HOME Resale and Recapture Summary

Scenario	Amount Owed Back to HOME Account	Income to PJ Considered	HOME Requirement Discussion	Examples
Recapture				
Owner remains in unit and repays HOME mortgage principal and interest to PJ over time	Periodic loan payments—Receipt the program income (PI) in IDIS	Program income	None	• Homebuyer gets $20,000 HOME loan from PJ. Owner repays $200 per month in principal plus interest to PJ. • Monthly $200 is program income
Owner remains in unit but elects to pay off outstanding balance of HOME loan	Loan payoff—Receipt the PI in IDIS	Program income	The repayment of the HOME loan does not terminate the affordability period. The period remains in effect for written agreement timeframe unless the unit is sold. Significant impacts of this are principal residence requirement and shared appreciation at sale (if this option is chosen by PJ).	• Homebuyer gets $18,000 HOME loan from PJ. In year 3, owner decides to pay off existing loan balance and pays $15,000 to PJ to pay off the HOME loan. • $15,000 is program income • Owner is still subject to principal residence and if the PJ stipulated it in its original agreement with the buyer, any net proceeds agreement for shared appreciation until the 10 year affordability period is complete.
Owner does not sell but moves out and fails to occupy as principal residence during the afford period (subleases the home)—assumes that the owner does not return to the unit or sell it	Total outstanding HOME investment. This is HOME investment minus HOME principal payments received from owner to date. Repayment process involves wiring funds back to HUD and/or paying by check (if less than $2,000) and amending draws within IDIS.	Repaid funds	PJ must attempt to bring unit into compliance and enforce the HOME written agreement. First, the PJ should try to get the owner to reoccupy the unit. Second, if re-occupancy doesn't occur, the PJ must try to recoup the amount owed back by the owner. The PJ must have a clause in its HOME written agreement that states repayment is triggered if the principal residency requirement. If the PJ does not, they are unlikely unable to enforce the principal residence requirement and the PJ itself may have to repay the outstanding HOME investment (in essence it becomes an ineligible project).	• Homebuyer gets $16,000 HOME forgivable loan from PJ. $1600 is forgiven for each year of occupancy. In year 8, owner moves out and rents the home. • Of the $16,000 HOME loan, $12,800 has already been forgiven (8X$1600). • However, owner and/or PJ owes program back the whole $16,000 in initial HOME investment since none has been repaid by owner to date. • If instead the loan was amortizing and the owner had already paid the PJ $10,000 in HOME principal + interest, the PJ/owner would only owe $6,000 back to the HOME account.

HOME Resale and Recapture Summary (cont'd)

Scenario	Amount Owed Back to HOME Account	Income to PJ Considered	HOME Requirement Discussion	Examples
Recapture				
Owner voluntarily sells during affordability period	Net proceeds—Receipt process identical to PI in IDIS	Recaptured funds	PJ must stipulate recapture approach, subject to net proceeds, in its agreement with buyer (PJ paid first, owner paid first, forgiveness over time, or proportional + shared appreciation option).	• Homebuyer gets $27,000 HOME loan from PJ. In year 5 owner decides to sell. • Outstanding HOME loan balance is $22,000. Net proceeds are $12,000. • Owner repayment to PJ capped at $12,000 • $12,000 divided between PJ and owner according to PJ's selected net proceeds approach
Unit is foreclosed and sold to another owner	Net proceeds—Receipt process identical to PI in IDIS	Recaptured funds	PJ must stipulate recapture approach, subject to net proceeds, in its agreement with buyer (PJ paid first, owner paid first, forgiveness over time, or proportional + shared appreciation option).	• Homebuyer gets $32,000 HOME loan from PJ. In year 8, private lender forecloses and home is sold. • Outstanding HOME loan balance is $28,000. After bank is paid at foreclosure, remaining net proceeds are $2,000. • PJ gets $2,000 in net proceeds and no additional money is owed

HOME Resale and Recapture Summary (cont'd)

Scenario	Amount Owed Back to HOME Account	Income to PJ Considered	HOME Requirement Discussion	Examples
Resale				
Owner remains in unit and repays HOME mortgage principal and interest to PJ over time	Periodic loan payments—Receipt the PI in IDIS	Program income	None	• Homebuyer gets $20,000 HOME loan from PJ. Owner repays $200 per month in principal plus interest to PJ. • Monthly $200 is program income
Owner remains in unit but elects to pay off outstanding balance of HOME loan	Loan payoff—Receipt the PI in IDIS	Program income	The repayment of the HOME loan does not terminate the affordability period. The resale provision stays in place including the entire affordability period remains in effect and the principal residency requirement, as initially determined by the PJ based on the amount of HOME investment in the unit.	• Homebuyer gets $18,000 HOME loan from PJ. In year 3, owner decides to pay off existing loan balance and pays $15,000 to PJ to pay off the HOME loan. • $15,000 is program income • Owner is still subject to principal residence and at the time of sale if during the affordability period, must sell to another low income buyer at an affordable price
Owner does not sell but moves out and fails to occupy the unit as its principal residence during the afford period (subleases the home)—assumes that the owner does not return to the unit or sell it	Total outstanding HOME investment. This is initial HOME investment minus HOME loan principal payments received to PJ from owner or developer to date, if any. Repayment process involves wiring funds back to HUD and/or paying by check (if less than $2,000) and amending draws within IDIS.	Repaid funds	PJ must attempt to bring unit into compliance (enforce the HOME written agreement). First, the PJ should try to get the owner to reoccupy the unit. Second, if re-occupancy doesn't occur, the PJ must try to recoup the amount owed back by the owner. The type of income these funds would be depends on whether owner received a HOME loan or if financing was only provided to developer. If owner received a HOME loan, the PJ should include language about principal residence and owing money back to the PJ for noncompliance. Amount owed back for noncompliance would then be the HOME loan minus any program income (PI) received to date. If construction financing was provided to a developer it is unlikely that the homebuyer has repaid any PI to the PJ. However, the PJ's or developer's agreement with the owner must still specify the resale requirements, including principal residence requirement, and should specify penalties for noncompliance. If the developer has repaid the HOME construction loan to the PJ, that PI would be counted toward the amount owed back to the program for the noncompliant unit.	• CHDO gets $70,000 construction loan from PJ. The CHDO pays back $50,000 of this initial investment once construction is done and unit is sold to homebuyer. • In year 8, the owner moves out and rents the home (but does not sell). • Owner and/or PJ owes program back the $20,000 remaining from the initial HOME investment ($70,000 - $50,000), depending on the written agreement and its enforceability. • If the PJ had allowed the CHDO to keep the funds earned from the initial sale as CHDO proceeds and none was repaid to the PJ (no $50,000 payment), the PJ and/or owner would owe the program the full $70,000 initial HOME investment for the noncompliant unit.

HOME Resale and Recapture Summary (cont'd)

Scenario	Amount Owed Back to HOME Account	Income to PJ Considered	HOME Requirement Discussion	Examples
Resale				
Owner voluntarily sells during affordability period	Loan payoff, if any—Receipt the PI in IDIS	Program income	None	• Homebuyer gets $27,000 HOME loan from PJ. In year 5 owner decides to sell. • Outstanding HOME loan balance is $22,000. • Owner repays the $22,000 to the PJ and sells to another low income buyer at affordable price.
Unit is foreclosed and sold to another owner	Answer depends on what happens under foreclosure: If affordability period survives foreclosure and unit is sold to another low income buyer at afford price, no repayment is required unless the household has an outstanding HOME loan. Depending on the home's value and foreclosure sale price, the PJ may get some repayment for that HOME loan. If the affordability period does not survive, PJ owes total outstanding HOME investment. This is initial HOME investment minus program income (loan principal payments—not interest) received to PJ from owner or developer to date, if any.	Program income if unit affordability period survives foreclosure and some of the outstanding HOME loan is repaid through foreclosure sale Repaid funds if affordability period is terminated	None	• CHDO gets $40,000 construction loan from PJ. They repay back $30,000 of this loan to the PJ. The owner also gets $15,000 in a HOME downpayment assistance grant. • In year 6, the owner defaults and lender forecloses and the affordability period is wiped out. The home is sold on the open market. • Owner and/or PJ owes program back the $15,000 downpayment, depending on the written agreement and its enforceability. • The PJ and/or CHDO also owes the $10,000 of initial investment it did not get earn back as PI • In total $25,000 is owed back to the PJ's HOME account, either from the owner (unlikely in this scenario), CHDO or PJ itself ($10,000 plus $15,000).