to be marketable.

I have heard a number of folks commenting over time about the changing demographics. And for instance, for many years we would have thought if I build senior housing, that there's sort of an endless supply of seniors, and we'll never have trouble with being able to sell or rent those units. And a number of folks that I've spoken with have said, you know, within their community they had built like a high rise senior housing and found that senior population didn't want to live like that at this point, that they wanted cluster housing, they wanted townhouses. And so making sure that you understand the market, and that your design, and pricing, and affordability relates to that, become really critical for those projects.

Kris, I was going to mention just a little bit more about manufactured housing. So you mentioned under rehabilitation -- homeowner rehabilitation, that, you know, sometimes there are real challenges, particularly with older manufactured housing, on being able to rehab it and have that be sustainable. And so there are programs that will have limits in place that are lower for manufactured housing on the level of assistance. In other cases that might relate to a reconstruction policy, where they would say, you know, manufactured units that are older than a certain age or require more than a certain dollar figure, would only be assisted under reconstruction rather than doing an actual rehabilitation of that existing unit.

So you have the ability as part of your program design to designate how you're going to invest your dollars and how they're best utilized to get the most impact in your community for that investment. And I think manufactured housing is one of those areas that folks have needed to add some additional language to. Kris, I don't know that I have anything else on this list from yesterday.

Kris Richmond: Yeah. I think we covered everything. Now one more just came in. It says, homeowners need to have insurance on their property, right? How long do they need to carry coverage? You want to talk a little --

Les Warner: Yeah. So that's a great question. So that's one of your local policy decisions, in that we're trying to place households in decent affordable housing. We don't want them to lose that because there's some kind of an event that causes damage and they don't have adequate coverage on that. So as a program policy, you certainly could designate a particular time period and a level of coverage.

Now I will say that one of the things I experienced quite a number of years ago with the HUD inspector general audit, was a question where the HUD inspector general essentially cited that because there was a lien position on the structure, that if there was not adequate insurance in place to -- up to the level of that lien, that the PJ had failed to adequately protect those federal dollars.

And so I would suggest that you at a minimum, if you've got a lien position on these structures, have an insurance requirement up to that level. If you've got an affordability period, I would think you would want a standard in place about insurance coverage on that. And the logistics of that would -- could also include asking to be listed, the program to be listed as a loss payee. So in other words, if I have -- and that might help you also in this principal residency issue. So for instance, if I -- let's say I was assisted to buy a unit under a HOME funded HOME buyer program.

And I'm going to have insurance on the house and the contents. If I during that affordability period violate my HOME principal residency requirement, and move out, and rent that unit, typically one of the first things I'm going to do is call up the insurance agent and change my insurance policy to just cover the structure and tell the renters that, you know, you will have to cover your own -- the value of your contents.

And so as a loss payee, you would be notified of the fact that there -- either they've dropped insurance coverage or that they have changed insurance coverage, which could be a tipoff to the fact that there's been a chance in the residency on that. But for instance, if I have a homeowner rehabilitation program and I have a requirement that they maintain insurance on that up to the value of the lien for a period of let's say five years, because that's my affordability period that I locally have imposed, I could be listed as a loss payee during that period.

And that would essentially be my way to track that that program requirement was being fulfilled. So just keep that in mind as one of the tools that you might have in place for insurance coverage.

That also might include, if you're working in areas where you have someone in a flood plain, that you might have requirements about maintaining flood insurance also. And unfortunately in some areas, that's quite expensive. And so that may be a factor on this being viable as affordable housing.

Kris Richmond: Great. Thanks, Les. There hasn't been any more questions.

Les Warner: All right. So I'm going to -- I guess I'm going to suggest that we stay on the line for just a little bit here in case there are any additional questions that would come in. As we mentioned yesterday, next Wednesday we're going to be doing our rental activity.

And so that's kind of a heavy duty session, going through all of the requirements for the development and construction phase for rental, but also that long term compliance. So if you are new to the HOME program and just learning these requirements, it might be a good thing to take a look at the rental chapter in advance of next week's session. That may help you a little bit on grasping some of that information.

And then just a reminder that next Thursday in our office hour session, is when we'll be covering tenant based rental assistance. And so I would encourage you to participate in the next office hour so you don't miss one of our four eligible activities under HOME.

Kris, anything else come in in the meantime?

Kris Richmond: No. Pretty quiet. I guess we'll see everybody next week.

Les Warner: All right. Yes. Thanks, everybody. Glad you were able to participate.

Kris Richmond: Bye- bye.