Monitoring HOME



U.S. Department of Housing and Urban Development Office of Community Planning and Development

Prepared by





Purpose of this Guidebook

When HUD provides a HOME participating jurisdiction (PJ) with HOME funds, it holds the PJ accountable for compliance with all the HOME Program regulations. This is true even if the PJ provides some of its HOME allocation to other entities to help it carry out its HOME-funded activities. So, if the PJ disburses HOME funds to another entity to undertake any HOME activity, HUD requires the PJ to monitor that entity to verify that its use of funds also complies with HOME requirements.

This guidebook, *Monitoring HOME*, is a tool for staff of HOME PJs to assist them in monitoring their own operations and the other entities they fund to ensure that they comply with HOME requirements. The PJ's monitoring staff (also called "PJ monitors") can use this guidebook to:

- Understand the purpose and process of monitoring
- Determine their program partners' compliance with HOME's specific program, project, administrative, and long-term requirements.

The main emphasis of this guide is on onsite monitoring.

Background

Monitoring HOME replaces two key sources of monitoring guidance that HUD has issued previously:

- The HOME model program guide, HOME Monitoring Model Guide (CPD-2030, October 2008)
- The HOME monitoring training manual, *Monitoring HOME: Ensuring Program Compliance*. (This manual has been distributed at training sessions that have been convened throughout the country since 2002.)

Monitoring HOME updates recent changes to the HOME Program regulations and other policy guidance, and incorporates guidance from HUD's CPD Grantee Monitoring Handbook, which was developed and issued after HUD's monitoring program guide and training manual. HUD Field Office staff uses the CPD Grantee Monitoring Handbook to monitor the compliance and performance of HOME PJs.

The Handbook includes monitoring checklists (referred to as "HUD checklists") that provide HUD staff a wealth of detailed monitoring information and a consistent set of questions by which it can monitor a PJ's HOME performance and compliance. This guidebook, *Monitoring HOME*, draws on these HUD checklists and adapts them as needed for use by HOME PJs to monitor their own program partners. HOME PJs are not required to use the HUD checklists, but most PJs will find that the checklists can facilitate the monitoring process. These checklists are the most comprehensive HOME monitoring tool available to date, and they follow a simple and standardized format so that the PJ can ensure all HOME requirements are being adhered to. This guidebook is based on the *CPD Grantee Monitoring Handbook* 6509.2, REV-6.

A copy of the most recent version of the *CPD Grantee Monitoring Handbook* can be found at http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm. Chapter 7 of the *Handbook* discusses monitoring the HOME Program requirements. Other chapters of the Handbook are not HOME-specific, but relate to other Federal requirements that apply to the HOME Program.

Introduction 1

Organization of the Guidebook

Monitoring HOME is organized into seven chapters that cover the following topics:

- Overview to monitoring (Chapter 1)
- Monitoring program partners (Chapter 2)
- Monitoring administrative and management requirements (Chapter 3)
- Monitoring specific HOME activities (Chapters 4-7)
 - Homeowner rehabilitation programs (Chapter 4)
 - Homebuyer programs, including programs that provide direct assistance to homebuyers and programs that provide subsidies for the development of housing for homeownership (Chapter 5)
 - Rental programs (Chapter 6)
 - Tenant-based rental assistance programs (Chapter 7).

How to Use this Guidebook

Chapter 1 of this guidebook provides necessary background information about monitoring and the monitoring process, and provides specific guidance on how to conduct a risk assessment and how to develop an annual monitoring plan. Chapter 1 also provides guidance on the PJ's obligations to follow up on any corrective actions that may be needed as a result of monitoring.

Chapters 2-7 are designed as monitoring tools for each area of HOME compliance that the PJ monitors. The PJ monitor can simply copy and use the checklists found in these chapters for use during onsite monitoring visits. The checklists relate to the core HOME program activities and general administrative and financial management.

Chapters 4 through 7 provide guidance on monitoring each of the eligible HOME activity areas (homeowner rehabilitation, rental, homebuyer housing, and tenant-based rental assistance). Each of these chapters is further divided into three sections, for each stage of monitoring that the PJ might conduct:

- Section 1 provides checklists to facilitate pre-monitoring
- Section 2 provides checklists to facilitate project monitoring
- Section 3 provides checklists on program monitoring.

This guidebook adapts the HUD checklists for the core HOME Program monitoring areas, but it is not exhaustive. For some areas of review, PJs may need to use some of the original HUD checklists that were not adapted in this guidebook, in order to more thoroughly monitor compliance. The introduction of each chapter identifies the additional HUD checklists that may be needed for that area of review.

This guidebook is intended to assist the PJ monitor in evaluation of the HOME Program. Its contents do not supersede any information found in the HOME Program statute, HOME Program regulations, HUD notices, and relevant cross-cutting Federal laws, regulations, notices, and circulars.

About the HOME Model Series

Monitoring HOME is one of a number of model program guides that has been issued by HUD to provide technical assistance to PJs implementing the HOME Program. These model program guides cover a range of topics related to HOME Program administration and activities, and are available at no cost through Community Connections at 1-800-998-9999. For a complete list of all the model program guides, see the HOME Program's website, Model Program Guides, at http://www.hud.gov/offices/cpd/affordablehousing/library/modelguides/index.cfm.

Chapter I: HOME Monitoring Basics

This chapter provides an overview on monitoring that explains who the PJ must monitor, why monitoring is important, and how monitoring can be conducted. The chapter provides detailed guidance on how to conduct a risk analysis to target limited monitoring resources to the highest risk activities or funded entities in the PJ's portfolio, and how to develop an annual monitoring plan. The chapter concludes with a description of the monitoring process.

A. What Is Monitoring?

HOME Investment Partnerships (HOME) Program funds must be used in accordance with all applicable requirements specified at 24 CFR Part 92. Monitoring is a systematic review of programs and fund administration that helps HUD and the HOME Participating Jurisdiction (PJ) evaluate whether compliance with these requirements is achieved. Monitoring can also be used to evaluate program management, performance, and program outcomes.

B. Who Does the PJ Monitor?

It is the PJ's responsibility to monitor all the entities that expend HOME funds to carry out HOME activities. These entities may include one or more of the following:

- **PJ** (itself). Although HUD is responsible for monitoring the PJ, in order to ensure program compliance, effective management, and performance achievement, the PJ should monitor itself. This involves assessing the PJ's own compliance with any of the program activities it administers, as well as its own management, administrative, and financial systems.
- Subrecipient. A subrecipient is a public agency (such as a public housing authority) or nonprofit organization that is selected by the PJ to administer all or a portion of its HOME program activities. The PJ is responsible for monitoring its subrecipients on an annual basis. Note, a PJ may fund a separate department or agency within its own governmental structure. While these entities are not typically considered subrecipients, the PJs should monitor them in a similar way.
- State Recipient. A State recipient is a unit of local government that receives HOME funds from a State PJ. In general, the State recipient administers a program activity in its jurisdiction and has responsibilities that are similar to a subrecipient. The State PJ is responsible for monitoring its State recipients on an annual basis.
- Consortium Members. A consortium is a number of geographically contiguous units of general local government that join together for the purpose of receiving HOME funds. A consortium is considered a single entity for the purposes of the HOME Program. One member of the consortium must be designated as the "lead entity," and that entity is the PJ. The remaining member jurisdictions, if funded, are subrecipients of the lead entity. The lead entity is responsible to monitor the consortium's funded activities, and for ensuring that all member jurisdictions comply with the HOME requirements.
- Community Housing Development Organization (CHDO). A CHDO is a special nonprofit that meets certain qualifying criteria that are outlined in the HOME regulations at 24 CFR 92.2 (definition of "CHDO"). Each PJ must spend no less than 15 percent of each annual HOME allocation on housing that is owned, developed, or sponsored by CHDOs. PJs are required to determine the eligibility of nonprofit organizations to qualify as CHDOs and must monitor CHDOs for compliance with all applicable requirements.
- Housing Owners, Developers, and Sponsors. An owner, developer, or sponsor of affordable housing is a for-profit or nonprofit organization that receives funds to undertake specific affordable housing projects. Unlike subrecipients,

owners, developers, and sponsors do not administer HOME program activities. Also, nonprofit organizations functioning as owners, developers, or sponsors do not need to meet the HOME CHDO qualifying criteria unless they receive HOME CHDO set-aside funds.

• **Contractor.** A contractor is an entity that is competitively procured to carry out a specified scope of work for a specified price. It can administer a program and/or provide necessary goods and services to a PJ, State recipient, or subrecipient. PJs monitor contractors for performance under agreements as well as compliance with applicable requirements.

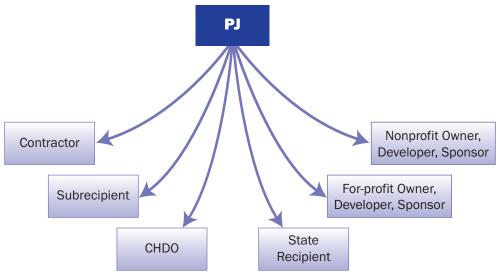


Figure 1-1: Entities that the PJ Must Monitor

C. Why Must the PJ Monitor Its Activities and Partners?

There are three key reasons why the PJ monitors its funded activities and the entities it funds:

- It is legally required to do so, to ensure compliance with HOME Program requirements.
- It can use information uncovered in monitoring to improve program design and management.
- It can evaluate how well its funded programs are achieving the desired outcomes (i.e., performance).

1. Comply with Legal Requirements

When a PJ accepts HOME funds from HUD, it agrees to comply with all HOME regulations. HUD is required to monitor HOME PJs and to hold them accountable to comply with the HOME requirements. When the PJ provides HOME funds to other entities to carry out HOME activities on its behalf, the PJ is likewise required to monitor its funded entities on at least an annual basis from project selection through to project completion, and periodically throughout the affordability period, in accordance with 24 CFR 92.504. Noncompliance with HOME requirements on the part of the PJ or one of its funded entities can result in the repayment of HOME funds to HUD.

Legal accountability is necessary to ensure that PJs comply with the HOME requirements and to protect against fraud and misuse of public funds. The most significant of the HOME rules require that:

- Funds are used to provide housing opportunities for low- and very low-income families
- Any housing that is assisted with HOME funds must meet certain standards to ensure that it is decent, safe, and sanitary
- A portion of funds be invested in housing that is owned, developed, or sponsored by community housing development organizations (CHDOs), to ensure that PJs cultivate the capacity of nonprofit housing developers in their jurisdictions.

• Housing opportunities that are created with HOME funds must be available and affordable for some period of time (the affordability period).

2. Improve Program Design and Management

As part of the monitoring process, the PJ reviews program procedures and program design, related to all aspects of program delivery-- from how projects and programs are selected for funding, to how the beneficiary's income-eligibility is determined, to whether assisted units comply with applicable property standards and affordability requirements over time.

The information the PJ uncovers during the monitoring process can help it examine whether it is using its resources efficiently and effectively. Prudent PJs use this information to adjust program design, and policies and procedures in order to improve operations. In addition, PJs can use information gathered in the monitoring process to evaluate the effectiveness and performance of the PJ's funded entities. This information should be shared with the PJ staff that makes project selection decisions, so that funding decisions are informed with current information on performance and compliance.

3. Evaluate Performance

The HOME Program gives State and local PJs considerable flexibility to implement affordable housing programs that meet local housing priorities, conditions, and needs. Monitoring can help the PJ determine whether or not HOME funds are being used to address the highest affordable housing priorities, conditions and needs of the jurisdiction. Monitoring allows PJs to ensure that HOME-funded programs and projects:

- Align with the Consolidated Plan
- Comply with the CPD Outcome Performance Measurement system or other performance measurement systems implemented by the HUD or the PJ
- Are successful in achieving key objectives and outcomes.

D. What Types of Monitoring Can the PJ Undertake?

The PJ must monitor all aspects of its funded programs and projects that impact compliance. Monitoring for HOME compliance falls into four general areas:

- **Program monitoring** assesses the overall performance and operation of the program and helps the PJ assess if its programs and activities are carried out effectively and in compliance with HOME rules.
- Administrative and financial monitoring assesses the fiscal and administrative management of the HOME funds.
- **Project monitoring** assesses compliance with requirements related to specific HOME activities and projects (such as specific homebuyer or rental development projects).
- **Long-term monitoring** assesses compliance with long-term HOME requirements that apply to HOME-assisted rental and homeownership housing after project completion.

Figure 1-2, *Types of HOME Monitoring*, describes and compares each type of monitoring and identifies what types of entities must be monitored for each type.

Figure 1-2: Types of HOME Monitoring

	Program Monitoring	Administrative and Financial Monitoring	Project Monitoring	Long-Term Monitoring
What it is	Evaluates: Overall performance and operation Program administration Project and beneficiary selection Adequacy of policies, procedures, and practices to ensure HOME compliance Staff capacity and implementation Identifies systemic problems, rather than single instances of noncompliance that are limited to specific projects.	Evaluates: Administrative systems for carrying out HOME activities Financial management of HOME funds Recordkeeping, reporting, and oversight of funded activities Effective and compliant written agreements that protect the HOME investment	Evaluates specific funded projects for compliance with: • All HOME project requirements (such as property standards, per unit subsidy limits, beneficiary income-eligibility, and affordability restrictions) • Cross-cutting Federal regulations (such as environmental review, Uniform Relocation Act, Lead Safe Housing Rule, and others). Typically involves a review of specific project files and inspection of units.	Evaluates compliance with applicable long- term affordability requirements upon project completion Applies to rental and homeownership projects only Evaluates compliance with: Rent and income restrictions (rental) Affirmative marketing and fair housing Property condition Principal residence and resale/ recapture provisions (homebuyer)
Who is monitored	All entities that receive funding from the PJ to administer all or part of its HOME Program activities. This might include: • PJ • Subrecipients (including consortia members) • State recipients • Contractors	All funded entities that are not competitively procured. This might include: • PJ • Subrecipients (including consortia members) • State recipients • Community housing development organizations (limited review)	All program administrators that carry out HOME-funded activities • PJs • Subrecipients (including consortia members) • State recipients • Contractors and the entities that carry out specific projects (including CHDOs) • Owners • Developers • Sponsors	Owners of HOME- assisted rental property and homebuyer housing
Applicable chapters in this guidebook	Section 3 of Chapters 4-7 provides detailed guidance for each HOME activity	Chapter 3	Section 2 of Chapters 4-7 provides detailed guidance for each HOME activity	Chapters 5 (homebuyer) and 6 (rental)

E. How Often Should the PJ Monitor Its Funded Entities?

The frequency that a PJ is required to monitor a funded entity depends on the activity type and whether the project is in the development stage or it has been completed. Figure 1-3 summarizes the minimum frequency of required onsite monitoring visits.

1. Required Monitoring

PJs are required to monitor their State recipients, subrecipients, and contractors at least once a year, during all phases of the project or program administration—typically from when that funded entity starts drawing HOME funds, up until the project or program administration is complete. See 24 CFR 92.504.

When the PJ has evidence that a subrecipient, State recipient, or contractor may be at risk of noncompliance or nonperformance, it may need to monitor that funded entity more frequently than annually in order to minimize the risk that the funded entity will not carry out the activity in compliance with HOME rules or the terms of the written agreement. Alternatively for other funded entities where annual monitoring is not required (e.g., CHDOs), the PJ should conduct a risk analysis to determine appropriate monitoring efforts. If the PJ conducts a risk analysis of all of its funded entities, it will be able to identify these at-risk entities that it may want to monitor more frequently throughout the year. The risk analysis provides a framework to help the PJ assess its risks. It is discussed in more detail in Section F, *How Can the PJ Assess Its Risk*?

Figure 1-3 provides the required frequency for onsite monitoring visits. These monitoring visits involve both physical inspections as well as program/project file reviews.

Activity	Required Frequency of Onsite Monitoring Visits
For any activity administered by a subrecipient, State recipient, or contractor, while contract is in effect	Annually
Tenant-based rental activity	Annually (unit inspection and income verification only)
Project development activities during all phases of the project through to occupancy and project completion	At least annually, but recommended at periodic timeframes throughout the development process (such as upon submission of payment voucher)
Post completion, for rental projects with 1-4 total units in the project	Every 3 years
Post completion, for rental projects with 5-25 total units in the project	Every 2 years
Post- completion, for rental projects with 26 or more total units in the project	Annually

Figure 1-3: Frequency of Required Onsite Monitoring Visits

2. Long-term Monitoring of Rental Housing

a. HOME-Assisted Rental Housing

Upon project completion, the PJ must also conduct long-term monitoring of HOME-assisted rental housing projects for compliance with HOME requirements that apply during the affordability period. Rental property owners must submit an annual Rental Compliance Report that the PJ reviews to monitor compliance with the ongoing income targeting and affordability requirements [24 CFR 92.252(f)(2)]. Attachment 6-E is a sample of this form, found at the end of Chapter 6. The PJ must also conduct onsite monitoring on a periodic basis to: (1) Verify accuracy of rent and occupancy reports and review onsite records, and (2) inspect units to ensure continued compliance with applicable housing standards. See 24 CFR 92.504(d).

b. Tenant-based Rental Assistance

PJs must perform annual inspections of rental housing that is occupied by tenants that receive HOME tenant-based rental assistance. The purpose of these inspections is to ensure that the property continues to meet the HOME property standards. See 24 CFR 92.504(d)(2).

In addition, on an annual basis, the PJ must re-verify that each tenant receiving tenant-based rental assistance continues to be income-eligible. This income re-verification must be based on source documentation. See 24 CFR 92.216.

F. How Can the PJ Assess Its Risk?

A risk analysis helps program and monitoring staff evaluate the likelihood that a project, program, or organization will fail to comply with program requirements, or is vulnerable to fraud and abuse. This evaluation may also focus on activities that carry performance risk (such as poor housing unit production, a low number of residents assisted, or slow expenditures).

The level of structure and formality to a risk analysis should reflect the size and scope of activities the PJ undertakes. The important purpose of the analysis is that it provides a standard framework for comparing relative risk across a variety of activities.

In conducting a formal risk analysis, the PJ:

- 1. Establishes a protocol that documents the standard methodology with which all funded entities will be evaluated. This protocol identifies the risk factors and subfactors that affect program performance. For instance, risk factors may include type of HOME activity and subfactors may include funded entity staff capacity/experience to undertake a HOME activity.
- 2. Assigns a relative weight to each factor and subfactor that helps to evaluate overall risk of the organization and program/ project performance.

Once the PJ has developed the risk analysis protocol, it uses it to quantify the level of risk that each of its funded entities poses. This way, the PJ can compare the relative risk of a newly funded nonprofit that is carrying out a small homeowner rehabilitation program with an experienced for-profit developer that is constructing a new rental development.

Figure 1-4 provides a simplified example of how a risk analysis tool is used. Attachment 1-A provides a well-developed risk analysis protocol, and provides guidance on how to use it. This might be used by larger PJs or those with a large number of funded entities or variety of funded programs.

Figure 1-4: Illustration of the Risk Analysis

A PJ rates two of its CHDOs to decide which one should be monitored more intensively this year. For simplicity, this example uses only three risk factors: type of program, amount of HOME funds, and staff turnover. It uses the weights and points found in the risk analysis protocol in Attachment 1-A.

Step 1: Identify weights for each factor

- Type of program (10)
- · Amount of HOME funds (20)
- Staff turnover (15)

Step 2: Identify the points for each criteria

CHDO 1

- New construction homebuyer program (5 points)
- \$60,000 in HOME funds (2 points)
- · Staff turnover in the last year (5 points)

CHDO 2

- · Rental rehabilitation program (4 points)
- \$250,000 in HOME funds (3 points)
- · No staff turnover in the past year (0 points)

Step 3: Calculate the CHDOs' scores

 Multiply the weights by the points for each factor, and then add all the weighted points.

Most PJs cannot always perform comprehensive

onsite reviews of all

funded entities, given

their limited resources.

With a risk analysis, PJs assess their relative risks

of noncompliance or poor

performance and make

strategic choices about

how and where to invest

· See the calculations below.

CHDO 1 Risk Factors	Weights	P	oints	Weighted Point	
Type of program: Homebuyer New Construction	10	Х	5	=	50
Amount of HOME funds: \$60,000	20	Х	2	=	40
Staff Turnover: Yes	15	Х	5 = 75		75
				Total: 165	
			ints Weighted Points		
CHDO 2 Risk Factors	Weights	P	oints	Weigh	ted Points
CHDO 2 Risk Factors Type of program: Rental Rehab	Weights 10	X	oints 4	Weigh =	ted Points 40
Type of program: Rental Rehab	10	Х	4	=	40

Based on these totals, CHDO 1 has a higher risk score (165 total points) than CHDO 2 (100 total points) because of its staff turnover. The PJ should allocate more monitoring resources towards CHDO 1 than CHDO 2.

G. What Is an Annual Monitoring Plan?

Once the PJ has conducted its risk analysis and has made decisions about how to use its monitoring resources to minimize its risks, it can develop a monitoring plan. The monitoring plan documents the PJ's monitoring priorities and outlines how it will carry out its monitoring activities for the year. In its annual action plan, the PJ is required to describe how it will monitor its activities; however, HUD does not prescribe how the PJ prepares a monitoring plan. A comprehensive monitoring plan helps the PJ use its scarce monitoring resources more effectively and efficiently.

A monitoring plan typically addresses of the following areas:

- Monitoring priorities
- Type of monitoring planned
- Form of monitoring (desk reviews and onsite visits)
- Internal and external communication
- Schedule
- Staffing
- Technical assistance needs
- Follow-up activities

1. Monitoring Priorities

The monitoring priorities are the areas that the PJ is most interested in monitoring across-the-board. While the PJ may wish to tailor some of its monitoring to address areas of concern that are organization-specific, the priorities typically are the monitoring areas that the PJ wishes to addresses for all, or most, of the organizations it monitors. The PJ's priorities may, in fact, shift from year to year.

Figure 1-5 provides examples of areas that might be monitoring priorities for a PJ.

When establishing the monitoring priorities for the year, the PJ should consider:

- Areas of common concern that are identified in the risk analysis. For instance, the risk analysis might reveal that many of the PJ's subrecipients are behind in their reporting. The PJ may decide that it will focus its monitoring on reporting and documentation in order to address this common problem.
- **Results of and follow-up needed from, prior years' monitoring results.** For instance, in the prior year, the PJ may have a number of funded entities whose housing units had a number of deficiencies when inspected for housing quality. The PJ may decide to monitor the construction process of those entities the following year.
- Analysis of progress reports and HOME and IDIS reports on program/project status. For instance, the HOME Expiring Funds Report might identify projects where the PJ is at-risk of losing considerable HOME funds due to the eight year deadline for expiration of funds. The PJ might want to monitor the projects associated with these expiring

funds to ensure they are moving forward so funds will not be lost.

2. Type of Monitoring

For many of its funded entities, the PJ will conduct the required annual review (for current projects or programs) or the required long-term monitoring for rental and homebuyer projects. For these and any additional monitoring the PJ chooses to carry out, the plan should specify what type of monitoring (program, administrative and financial, project, or long-term) is required and/or appropriate.

Figure 1-5: Sample Monitoring Priorities

- Identifying and tracking program and project results
- Identifying technical assistance needs of PJ, CHDO, and subrecipient staff
- Ensuring timely expenditure of HOME funds
- Documenting compliance with program rules
- Preventing fraud and abuse
- Identifying innovative tools and techniques that support affordable housing goals

3. Form of Monitoring: Desk Reviews and Onsite Monitoring

The annual monitoring plan identifies which funded entities will be subject to desk reviews and which will be given onsite reviews in the coming monitoring year. These decisions should be based primarily on the results of the required onsite monitoring visits and the risk analysis. Generally, the PJ should conduct onsite reviews for those that have greater risk, and desk reviews for those with lower risk.

Desk Reviews. Desk reviews, as the name implies, are done at the PJ office. The desk review involves reviewing reports and other documentation that are submitted to the PJ from a variety of sources.

There are a variety of reports and other documentation that can help the PJ understand how well a program or project is managed, and whether it is achieving its goals and compliance obligations. The annual monitoring plan should specify the reports (and the format) that the PJ will want to review for each program and project, and the frequency with which those reports must be prepared and submitted.

Typically, the PJ should conduct at least a minimum level of desk review for every project or program that receives funding, and for all rental projects that are in their affordability period.

Onsite Monitoring. Onsite monitoring enables the PJ to conduct a more in-depth level of review than the desk review. Onsite monitoring involves a visit to the funded entity's office to review documents and source information, observe actual program operations, and discuss programs and projects with the staff carrying them out. Onsite monitoring is recommended when the risk analysis or desk review suggests that there may be problems, or if a long period of time has elapsed since the last visit.

During an onsite review, monitors evaluate overall performance and determine if compliance problems exist. Site visits often enable the monitor to identify aspects of the program or project that are contributing to a problem. Monitoring staff must prepare and distribute a report summarizing the results of the review and describing any required follow-up activity. An onsite visit is required annually until project completion or contract close-out. Onsite visits are also required during the affordability period for rental and homebuyer development projects, on a periodic basis.

4. Internal and External Coordination

To the extent that the PJ is aware of others, either internal or external to the PJ, that might have knowledge about, or interest in, a funded entity, the monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties and specify when and how monitoring plan should identify the other parties are parties and specify when and how monitoring plan should identify the other parties are parties and specify when and how monitoring plan should identify the other parties are parties and specify when and how monitoring plan should identify the other parties are parties and specify when any parties are parties and specify when any parties are parties and specify when any parties are parties and parties are parties and parties are parties and parties are parties are parties and parties are parties are parties are parties and parties are parties are parties are parties are parties are parties and parties are p

ing staff should coordinate with those other parties. For instance, when HOME funds are invested in projects that are also funded with Low-Income Housing Tax Credits, the PJ knows that the State housing credit allocating agency will also be monitoring the project. The monitoring plan might specify that the PJ monitor contact the State allocating agency to inquire about the State's monitoring results and to share the local PJ's results, or it might specify that the PJ should conduct onsite inspections and monitoring at the same time as the State agency in order to minimize redundancy in monitoring efforts.

An annual monitoring plan is often a work in progress. In the course of conducting desk reviews, the PJ may identify issues of concern. It can (and should!) change its plan and conduct additional monitoring as new information of potential problems is uncovered.

5. Schedule

The annual monitoring plan identifies the scope, frequency, and timing of monitoring reviews for the year. Different kinds of projects have different monitoring

schedules. Creating a monitoring calendar during the earliest stages of project implementation allows the PJ to schedule staff members effectively, ensuring that tasks are completed in an orderly and organized fashion.

6. Staffing

The monitoring plan identifies specific staff who will perform key monitoring functions. To the extent staff other than the monitoring staff is responsible for any particular reviews, the plan should so state.

When determining the staff monitoring assignments, the PJ's manager should consider:

- Staff technical expertise in the area under review. For instance:
 - Staff conducting project and program monitoring must understand the HOME Program regulations and the

development or program assistance process. Depending on the area under review, the project or program monitor may need to work with a housing inspector, a financial analyst, or an expert in the Federal cross-cutting requirements (environmental review, labor, etc).

- Staff conducting financial and administrative monitoring must understand the HOME Program regulations, the uniform administrative requirements, and the applicable Office of Management and Budget (OMB) circulars.
- Staff conducting long-term monitoring must understand the HOME Program regulations and the property management process.
- **Objectivity of the monitor.** Two suggestions to promote objectivity:
 - Separate the funding (project selection and underwriting) and monitoring functions in order to ensure that the monitor has no previous relationship to the funded entity under review.
 - Rotate monitoring assignments on a regular basis.
- Opportunities for collaboration with other stakeholder agencies. When two or more public agencies fund the same project, there may be multiple parties monitoring its activities, such as with Low-Income Housing Tax Credit projects. Collaboration is an attractive way to use resources efficiently. Collaboration can work when:
 - The PJ clearly understands the monitoring needs, concerns, and motivations of the other agency, and these are common to the PJ's own needs.
 - There is an agreement with the two agencies about the scope of responsibilities.
 - The monitoring staff has expertise in the HOME Program regulations.
 - The PJ understands that it remains accountable to HUD for the compliance and performance of its projects and programs, and monitors the collaborative process to ensure that the PJ's monitoring needs are met.
- Contracting out. Using an outside entity to conduct monitoring activities can prove helpful when existing staff do not have sufficient time or technical expertise, and for maintaining an unbiased perspective. When contracting out, it is important to:
 - Identify a contractor that has strong expertise in the HOME Program regulations.
 - Develop a clear scope of work that includes specific guidelines and performance standards and milestones for the contractor.
 - Ensure ongoing oversight by the PJ, since monitoring is an ongoing obligation of the PJ.
 - Require the contractor to provide technical assistance and training to the PJ staff so that it can take over the monitoring functions in the future, when the contractor is engaged because the staff has insufficient technical expertise.

7. Technical Assistance

Given the complexities of managing a Federal affordable housing program like HOME, technical assistance is an important tool to enhance program performance and compliance. Ideally, the annual monitoring plan identifies where and how the PJ will conduct technical assistance in the monitoring year. Technical assistance is particularly useful when working with other entities that have limited staff experience, past performance issues, and project specific risk factors such as a project involving lead hazard control, relocation, or other project specific technical issues. Technical assistance in the form of workshops, meetings, or group training is effective to address problems that are of common concern to more than one funded entity.

8. Follow-up Activities

Each year, the PJ should ensure that any outstanding findings or concerns that were addressed the previous year have been resolved to the PJ's satisfaction. The annual monitoring plan should provide a summary of the prior year's activities, and identify any follow-up activities that are still required. As either part of the monitoring plan, or elsewhere, the PJ should also have written detailed procedures for communicating the results of monitoring reviews with internal and external staff, and for obtaining and incorporating feedback. The plan may include a system of disciplinary actions for funded entities who fail to respond.

Section J, *Following Up the Initial Monitoring Report*, provides a detailed discussion of a common approach for monitoring follow-up.

H. Conducting Onsite Monitoring

As either a part of its monitoring plan or as a stand-alone document, it is helpful for the PJ to adopt written procedures about how to conduct an onsite visit, to ensure consistency among monitoring staff. This section describes one effective process for conducting onsite visits. PJs can adopt or amend this process in order to meet its own needs.

1. Prepare for the Site Visit

Preparation before a site visit can save the PJ and its funded entity(ies) time. Prior to any site visit, the PJ monitor should become familiar with the HOME Program requirements under review and learn about the specific project or program that will be monitored.

- a. Background on the HOME Program
 - Staff involved in monitoring should be familiar with the HOME resources available and reference them as needed:
 - For HOME rent, income limits, regulations, policy guidance, and model guidebooks and links to key information and resources for the administration of HOME activities, see http://www.hud.gov/offices/cpd/affordablehousing/library/
 - For HUD CPD Grantee Monitoring Handbook and Exhibits, see Chapter 7 for HOME http://www.hud.gov/offices/cpd/library/monitoring/hand-book.cfm
 - For other HUD policy notices, regulations, and handbooks (particularly those that cut across HUD programs), see http://www.hud.gov/offices/ adm/hudclips/index.cfm

Many publications listed in the HOME Program library are also available through HUD's information center, *Community Connections*, phone (800) 998-9999, TDD 1-800-483-2209.

The term "PJ monitor" is used throughout this section and the remainder of this guidebook. The PJ monitor refers to the PJ's staff that is responsible for monitoring and that carries out the onsite monitoring review. The PJ monitor may be one person or a team of people.

b. Background on the Project/Program

Prior to the site visit, the PJ monitor should be thoroughly familiar with the entity it is monitoring, what its contractual obligations to the PJ are, what HOME activity it is undertaking and how, and its past performance. Specifically, the PJ monitor should review:

- HOME Written Agreement. This is the contract between a PJ and a funded entity. It awards the HOME funds and documents the funded entity's responsibility to comply with HOME Program requirements in administering these funds. HOME agreements are specific to the type of activity supported with HOME funds (e.g., homeowner rehabilitation or rental rehabilitation). For rental housing activities, it is useful to also review the accompanying deed restriction/covenant prior to monitoring. A deed restriction/covenant is the document that is recorded on the property that may specify long-term requirements that are not included in the HOME agreement.
- **PJ Policies and Procedures.** The PJ adopts policies that describe how its programs must be implemented and how HOME requirements are met.
- **Funded Entity Procedures.** The funded entity also adopts certain procedures for administering the program. Often these procedures are a part of the application to the PJ and/or referenced in the HOME agreement.
- HOME-Related Reports and Correspondence. A number of HOME reports are available to help the PJ track and assess the progress of HOME projects. Some are available through the Integrated Disbursement Information System (IDIS) (such as the PR27, *Status of HOME Grants Reports*), and others are available online, such as the HOME SNAPSHOT report. The PJ monitor should also review letters discussing previous monitoring findings and/or corrective actions, electronic mail messages between the PJ and the funded entity, and reports that have

been submitted by the funded entity. The PJ monitor should identify any questions or concerns that are raised by those reports prior to the site visit.

- Results of Desk Reviews. Depending on the project or program, the content of the desk review will vary (e.g., it might include the review of the Integrated Disbursement and Information System (IDIS) HOME reports to set up projects and activities, draw down funds, and close out projects; or rental management plans for long-term compliance monitoring; or financial reports for financial and administrative monitoring).
- Staff Experience with the Funded Entity. Other PJ staff members who are working on, or have worked on, the project/program under review can generally provide a concise overview of the background on the project, identify issues that have arisen, and suggest the strengths and weaknesses in the project and/or funding entity staff or procedures, so that the monitor can target its monitoring efforts accordingly.

2. Schedule the Onsite Visit

The PJ should call the funded entity to explain the purpose of the visit and to schedule the visit. Once scheduled, a formal notification letter should follow several weeks before the planned visit. This letter should include:

- Confirmation of the date and time for the review
- Name of the PJ staff performing the review
- Elements of the program to be monitored
- Information needed for review during the visit (files and records)
- Staff needed for interviews or other assistance during the review

For rental housing site visits, if the monitoring visit will involve unit inspections, be sure to notify the staff of the funded entity which units will be inspected, and ask that it notifies and makes arrangements with the affected tenants. (The PJ monitor may not want to notify the owner of specific units that the will be inspected too far in advance. It can follow up with a letter with these specifics about a week in advance.)

3. Convene an Entrance Conference

At the inception of the onsite visit, the PJ monitor should meet with the executive director (or another top official) of the organization and any additional staff he/she includes. The purpose of this meeting is to explain the purpose, scope, and schedule for the monitoring; describe the monitoring process and follow-up procedures; and emphasize the responsibilities of the funded entity to respond to any required corrective actions upon conclusion of the monitoring process.

4. Conduct Staff Interviews

The PJ monitor should conduct staff interviews with the funded entity's executive director and HOME program/project management staff. At these interviews, the PJ monitor should explain the purpose of the monitoring visit and what will be reviewed, and answer any questions. The PJ monitor should conduct staff interviews on the project or program, to determine how the project/program is being administered, confirm that there have been no significant changes since the last report or site visit, and identify any areas of concern that staff may want to draw attention to. The PJ monitor should continue to discuss the project/program with staff throughout the monitoring visit, and should discuss preliminary observations, solicit assistance in locating documents, and engage the staff to ensure that the monitoring is complete.

5. Select Files for Review

The PJ monitor can select files for monitoring visit prior to the site visit, or onsite. In selecting files for review, the PJ monitor should consider:

- **Sample size.** Many PJ monitors use a general rule:
 - For rental projects of up to 5 units, review all tenant files
 - For rental projects with more than 5 units, review 15 to 20 percent and at least one unit in every building if there is more than one building in the project
 - For homebuyer and tenant-based rental assistance projects, review 15 to 20 percent of the beneficiary files.

- **Risk factors.** In addition to the randomly selected units, it is prudent to review files for any unit/project/beneficiary that has been:
 - Identified as out-of-compliance during the desk review
 - The object of a complaint made with the HOME PJ.

6. Review Files

Using the checklists provided in the subsequent chapters of this handbook, the PJ monitor should review the files to ensure that the program/project complies with HOME requirements, and the funded entity's documentation of compliance is sufficient. While conducting the review, the PJ monitor should take good notes, and begin to form a preliminary assessment of findings.

If the initial sampling of files identifies potential compliance or performance issues, the PJ monitor may decide to follow up in a number of ways:

- Review a larger sample of files, to determine if the problem may be widespread
- Interview program/project staff about the specific issue(s) uncovered, to determine if the monitor is missing information
- Conduct onsite inspections of units
- Interview residents.

Take good notes! The notes taken by the PJ monitor during the monitoring visit will form the basis of the monitoring letter and reports. Notes give a clear record of what information was reviewed and what conversations were held. Good notes are important when funded entities dispute the PJ's conclusions.

7. Hold Exit Conference

An exit conference is a meeting held at the end of the onsite review process to present preliminary findings and recommendations with the executive director and/or HOME program management staff. The PJ monitor should provide an adequate overview of the issues identified in the review to ensure that the funded entity is not surprised by any issues identified when the report is issued. The PJ monitor should also give the funded entity an opportunity to correct any misconceptions or misunderstandings, and to provide additional information, as needed.

The PJ monitor should be sure to include positive as well as negative feedback during the exit conference. Often, funded entities are mission-driven organizations that do important work. Positive feedback is important to communicate those things the funded entity is doing well, and to help build an effective long-term relationship. The PJ monitor should also describe the PJ's next steps. If findings and responses require management staff to provide further direction before a report can be finalized, the PJ monitor should explain that. The PJ monitor should tell the funded entity when it can expect to receive a final report.

I. Following Up on the Onsite Visit

1. Analyze Results of Review

Upon return to the office, the PJ monitor should conduct a thorough analysis in order to draw conclusions about the monitoring visit. As part of this analysis, the PJ monitor may want to:

- · Hold a staff meeting to review identified issues and concerns
- Research any regulatory requirements where there might be a concern about compliance
- Identify what corrective actions were used if other organizations had similar problems or concerns, in order to ensure consistency among all funded agencies.

HUD's framework for analyzing monitoring results can be helpful to the PJ as well. HUD uses three categories to analyze the results of its monitoring reviews:

• **Findings** are areas of statutory or regulatory noncompliance that must be addressed immediately. For example, it is a finding if a PJ invests more HOME funds than the maximum per unit subsidy limit allows, or if a tenant is charged a rent that is greater than the permitted HOME rent. Findings always require corrective actions.

- **Concerns** are issues that are not instances of statutory or regulatory noncompliance but may result in noncompliance if they are not addressed. For example:
 - Procedures to operate its HOME program are not in place
 - Staff are unsure of the steps involved in selecting and approving applicants
 - The program's files are in disarray.

Even if the PJ monitor does not find any instances of noncompliance, if these conditions continue, it is unlikely that the funded entity will be able to continue to operate the program in compliance of HOME requirements. The PJ has the option to require concerns to be to be addressed, and it should so indicate in the monitoring report/letter.

• **Observations** are comments about areas where the funded entity can improve program performance. For example, the PJ monitor might observe high staff turnover, which is not a violation in terms of compliance, but it has the potential to affect program performance.

2. Determine Appropriate Corrective Actions

Corrective actions are the steps that must be taken to correct instances of noncompliance, poor management, or poor performance that are identified by the PJ monitor. The PJ must specify corrective actions to correct findings that are violations of the HOME statute or regulations. The PJ may also direct the funded entity to take corrective actions for other deficiencies (concerns and observations) as necessary. Figure 1-6 identifies some common problems and appropriate corrective actions. Appendix I provides a list of serious findings that would typically result in a repayment of HOME funds.

The range of corrective actions that a PJ might take should be clearly identified in its written agreement with the funded entity.

Figure 1-6: Common Problems and Possible Corrective Actions

Finding or Concern	Possible Corrective Action(s)
Policies, procedures, or forms used in program operations do not	Require the adoption or revision of policies, procedures, or forms.
accurately state HOME requirements, or do not sufficiently ensure compliance.	Provide specific guidance on issue to be improved
compilation.	Provide sample language or offer to review
	Mandate use of PJ-developed material(s)
Written agreement does not clearly state HOME requirement(s).	Explain the deficiency(ies) and amend the written agreement
Staff are unfamiliar with HOME requirements in general; or, one or two specific areas of compliance are not in compliance, but	Require staff to attend training and/or participate in technical assistance (recommended when staff is new or inexperienced)
overall program is well-administered.	Large PJs should conduct training and technical assistance
	Tap HUD Field Office resources for technical assistance, where possible
	Recommend or require change in staff (recommended when staff person has been in place and has been trained, but continues to have difficulty understanding or implementing the requirements)
HOME funds spent on ineligible costs	Repay/return HOME funds
Costs are unsubstantiated	Withhold payments until there is evidence that costs are justified and reasonable
HOME-assisted unit occupied by an over-income household	For homebuyer housing, repay HOME funds
	For rental housing, adjust over-income household's rent and designate another unit as HOME-assisted (in accordance with procedures for fixed or floating units)
Tenant pays too much for rent (in HOME-assisted rental unit)	Calculate tenant's overpayment and make tenant whole
	In rental projects with significant rent issues, restart affordability period with HUD's approval
HOME-assisted unit does not meet applicable property codes and standard	Unit must be brought up to applicable codes and standard

Funded entity fails to take corrective actions, as directed	Temporary suspension of the funding recipient
Repeated compliance problems and limited effort to improve	Do not renew the funding recipient for the next program year
	Terminate the funding recipient's activity for the current program
	year
	Initiate legal action

At the conclusion of the analysis, the PJ monitor will need to:

- Identify the areas where the funded entity demonstrates strong performance and good management and compliance
- Identify any findings, concerns, or observations that might impact the funded entity's compliance and performance
- Specify the most appropriate corrective actions for the instances of noncompliance, poor management, or poor performance that are identified, and set a realistic timeframe to correct each situation.

3. Issue Initial Monitoring Report/Letter

Following an in-depth analysis of the site visit, the PJ monitor sends a monitoring letter or report to the funded entity's executive director. Effective monitoring reports/letters are written in a certain manner and contain certain common elements. This letter should be issued within 30 days of the onsite visit.

The monitoring report/letter:

- Provides program or project name and address (include contract number if appropriate).
- Includes names of the PJ staff and funded entity staff who participated in the monitoring, and provides a short description of the monitoring process.
- Explains what program or project elements the monitor examined (e.g., by address, by HOME activity, by HOME program year). The letter/report should be explicit about whether the monitoring covered just the HOME regulations, or if other Federal requirements were covered (such as lead-based paint or labor).
- Describes all conclusions about areas of good performance, noncompliance, or poor performance.
- Where there is poor performance and/or noncompliance, uses a constructive tone and format to identify any specific instances of findings (noncompliance), areas of concern (if left unaddressed, may lead to findings), and observations. For each instance:
 - Specify what corrective action the funded entity must take (if any), by when, and what documentation is needed to demonstrate that the corrective action has been taken (such as photos of completed work)
 - Cite the regulatory or statutory basis for all findings
 - Describe the consequences if corrective actions are not corrected.
- Identifies opportunities and resources for technical assistance, if appropriate.

By taking the time to recognize good performance, PJ monitors can encourage good performance to continue. Give specific feedback to the leadership of the funded entity about staff that are doing an exceptional job, and about programs or projects that are well-managed, conceived, and/or implemented. Many PJs use past performance, timeliness, and/or compliance issues as criteria for awarding additional HOME funds. Those with good performance should be so recognized at project selection time.

J. Following Up the Initial Monitoring Report

When the PJ monitor has issued a monitoring report with findings and required corrective actions, it must follow up in order to ensure that the instance(s) of noncompliance has been corrected. The PJ monitor may need to make follow-up telephone calls, send additional correspondence, and/or convene follow up meetings in order to clear corrective actions.

Once a funded entity's response to the monitoring report has been received, the PJ monitor reviews the response and determines if the funded entity has successfully completed the required corrective actions. Generally, the PJ monitor should conduct this review within 15 days of the response.

- If monitoring staff determines that the funded entity's response is not satisfactory, a follow-up letter should be sent to the funded entity which specifies the additional actions that are required and the date for completing these actions.
- If the funded entity does not meet the due date for corrective action, the PJ monitor should contact the entity (and document its phone or email contact). In this follow-up, the PJ monitor should try and identify the cause of the delay in responding, provide any assistance that might be needed to correct the finding(s), identify a new due date if appropriate, and express concern about the funded entity's failure to respond. Likewise, the PJ may choose to send a follow-up letter documenting what was agreed to by phone (if applicable), restating the actions that are required, the date for completing these actions, and the consequences of continued unsatisfactory efforts to correct the problems.
 - Based on the number of issues identified during the initial visit, the PJ may wish to conduct an additional onsite visit to verify the completion of corrective actions or the implementation of new procedures. The PJ might apply additional conditions to require the funded entity to notify PJ staff at a particular milestone during its next project to allow the PJ to return to provide technical assistance.
 - For example, a PJ documented significant findings in a subrecipient's administration of a homeowner rehabilitation program. The subrecipient was not conducting initial inspections and was not developing a scope of work that brought the unit up to its written property standards. In its monitoring report, the PJ required the subrecipient to notify the PJ when it had completed its first inspections and bid specifications for several homes. PJ staff conducted an onsite visit and inspection to review the subrecipient's work on these homes to ensure that the subrecipient had implemented adequate procedures and oversight to ensure compliance with the HOME property standards requirement.
- Once monitoring staff determines that an organization has successfully completed all required corrective actions, a close out letter should be issued to the funded entity that documents the monitoring findings have been corrected. A copy of the close out letter must be placed in the HOME monitoring file for that entity.

Using Phone and Email

The monitoring process is a review of compliance with Federal regulations and by definition, this ocess is a formal one. The use of mail enables staff to be responsive quickly and easily. If the PJ has a system to retain email for legal purposes and considers email to be formal records of the agency, then email may be an adequate means for transmitting monitoring reports and follow-up information. However, if that is not the case, it is advisable that correspondence related to monitoring be transmitted by regular mail. Likewise, PJ monitors should keep notes about the dates and content of telephone calls during the

Monitoring Findings Database

A PJ with a number of funded entities might want to establish a tracking system or database to collect information concerning the PJ's monitoring efforts. Tracking of monitoring results may be helpful to:

Target the focus of future compliance monitoring

Prioritize the training needs for staff and funding recipients

Evaluate the success of current procedures and policy guidanceEstablish a record of past performance to be utilized during funding decisions.

The database might include:

Data on all monitoring conducted, including funded entities, dates of reviews, and responsible staff

Findings and concerns to establish a record of past performance. This data can be used in risk analyses and to target training and technical assistance

Language used for findings, concerns, and corrective actions. Sample language helps staff to draft consistent monitoring letters/reports

Tracking of monitoring actions. The database can track the issuance of monitoring reports, receipt of responses to funded entities, and the current status of all findings. This assists the manager to monitor staff's completion of work assignments and will guide the PJ in taking additional steps for funded entities that fail to respond within prescribed timelines.

Attachment 1-A

Sample Risk Analysis Protocol

The risk analysis protocol is a tool that facilitates the PJ's review of risk related to its funded programs, projects, and funded entitites. This sample tool has identified the factors and subfactors that affect program performance and assigned a relative importance to them.

Elements of the Risk Analysis Protocol

This protocol has several important components:

- List of factors and subfactors that impact program performance (columns 1 and 2)
- The criteria that are used to measure the possible outcomes for each factor and subfactor and an assignment of points for their relative importance (columns 3 and 4)
- Assignment of weights to assess the relative importance of each risk factor and subfactor, (column 5).

When assigning weights and points to each factor, subfactor, and criterion, the PJ makes judgments about how much that variable impacts program compliance and performance.

Using the Risk Analysis Protocol to Assess Risk

The PJ reviews each funded entity's program using the risk analysis protocol by taking the following steps:

- 1. Rate the program on each of the risk factors and subfactors, and assign them points based on the criteria.
- 2. Multiply the number of points by the assigned weights for each factor to calculate the weighted points for each factor.
- 3. Add all the weighted points for each funded entity to calculate the total risk.
- 4. Calculate total for each entity (column 6).

The higher the resulting number, the higher the risk the entity faces. Based on these results, the PJ can make strategic decisions about:

- Which organizations present the greatest performance risk to the PJ?
- What types of issues are causes for concern?
- How can the PJ best focus its monitoring resources?

FACTOR	SUBFACTOR	CRITERIA	POINTS	WEIGHTS	TOTAL FOR FUNDED ENTITY
Program Complexity		Homebuyer new construction	5		
		Rental new construction	5		
		Homebuyer acquisition and rehabilitation	4		
	Type of program	Rental rehabilitation	4	10	
		Homebuyer financial assistance	3		
		Homeowner rehabilitation	2		
		TBRA	2		
		Other	2		
		4 or more	5		
	Number of projects	2–4	4	5	
		1	2		
		Yes	5	_	
	Use of several contractors	No	0	- 5	
	Multiple transactions and	Yes	5	_	
	parties	No	0	- 5	
	Multiple lenders and	Yes	5	_	
funding sources	No	0	5		
Project	100+	5			
Complexity	plexity	26–99	4		
	Number of units	5–25	3	10	
		2–4	2		
	1	1			
	In a considerate of decorpts and	Yes	5	40	
	Inexperienced developer	No	0	10	
	Inexperienced general	Yes	5		
	contractor	No	0	10	
	Project during initial rent-up	Yes	5	40	
	phase	No	0	10	
Level of		\$1 million+	5		
Funding		\$500,000-\$999,999	4		
	Amount of HOME funds	\$100,000-\$499,999	3	20	
		\$30,000-\$99,999	2	1	
		Under \$30,000	1		
		Tax Credits with HOME	5		
	Multiple funding sources	Other HUD funding with HOME	3	10	
Waltiple failuling sources		HOME only	0		

FACTOR	SUBFACTOR	CRITERIA	POINTS	WEIGHTS	TOTAL FOR FUNDED ENTITY
Recipient		Never undertaken project before	5		
Capacity	Evnerience of staff	Never undertaken project before but have capacity	4	20	
	Experience of staff	Undertaken project before, but need TA or consultant help	3	20	
		Undertaken project and have capacity	0		
	Low productivity or	Yes	5	10	
	unusually high activity	No	0	10	
	Lack of progress spending	Yes	5	10	
	HOME funds	No	0	10	
	Significant change in goals/direction of	Yes	5	- 5	
	organization	No	0		
Staff Capacity		Yes	5		
. ,	Staff turnover	No	0	15	
		Yes	5		
	Inexperienced staff	No	0	15	
	Change in funded entity's	Yes	5		
	or program's leadership	No	0	10	
Quality of Reporting and Documentation	Quality of Reporting and	Never submits reports	5	10	
		Submits infrequently with errors	4		
		Submits infrequently without errors	3		
		Submits frequently with errors	2		
		Submits frequently without errors	1		
	Audit findings or no audit	Yes	5	10	
	done	No	0	10	
	Low quality documentation	Yes	5	15	
	Low quality documentation	No	0	13	
	Failure to recet coloredules	Yes	5	4.5	
	Failure to meet schedules	No	0	15	
	Failure to comply with	Yes	5	00	
	HOME agreement	No	0	20	
Past	Not monitored last	Yes	5	40	
Compliance	Not monitored last year	No	0	10	
Problems	Decrewing manifes for the	Yes	5	40	
	Recurring monitor findings	No	0	10	
	Inability to clear up outstanding issues/	Yes	5	20	
	compliance violations	No	0		
	Letters of complaint	Yes	5		
	from beneficiaries or investigations	No	0	5	
	Poor performance/ compliance in other	Yes	5	5	
	programs administered by the funded entity	No	0		
		Total Se	core for this F	unded entity	

Chapter 2: Monitoring Program Partners

HUD permits PJs to select subrecipients, State recipients, and community housing development organizations (CHDOs) to administer and/or carry out HOME-funded activities. The PJ is not required to use a competitive procurement process to make this selection. It must, however, ensure that these funded entities meet other requirements imposed by HUD. This chapter helps the PJ monitor conduct a self-assessment to review whether these additional requirements are met for each type of funded entity the PJ works with, as follows:

- Section 1 reviews requirements related to CHDOs.
- Section 2 reviews requirements related to State recipients and subrecipients. Note, this section includes a discussion of the lead entity of a consortium and the consortium members. Lead entities are PJs and consortium members are subrecipients under the HOME Program.

Section 1. Community Housing Development Organizations (CHDOs)

Overview of the CHDO Requirements and Review

A CHDO is a private, nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves. The PJ should monitor its CHDO operations to ensure that:

- Only nonprofit organizations that meet the definition of a CHDO are funded
- A minimum of 15 percent of each annual allocation is invested in projects where a CHDO is owner, developer, or sponsor
- CHDO set-aside funds are reserved within 24 months of the PJ signing the HOME Investment Partnerships Agreement
- CHDO set-aside funds are invested in eligible activities:
 - Rental: acquisition, rehabilitation, new construction
 - Homebuyer: acquisition, rehabilitation, new construction
 - Direct financial assistance to homebuyers for CHDO-developed units
- Special financial assistance (predevelopment loans, operating funds, capacity-building, and project proceeds) meets applicable HOME requirements.

Basis of this Section

The checklists in this chapter assist the PJ monitor in evaluating compliance with the key HOME Program CHDO requirements. The checklists in this chapter are based on the following HUD checklists:

- Exhibit 7-11, Guide for Review of Community Housing Development Organization (CHDO) Qualifications and Activities
- Exhibit 7-12, Guide for Review of Community Housing and Development Organization (CHDO) Procedures.

The HUD checklist questions cited in this chapter have been revised slightly for use by the PJ, rather than HUD. Changes to the HUD checklist questions are denoted with [brackets]. Questions that are denoted with the icon \circlearrowleft are not on the HUD checklists; these questions have been added to facilitate a PJ's review.

Complete copies of the HUD checklists are found in the *CPD Grantee Monitoring Handbook*, available online at **http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm**#7. Chapter 7 of this handbook covers the HOME Program.

Framework for the Monitoring Review

This section helps the PJ monitor assess the key HOME Program requirements related to CHDO eligibility and PJ management of CHDOs. In addition to the requirements covered in this chapter, the PJ monitor should also review the CHDO's compliance with the HOME Program requirements related to the activity(ies) the CHDO carries out. The PJ monitor can refer to the following chapters to assist in this effort:

• Use Chapter 5, Section 2 of this guidebook to monitor CHDO homebuyer projects.

• Use Chapter 6, Section 2 of this guidebook to monitor CHDO rental projects.

The HUD checklist exhibits referenced in this section have not been especially adapted for use by the PJ in this guidebook. However, the PJ monitor should generally be able to use them in their existing form.

• Use HUD Checklist Exhibit 7-16, *Guide for Review of Owner, Developer, Sponsor Written Agreements*, to monitor whether the HOME written agreement between the PJ and the CHDO adequately conveys all applicable HOME requirements and whether it is enforceable.

Organization of this Section

This section reviews HOME's requirements related only to CHDOs, including:

- A. CHDO qualifications and activities
- B. CHDO eligibility and performance
- C. PJ administration of CHDO requirements and performance.

Instructions

Subsections A and B of this section are designed to help the PJ review the compliance of individual CHDOs and CHDO projects. For these sections, the PJ monitor copies and uses one checklist for each CHDO under review.

Subsection C is used after the PJ monitor has completed the individual project file reviews. The Subsection C checklist helps the PJ monitor assess the overall management of the CHDO requirements, and to summarize the results of the CHDO project monitoring done in Subsections A and B. The PJ monitor copies and uses only one checklist for this review.

Documentation to Bring

- HOME regulations at 24 CFR Part 92
- CPD Notice 97-11, Guidance on Community Housing Development Organizations (CHDOs) Under the HOME Program (issued October 8, 1997)
- IDIS reports PR22 and PR25
- HOME Open Activities Report (found at http://www.hud.gov/offices/cpd/affordablehousing/reports/)
- Prior monitoring correspondence or performance-related correspondence with the funded entity

A. CHDO Qualifications and Activities

Before committing any HOME set-aside, operating, or predevelopment funding to a CHDO, the PJ must be sure that the organization meets the qualifying criteria outlined in the HOME Rule at 24 CFR 92.2. These criteria are summarized in Figure 2-1 and relate to the organizations':

- 1. Legal structure
- 2. Capacity and experience
- 3. Organizational structure

4. Relationship to for-profit entities

The PJ must recertify that an organization continues to qualify as a CHDO each time it provides additional CHDO set-aside, predevelopment, or operating funds. HUD strongly recommends that the PJ recertify its CHDOs annually.

The PJ monitor should encourage PJ staff to use CPD Notice 97-11, *Guidance on Community Housing Development Organizations (CHDOs) Under the HOME Program* (issued October 8, 1997) to determine CHDO eligibility.

Figure 2-1. Summary of CHDO Certification Requirements

CHDO Category of Compliance	Requirements	Documentation to Review— Items for the File	
Legal Status	Organized under State or local law	Articles of incorporation or charter (organized,	
	Purpose of organization to provide affordable	geographic area)	
	housing	Mission or bylaws (purpose)	
	No individual may benefit from the organization's	Map (geographic area)	
	efforts (financial or other)	· IRS letter designation (if conditional, be sure the	
	Clearly defined geographic area	final designation letter is secured)	
	 Nonprofit status (IRS designation) —conditional okay, not pending 		
Organizational Board Structure	• 1/3 low-income (low-income, live in a low-income area, or elected representative of a low-income	Board names, addresses, employers, category (low-income or public sector)	
	organization)	Low-income self certification (if low-income)	
	No more than 1/3 PJ employees	· Census tract info (if low-income area)	
	Formal process established for low-income input (not community input)	Minutes from meeting (if elected to be on board as low-income organization representative)	
		Bylaws or board resolution—in writing (low- income input)	
		Agendas/minutes (low-income input)	
Capacity and	• 1+ years experience in serving the community	· Annual report	
Experience	Staff capacity to undertake development	Resumes of staff showing development	
•	Financial management standards that meet	experience	
	requirements of 24 CFR 84.21	Contract with consultant—including staff training component	
		Letter from financial person (CFO)	

1. Legal Structure

Background: The CHDO must be a charitable organization, organized under State or local law, and one of its purposes must be to provide affordable housing.

HUD Checklist Exhibit 7-11 Selected Excerpts	Notes
The nonprofit organization is organized under State or local laws, as evidenced by (check appropriate category) [24 CFR]	
92.2]:	
☐ Charter; or	
☐ Articles of Incorporation.	
□ Yes □ No	

(check appropriate category) [24 CFR 92.2]: ☐ Charter; or	
☐ Articles of Incorporation.	
☐ Yes ☐ No	
3. The nonprofit organization has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3) or (4) of the Internal Revenue Code of 1986, as evidenced	
by (check appropriate category) [24 CFR 92.2]:	
$\hfill\Box$ A 501(c)(3) [charitable nonprofit corporation] certificate from the IRS; or	
☐ A 501(c)(4) [community or civic organization] certificate from the IRS; or	
☐ A group exemption letter from the IRS that includes the CHDO as a subordinate of a central organization non-profit under section 905 of the Internal Revenue Code.	
☐ Yes ☐ No	
4. The nonprofit organization has, among its purposes, the provision of decent housing that is affordable to low- and	
moderate-income people, as evidenced by a statement in the organization's (check appropriate category) [24 CFR 92.2]:	
☐ Charter;	
☐ Articles of Incorporation;	
☐ By-laws; or	
☐ Resolutions.	
☐ Yes ☐ No	
2. Capacity and Experience Background: The organization must have the capacity to adminant experience in carrying out affordable housing activities and	
HUD Checklist Exhibit 7-11 Selected Excerpts	Notes
5. The nonprofit organization conforms to the financial accountability standards of 24 CFR 84.21, "Standards for	
Financial Management Systems," as evidenced by (check appropriate category) [24 CFR 92.2]:	
□ A notarized statement by the president or chief financial officer of the organization; or	
$\hfill \square$ A certification from a Certified Public Accountant.	
□ Yes □ No	I .

2. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by

6. The nonprofit organization has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by (check appropriate category) [24 CFR 92.2]: ☐ Résumés and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds; or ☐ Contract(s) with consultant firms or individuals that have housing experience similar to projects to be assisted with HOME funds; and ☐ A plan is in place for the consultant to train appropriate key staff of the organization. ☐ Yes ☐ No	
7. The nonprofit organization has a history of serving the community within which housing to be assisted with HOME funds is to be located, as evidenced by one of the following (check appropriate category) [24 CFR 92.2]: A statement that documents at least one year of experience in serving the community; or For newly created organizations formed by local churches, service, or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community. Assessing Community Service Experience The organization's community service experience does not need to be in the housing field.	
8. Was at least one full year of service completed prior to receipt of HOME funds [24 CFR 92.2]? ☐ Yes ☐ No	
9. Does the organization's statement of service describe with specificity the activities that the organization (or parent) provided? (For example, it should specify that the organization develops new housing, rehabilitates existing housing stock, manages a day care, or provides food delivery services.) ☐ Yes ☐ No	
10. Is the statement signed by the chief executive of the organization? ☐ Yes ☐ No	

3. Organizational Structure

Background: The organization's organizational structure must ensure that it is able to represent the interests of low-income residents. Public sector representation is limited.

HUD Checklist Exhibit 7-11 Selected Excerpts		rpts		Notes
11. The nonprofit organization r governing board's members neighborhoods, other low-in or elected representatives organizations as evidenced appropriate category): [24 0	hip for residents of come community res of low-income neighb by the organization's	low-income sidents, porhood		
☐ By-laws;	Definit	tion of "Community"		
☐ Charter; or ☐ Articles of Incorporation. ☐ Yes ☐ No	city, county, or me • In rural areas: Or	One or more neighborhetropolitan area ne or more neighborhounty, or multi-county are	ods, a	
12. Does current Board membe		ncome		
representation requirement List of current Board representative states	esentation and evid			
☐ Yes ☐ No				
If a Board member reprinclude documentation tract, and a map that we lift the Board member is certification from the Board income (and the income guidelines), or (amount that is the current track).	of that member's ho wrifies that the neigh low-income, the file pard member that ei- monitor can compa 2) Certifies that his/	e neighborhood, the file ome address and censul borhood is low-income should include a signe ther: (1) States his/he ore it to the current HUI other income is below the	d r	
13. The nonprofit organization provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects, as evidenced by (check appropriate		the design, able		
category) [24 CFR 92.2]: By-laws; Resolutions; or A written statement of operating procedures approved by the governing body.	Ben	ole Ways to Secure		
	neighbo	committees of ors of a proposed oment site		
	Neighbor councils	orhood advisory s		
	· Open to	own meetings		

14. The CHDO, which may be chartered by a State or local government, complies with the following restrictions:			
(1) The State or local government may not appoint more than one-third of the membership of the organization's			
than one-third of the membership of the organization's governing body;			
(2) The board members appointed by the State or local government may not, in turn, appoint the remaining two- thirds of the board members; and			
(3) No more than one-third of the governing board members			
are public officials (including any employees of the PJ [or State recipient] as evidenced by the organization's			
(check appropriate category) [24 CF			
☐ By-laws;	Public E	ntities Can Not Be CHDOs	
☐ Charter; or	Public entities include	de:	
☐ Articles of Incorporation.	• PJs		
□ Yes □ No	Public bodies		
		es of government (public housing an renewal agencies, redevelopment	
		I downtown development authorities).	
15. Does current Board membership meet on public sector representation?	HOME's restrictions		
List of current Board membership and evidence of their employment status			
□ Yes □ No			
16. If the CHDO is sponsored or created by the for-profit entity may not appoint more			
of the membership of the CHDO's gove the board members appointed by the fo	rning body, and		
not, in turn, appoint the remaining two-t members, as evidenced by the CHDO's	hirds of the board		
category): [24 CFR 92.2]	(oneon appropriate		
☐ By-laws;			
☐ Charter; or			
$\ \square$ Articles of Incorporation.			
☐ Yes ☐ No ☐ N/A			

4. Relationship with For-profit Entities

Background: A CHDO must be able to make decisions and policies (including free choice regarding use of vendors) independent of any for-profit entity, regardless of whether the for-profit entity created the CHDO.

HUD Checklist Exhibit 7-11 Selected Excerpts	Notes
17. The CHDO is not controlled, nor receives directions from individuals, or entities seeking profit from the organization, as evidenced by (check appropriate category) [24 CFR 92.2]:	
☐ By-laws;	
\square Memorandum of Understanding (MOU); or	
 Other binding agreement between the CHDO and for- profit organization. 	
□ Yes □ No	
18. If this CHDO has been sponsored or created by a for-profit entity:	
(1) The for-profit entity's primary purpose does not include the development or management of housing, as evidenced:	
☐ The for-profit organization's by-laws;	
and	
(2) The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced in the	
CHDO's (check appropriate category) [24 CFR 92.2]:	
☐ By-laws;	
☐ Charter; or	
☐ Articles of Incorporation.	
☐ Yes ☐ No ☐ N/A	

B. CHDO Eligibility/Performance

A minimum of 15 percent of each annual HOME allocation (the "CHDO set-aside") must be invested in housing that is owned, developed, or sponsored by CHDOs. Figure 2-2 summarizes the eligible and ineligible CHDO set-aside activities. Note, CHDOs can undertake activities that are not eligible CHDO set-aside activities; however, these funds cannot be counted toward the minimum 15 percent set-aside and the CHDO serves in the capacity of a subrecipient or a non-CHDO owner or developer.

For a detailed explanation of housing that is "owned, developed, or sponsored" by CHDOs, see HUD CPD Notice 97-11, Guidance on Community Housing Development Organizations (CHDOs) Under the HOME Program, issued October 8, 1997.

This section includes a review of:

- 1. Overall CHDO eligibility
- 2. Special assistance to CHDOs
- 3. HOME CHDO project proceeds

Figure 2-2: Eligible and Ineligible CHDO Set-aside Activities

Eligible Set-aside Activities

- · Acquisition and/or rehabilitation of rental housing
- New construction of rental housing
- Acquisition and/or rehabilitation of homebuyer properties
- · New construction of homebuyer properties
- Direct financial assistance to purchasers of HOMEassisted housing (such as downpayment assistance) developed by a CHDO with HOME set-aside funds.

Ineligible Set-aside Activities

- Tenant-based rental assistance (TBRA)
- Homeowner rehabilitation
- Downpayment assistance program for housing that is not developed by the CHDO.

1. Overall CHDO Eligibility

Background: The CHDO must meet all the qualifying criteria described at 24 CFR 92.2 (and represented by Subsection A above), to be eligible to use CHDO set-aside funds.

Regulatory Basis: 24 CFR 92.2 and 92.300(a)(1)

Documentation:

- Evidence of ownership (e.g., property title or 99-year lease), if applicable
- Evidence of developer role (e.g., development agreement with the property owner that specifies that the CHDO is the developer), if applicable
- Evidence of sponsorship (e.g., agreement with another sponsored entity and/or ownership transfer documents that show that the CHDO serves as sponsor), if applicable

19. Based upon the responses to [Subsections A1 through A4 of this chapter], does the CHDO meet the requirements of 24 CFR 92.2? (See [Subsections A1 – A4 of this chapter for a list of the requirements.) [24 CFR 92.2] ☐ Yes ☐ No	
20. Is compliance with 24 CFR 92.2 documented in the file (e.g., CHDO checklist and supporting documentation)? [24 CFR 92.508(a)(4)]	
21. Has the PJ reexamined the CHDO's designation each time HOME funds were provided? [24 CFR 92.300(a)(1)]	
22. Were all CHDO set-aside funds [to this CHDO] used for housing projects owned, developed, or sponsored by CHDOs? [24 CFR 92.300(a)(1)] ☐ Yes ☐ No	

2. CHDO Special Financial Assistance

Background: PJs can provide several types of special financial assistance to CHDOs:

- Capacity-building funds. New PJs that cannot identify a sufficient number of capable CHDOs to meet the CHDO set-aside requirement can provide a limited amount of HOME funds to build CHDO and nonprofit capacity.
- **Operating assistance.** Up to five percent of a PJ's annual HOME allocation can be used to pay general operating assistance for CHDOs that receive, or are expected to receive, HOME set-aside funds.
- **Project predevelopment loans.** Up to 10 percent of the amount the PJ sets aside for CHDOs can be used for project-specific predevelopment assistance. Predevelopment funds can be provided as either technical assistance and site control loans, or seed money loans. These funds must be loaned, and may be provided as a line of credit.

HOME imposes certain limitations on the amount of special assistance funds (in combination) that each CHDO can receive.

Regulatory Basis: 24 CFR 92.300, 92.301, and 92.208

If the PJ provided any HOME funds in the form of special assistance to the CHDO, complete the applicable section(s) below. If not, proceed to Subsection C, A Review of PJ's Administration of CHDO Requirements and Performance.

Documentation:

- Written agreement between the PJ and the CHDO related to the use of HOME special assistance funds
- Financial documents (contracts, cancelled checks, invoices, etc.)
- CHDO operating budget for year of funding
- CHDO annual financial statement (prior year)
- IDIS reports PR22 and PR25
- Documentation of PJ underwriting review and project feasibility analysis for any project(s) that received predevelopment loans, if applicable
- Project loan documents for projects that received predevelopment loans, if applicable
- Documentation related to how predevelopment loan was satisfied, if applicable
- Documentation that identifies impediments that prevent a CHDO project from moving forward, if applicable
- PJ approval to waive a repayment of a CHDO loan for a project that did not move forward, if applicable

HUD Checklist Exhibit 7-11 Selected Excerpts	Notes
Capacity-building Funds	
23. Did the PJ provide capacity-building assistance to this CHDO? If no, proceed to CHDO Operating Assistance in the following subsection of this checklist. ☐ Yes ☐ No	
24. If capacity-building funds were provided, were the funds provided when the PJ was in the first 24 months of its participation in the HOME Program? [24 CFR 92.300(b)] ☐ Yes ☐ No	
25. Did the amount of capacity-building funds provided to the CHDO exceed either (1) 20 % of the PJ's minimum 15 % CHDO set-aside in a given year, or (2) \$150,000 during the first 24 months of the PJ's participation in HOME ? [24 CFR 92.300(b)] → □ Yes □ No	

26. Did the files contain appropriate documentation for the type of capacity-building that was funded? [24 CFR 92.300lb) and 92.508(a)(4)(v) ☐ Yes ☐ No	
Eligible Capacity-building Activity	ios
Capacity-building includes any training or technical assistate provided through a third party, such as an intermediary or directly. Operating funds are not an eligible use of CHDO For more information, see HUD Notice CPD-97-11, Guidan Development Organizations (CHDOs) Under the HOME Programment 1997.	ganization or to the CHDO capacity-building funds. ce on Community Housing
CHDO Operating Assistance	
27. Did the PJ provide CHDO operating assistance to this CHDO? If no, proceed to <i>Predevelopment Loans</i> in the following section of this checklist. ☐ Yes ☐ No ☐ N/A	
Eligible CHDO Operating Expenses	
 Salaries, wages, benefits, and other employee compensation Employee education, training, and travel Rent and utilities Communication costs Taxes and insurance Equipment, materials, and supplies 	
28. Did the amount of operating assistance provided to the CHDO exceed 5% of the CHDO's annual HOME allocation? [24 CFR 92.208] ☐ Yes ☐ No	
29. Did the CHDO receive, or is it expected to receive, CHDO set-aside funds to undertake a project within 24 months of the date that the operating funds were provided? [24 CFR 92.300(e)]	
Agreement When CHDO Is Not Yet Receiving Set-aside	Funds
For CHDOs that receive operating assistance but have no yet received set-aside funds, there must be an executed agreement between the PJ and CHDO that states: The CHDO is expected to receive funds within 24 more for a HOME project that the CHDO owns, develops, of sponsors; and The expected project outcome (i.e., number of expectants to be developed, etc.).	onths r
30. Did the PJ execute a written agreement for the CHDO operating funds? [24 CFR 92.300(e) and 24 CFR 92.504(b)] ☐ Yes ☐ No	

specify the expected uses for the funds? [24 CFR 92.300(e) and 92.208] Yes	
32. If the CHDO is not also receiving CHDO set-aside funds, does the written agreement for CHDO operating funds specify the expectation that the CHDO will receive CHDO set-aside funds for development within 24 months of the date of the agreement? [24 CFR 92.300(e)] ☐ Yes ☐ No ☐ N/A Predevelopment Assistance 33. Did the PJ provide predevelopment assistance to this	
does the written agreement for CHDO operating funds specify the expectation that the CHDO will receive CHDO set-aside funds for development within 24 months of the date of the agreement? [24 CFR 92.300(e)] Predevelopment Assistance 33. Did the PJ provide predevelopment assistance to this	
specify the expectation that the CHDO will receive CHDO set-aside funds for development within 24 months of the date of the agreement? [24 CFR 92.300(e)] ☐ Yes ☐ No ☐ N/A Predevelopment Assistance 33. Did the PJ provide predevelopment assistance to this	
date of the agreement? [24 CFR 92.300(e)] Yes No N/A Predevelopment Assistance 33. Did the PJ provide predevelopment assistance to this	
Predevelopment Assistance 33. Did the PJ provide predevelopment assistance to this	
33. Did the PJ provide predevelopment assistance to this	
CHDO? If no, proceed to the next subsection, HOME Project	
Proceeds Retained by the CHDO.	
☐ Yes ☐ No ☐ N/A	
34. Did the amount of predevelopment assistance provided to the CHDO exceed 10% of the total amount that the PJ	
set aside for housing owned, developed, and sponsored by CHDOs? [24 CFR 92.300(c)]	
□ Yes □ No	
35. Was the predevelopment assistance provided as either: (1)	
Project-specific technical assistance or site control loan; or (2) Project-specific seed money loan? [24 CFR 92.301]	
_ ☐ Yes ☐ No	
Eligible Predevelopment Assistance	
Project-specific technical assistance and site control loans can pay for those costs necessary to determine if a project is feasible, such as application fees, professional services (architectural, engineering, legal,	
environmental), or costs related to securing site control.	
Project-specific seed money loans can pay for preconstruction costs when the CHDO has site control, a preliminary financial commitment, and a capable development team.	
36. Did the PJ determine that the predevelopment costs were customary and reasonable? [24 CFR 92.301(a)(2) and 92.301(b)(1)]	
□ Yes □ No	
37. If the project moved forward, did the CHDO repay the loan with construction loan proceeds or other project income? [24 CFR 92.301(a)(3) and 92.301(b)(3)]	
□ Yes □ No □ N/A	
Predevelopment Loan Repayment	
If the project moves forward, the CHDO must repay the loan or roll it into a new HOME loan for development. If	
the project does not move forward, the PJ can choose to either (1) Require repayment, or (2) Waive repayment	
if it determines that there were impediments to the project that were beyond the control of the CHDO.	

38. If the project did not move forward and the PJ waived repayment, did the PJ determine that the project was infeasible and the impediments were beyond the control of the CHDO? [24 CFR 92.301(a)(3) and 92.301(b)(3)] ☐ Yes ☐ No ☐ N/A	
CHDO Special Financial Assistance (funds in combination)	
39. If the CHDO receives capacity-building funds, operating funds, or technical assistance pass-through funds: Is the total received in each fiscal year less than the greater of \$50,000 or 50% of [the CHDO's] annual budget? [24 CFR 92.300(f)] ☐ Yes ☐ No ☐ N/A	

3. HOME Project Proceeds Retained by the CHDO

Background: When HOME funds are invested in a CHDO set-aside project that generates income (such as interest on HOME loans or proceeds from permanent financing), the PJ can authorize the CHDO to retain some or all of the project proceeds. The PJ's authorization and the terms of use of these funds must be stated in the written agreement between the PJ and the CHDO. If the CHDO retains the funds, they are not program income. If the CHDO returns the proceeds to the PJ, they are program income. (Refer to Chapter 3 for guidance on program income.)

Regulatory Basis: 24 CFR 92.300(a)(2)

Documentation:

- Written agreement between the PJ and the CHDO
- Financial documents (contracts, cancelled checks, invoices, etc.) to show that funds were used for eligible activities

HUD Checklist Exhibit 7-11 Selected Excerpts	Notes
40. Did the PJ allow HOME project proceeds to be retained by the CHDO? [24 CFR 92.300(a)(2)] If the project did not result in any project proceeds, skip this section and	
go to Section 3, Review of PJ's Administration of CHDO Requirements and Performance.	
☐ Yes ☐ No ☐ N/A	
41. Did the PJ allow HOME project proceeds to be retained by the CHDO? [24 CFR 92.300(a)(2)]	
☐ Yes ☐ No ☐ N/A	
42. If the PJ permits the CHDO to retain the project proceeds, did it execute a separate CHDO proceeds agreement	
with the CHDO and specify how the CHDO can use the proceeds? [24 CFR 92.300(a)(2)]	
☐ Yes ☐ No ☐ N/A	
43. If the PJ requires the CHDO to return the proceeds as program income, do the CHDO's and PJ's financial records	
show that the funds were returned? [24 CFR 92.300(a)(2)]	
☐ Yes ☐ No ☐ N/A	

44. If proceeds are retained by the CHDO, were the funds used for eligible activities, as outlined in the PJ/CHDO written	
agreement? [24 CFR 92.300(a)(2)]	
□ Yes □ No □ N/A	

C. Review of PJ's Administration of CHDO Requirements and Performance

Background: The PJ is responsible for managing its CHDO relationships and activities in a way that ensures its CHDOs comply with HOME requirements and perform according to the terms of their agreements. Specifically, it needs to be sure that CHDOs comply with the following HOME requirements:

- **CHDO eligibility.** The PJ must determine that the organization meets the CHDO criteria prior to committing HOME funds.
- CHDO reservation deadlines. CHDO set-aside funds must be reserved within 24 months of signing the HOME Investment Partnerships Agreement with HUD. For additional guidance see the PJ's IDIS report PR27 and HUD CPD Notice 07-06, Commitment, CHDO Reservation, and Expenditure Deadline Requirements for the HOME Program, issued June 1, 2007.
- **CHDO performance.** The PJ must ensure that CHDO reservations result in commitments to specific projects within a reasonable timeframe, and that projects progress to completion timely.
- Levels of assistance. HOME imposes a limit on how much special assistance, including operating funds, a CHDO can receive.
- CHDO vs. subrecipient roles. Certain HOME rules differ for CHDOs when they are using CHDO set-aside funds and when they are carrying out HOME activities as subrecipients. The PJ needs to be able to distinguish the applicable requirements through written agreements and other management reporting tools whenever a CHDO serves in both capacities.

Regulatory Basis: 24 CFR 92.2 (definition of CHDO), 92.300, and 92.301

Documentation:

- CHDO Checklists in Sections 1A and 1B of this chapter
- Management interviews, if applicable
- Procedures for CHDO designation and recertification
- CHDO qualification checklists or similar documents
- All written agreements with CHDOs for varied assistance (such as operating funds or project funds) and for different roles (CHDO vs. subrecipient)
- Financial records (such as accounting journals and ledgers, bank statements, financial statements, or audits)
- IDIS report PR25, Status of CHDO Funds
- HOME Open Activities Report (found at http://www.hud.gov/offices/cpd/affordablehousing/reports/)
- PJ's CHDO monitoring procedures
- Results of PJ's CHDO monitoring reviews (reports, checklists, notes)
- Correspondence with CHDOs to address performance issues
- CHDO funding procedures

This checklist is completed one time to review the PJ's overall administration of its CHDOs and compliance with CHDO requirements. It is helpful to complete this section after completing Sections 1A and 1B of this chapter.

HUD Checklist Exhibit 7-11 Selected Excerpts	Notes
45. If CHDO[s] also acts as subrecipient[s] for the PJ's HOME program, are financial records maintained for subrecipient and CHDO activities that identify the source and application of funds? [24 CFR 92.505(b) and 24 CFR 84.21(b)(2)]	
☐ Yes ☐ No ☐ N/A	
CHDO Downpayment Assistance Exception	
If the CHDO administers downpayment assistance as part of an eligible CHDO setaside project, the funds for the downpayment assistance program are eligible set-aside funds	
and do not need to be administered separately. 46. Have CHDO reservations resulted in project commitments	
within a reasonable timeframe based upon review of the IDIS PR25 Status of CHDO Funds Report or PJ documents?	
☐ Yes ☐ No	
47. Have CHDO projects been completed in a reasonable timeframe based upon review of the IDIS PR25 Status of	
CHDO Funds Report, HOME Open Activities Report, or PJ documents?	
□ Yes □ No	
48. Does the PJ use a checklist or similar document to determine the eligibility of nonprofit organizations for designation as CHDOs, e.g., [Section 1 of this chapter]?	
☐ Yes ☐ No	
49. Based on the CHDOs reviewed, do they meet the qualifications for CHDO designation? [24 CFR 92.2]	
☐ Yes ☐ No	
50. Does the PJ have a procedure for reexamining CHDO eligibility annually, or at least at the time of subsequent application by the CHDO for additional funds?	
51. Does the PJ have a procedure for monitoring CHDO performance?	
\square Yes \square No If the answer above is "yes," describe the procedure.	
52. Does the PJ review the performance of each CHDO annually? [24 CFR 92.504(a)]	
□ Yes □ No	

53. Does the PJ take actions to address CHDO performance issues (e.g., technical assistance, training, reprogramming of funds)? ☐ Yes ☐ No	
54. Does the PJ have adequate procedures in place to ensure that all projects funded with CHDO set-aside funds are owned, developed, or sponsored by CHDOs pursuant to 24 CFR 92.300(a)? ☐ Yes ☐ No	
55. If the PJ provides operating funds, capacity-building or technical assistance pass-through funds, does the PJ have written procedures that it has implemented to ensure that no CHDO receives more than \$50,000 or 50% of its annual budget pursuant to 24 CFR 92.300(f)? ☐ Yes ☐ No ☐ N/A	

Section 2. Subrecipients, State Recipients, and Consortia

Overview to the Subrecipient, State Recipient, and Consortia Requirements

The following entities might be selected by the PJ to administer all or a portion of its HOME program on its behalf:

- Subrecipients. Subrecipients are public agencies or nonprofit organizations that are selected by the PJ to administer all or a portion of the PJ's HOME Program. Unlike CHDOs, subrecipients are not subject to initial qualifying criteria. [24 CFR 92.2]
- State Recipients. State PJs can select units of local government to receive HOME funds to carry out activities. These local governments are State recipients. [24 CFR 92.201(b)(2)].
- Consortia Members. Geographically contiguous units of general local government can join together as a consortium for the purpose of receiving HOME funds. A consortium is considered a single entity for purposes of the HOME Program. It designates a lead entity that serves as the PJ; other member jurisdictions that undertake activities on behalf of the consortium are subrecipients to the lead entity. [24 CFR 92.2 and 92.101]. Though a PJ may delegate aspects of its

The PJ is held accountable for the performance of its subrecipients, State recipients, and subrecipient consortia members. The PJ must conduct an annual onsite monitoring visit to each funded entity.

Basis of this Section

The checklists in this chapter are based on HUD Checklist Exhibit 7-19, Guide for Review of Subrecipient Management. The HUD checklist ques-

been added to facilitate a PJ's review; these questions are not on the HUD checklists.

funded entities to ensure compliance. tions excerpted in this chapter have been revised slightly for use by the PJ, rather than HUD. The numbering is sequential for all questions; the original HUD checklist numbering has not been retained. Questions that are denoted with the icon 3 have

HOME Program administration to a State

relieve the PJ of the responsibility for proper

and timely use of funds and full regulatory

compliance. PJs must closely monitor these

recipient or subrecipient, this does not

Complete copies of the HUD checklists are found in the CPD Grantee Monitoring Handbook, available online at http://www. hud.gov/offices/cpd/library/monitoring/handbook.cfm#7. Chapter 7 of this handbook covers the HOME Program.

Framework for the Monitoring Review

This section helps the PJ monitor assess State recipients and subrecipients to ensure that they have adequate financial and management systems for effective project and program administration and oversight, and for compliance with the uniform administrative requirements. In addition to these areas of review, the PJ monitor should review the funded entity's compliance with HOME's program administration and project-specific requirements. To assist in this effort, the PJ monitor should use:

- Chapter 4 to monitor homeowner rehabilitation programs
- Chapter 5 to monitor homebuyer programs
- Chapter 6 to monitor rental programs
- Chapter 7 to monitor tenant-based rental assistance programs.

In addition, the PJ monitor should ensure that all HOME requirements are included in the PJ's written agreements with its State recipients and subrecipients, and that the agreements are enforceable. To assist in this effort, the PJ monitor can use:

- HUD Checklist Exhibit 7-18, Guide for Review of Subrecipient Written Agreements
- HUD Checklist Exhibit 7-17, Guide for Review of State Recipient Written Agreements.

Organization of this Section

This checklist is organized into the following sections:

A. Subrecipient management and training systems

- B. Internal controls
- C. Subrecipient agreements
- D. Reporting
- E. Onsite monitoring by the PJ
- F. Program income monitoring
- G. Assessment of programs and projects

Instructions

Subsections A through G of this section are designed to help the PJ monitor assess whether the PJ has sufficient policies, procedures, and systems in place to provide adequate oversight to its State recipients and subrecipients, in order to ensure compliance with HOME requirements. These checklists can be completed based on staff interviews, a review of the PJ's policies and procedures, IDIS and PJ-generated progress reports, and upon completion of specific projects and activities carried out by State recipients and subrecipients.

Documentation to Bring

- HOME Program regulations at 24 CFR Part 92
- PJ's policies and procedures for monitoring subrecipients
- IDIS PR22 Report, Status of HOME Activities
- IDIS PR27 Report, Status of HOME Grants
- Sample written agreements between the PJ and subrecipients and/or State recipients, as applicable
- IDIS report PR05, Drawdown Voucher Summary Report
- IDIS report PR09, Program Income Audit Trail
- PJ's monitoring plan and procedures
- Results of prior monitoring visit(s) (checklists, notes, reports, or correspondence)

A. Subrecipient Management and Training Systems

Background: The PJ monitor needs to gather background on all its funded subrecipients and then must assess whether the PJ has appropriate policies and procedures in place to monitor its subrecipients. The PJ should be able to:

- Identify its subrecipients, HOME funding levels, and assigned tasks/projects, and know the status of those tasks/projects at any given point in time
- Communicate HOME requirements and changes in requirements and policy to its subrecipients
- Identify subrecipients most at-risk of performance or compliance problems
- Conduct annual monitoring visits to every funded subrecipient.

Regulatory Basis: 24 CFR 92.504(a)

Documentation:

- IDIS PR22 Report, Status of HOME Activities
- IDIS PR27 Report, Status of HOME Grants
- Interviews with management staff
- Documentation of resources distributed (such as attachments to written agreements, procedures manuals, and/or

training classes held)

- Policies and procedures regarding recordkeeping and records retention for State recipients and subrecipients to document HOME compliance
- Written agreements containing recordkeeping requirements
- Policies and procedures for monitoring subrecipients
- Monitoring plan and procedures
- Results of monitoring reviews (such as checklists, reports, or correspondence)

HUD Checklist Exhibit 7-19 Selected Excerpts	Notes
Does the PJ have a management system for the oversight of its subrecipients?	
☐ Yes ☐ No	
If "yes," briefly describe below and, if the PJ has a written description of its subrecipient management policies or systems, attach a copy. [24 CFR 92.505 and 24 CFR	
85.20(b)]	
How many subrecipients did the PJ commit to provide HOME funds to during the program year or years being examined?	
Program Year	
Number of Subrecipients	
3. What is the total amount of HOME funds the PJ committed to all of its subrecipients during the most recent program	
year?	
4. Of the amounts committed in [3] above, what amounts remain unexpended?	

	For program years being reviet funds committed to subrecipie (List by program year below at PR22)	ents remains unexpended?		
	Program Year/Amount	/		
	Program Year/Amount	·		
	Program Year/Amount			
	Total			
				
	Compare the PJ's subrecipient PJ entered in IDIS for the year discrepancies? [24 CFR 92.50	s being reviewed. Are there any		
	☐ Yes ☐ No			
	Does the PJ have a method to comply with the HOME Program			
	to them and to the projects the 92.504(a)]			
	□ Yes □ No			
	If the answer to the above is taken by the PJ to inform sub HOME Program requirements'	recipients regarding applicable		
8.	Describe the technical assista	ance/training the PJ has provided	during the program years being	reviewed:
L	Subrecipient Name	Person(s) Trained	Topics	Date(s)
F				
L				
9.	Has the PJ provided appropria	te resource materials to its s, OMB Circulars, CPD Notices,		
	Building HOME manual, Techn	ical Guide for Determining		
	Income and Allowance for the \square Yes \square No	nuwe Program)?		
			l .	

10. How does the PJ ensure that subrecipients maintain adequate records to comply with program requirements, including record retention? [24 CFR 92.504(a) and 24 CFR 92.508] ☐ Yes ☐ No	
11. Does the PJ assess the performance of 100% of its subrecipients annually? [24 CFR 92.504(a)]☐ Yes☐ No	
12. Does the PJ have written procedures that it has implemented to identify "high risk" subrecipients?☐ Yes☐ No	
13. Does the PJ have written procedures that it has implemented to ensure that "high risk" subrecipients receive proper oversight and monitoring? ☐ Yes ☐ No	

B. Internal Controls

Subrecipients are subject to applicable uniform administrative requirements as described in 24 CFR 92.505:

- Recipients and subrecipients that are *governmental entities* (including public agencies) are required to comply with the following uniform administrative requirements:
 - Certain provisions of 24 CFR Part 85, Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments
 - OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
 - OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations.
- Recipients and subrecipients that are nonprofit organizations are required to comply with the following uniform administrative requirements:
 - Specific provisions of OMB Circular A-110, as implemented at 24 CFR Part 84, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations (Refer to Chapter 3 for a list of applicable provisions.)
 - OMB Circular A-122, Cost Principles for Nonprofit Organizations
 - OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations.

Regulatory Basis: 24 CFR 92.504(a)

Documentation:

- Procedures for reviewing subrecipients' financial systems
- Procedures for monitoring subrecipients
- Procedures for reviewing procurement and subcontracting requirements of the subrecipient
- Procedures for reviewing audits
- Results of monitoring visit(s) (checklists, notes, reports, or correspondence)

HUD Checklist Exhibit 7-19 Selected Excerpts	Notes
14. Does the PJ have a system or some other method to ensure that subrecipients' financial management systems are kept in accordance with 24 CFR 85.20(b) or 24 CFR 84.21(b)(3), as applicable?	
☐ Yes ☐ No	
15. Has the PJ established qualifications for the persons who conduct financial reviews of subrecipients?	
☐ Yes ☐ No	
If the answer to the above is "yes," describe the qualifications.	
Qualifications of Financial Monitors	
Qualified staff (or a contractor) should have an accounting or finance background, specifically in the	
applicable HUD and OMB requirements listed above.	
16. If any subrecipient employees work on both HOME and non-HOME projects, does the PJ have a system to ensure	
that the subrecipient keeps appropriate time distribution records and makes appropriate charges to the HOME Program?	
☐ Yes ☐ No ☐ N/A	
17. Does the PJ have a system or other method to ensure compliance by subrecipients with the procurement and/	
or subcontracting requirements of 24 CFR 85.36 [Federal competitive procurement] or 24 CFR 84.40 – 48, as applicable? (If yes, describe the system or method.)	
□ Yes □ No	
Specialized Financial Reviews	
When the financial expert conducts specialized areas of reas audits or procurement systems), he/she should provide	
or report to the file that states whether the requirements ureview were satisfied, and noting any specific deficiencies	ınder
concern.	or areas or
18. Is OMB Circular A-133 Single Audits required for any of the PJ's subrecipients? [24 CFR 92.505]	
☐ Yes ☐ No	
If the answer to the above is "yes," does the PJ have a system or methodology to ensure that such audits are conducted?	

19. If A-133 audits are required for any of the PJ's subrecipients, does the PJ review the audits for compliance		
with the requirements of OMB Circular A-133? (If "yes," describe process.) [24 CFR 85.26(b)(1)]		
☐ Yes ☐ No ☐ N/A		
20. Does the PJ review subrecipients for evidence of conflicts of interest, either between the PJ and the subrecipient, or		
between the subrecipient and its contractors (e.g., seek information on the background of staff or the Board of		
Directors, seek specific assurances from subrecipients)? [24 CFR 85.36(b), and 24 CFR 92.505(a), 92.356]		
☐ Yes ☐ No		
Resources for	r Calculating Income	
The HOME regulations state that no person covered who exercises or has exercised any functions or responsibilities with respect to HOME activities or who is in a position to participate in decisions or gain inside information may: Obtain a financial interest or benefit from a HOME activity; or Have an interest in any contract, subcontract, or agreement for themselves or for persons with business or family ties. If the PJ monitor notes that staff, contractors, and/or beneficiaries have the same last names, he/she should ask questions, and look for a disclosure memo or note to the file.		
21. Does the PJ ensure that subrecipients have procedures to:		
identify HOME property and assets? [For example, does		
it ensure that subrecipients have the property records required by 24 CFR 85.32(d)(1) or 24 CFR 84.34(f)?] [24		
CFR 92.505(b)]		
☐ Yes ☐ No		
22. Does the PJ ensure that subrecipients have procedures to: ensure adequate safeguards for preventing loss, damage		
or theft of subrecipient-held property? [24 CFR 85.32(d)(3) or 24 CFR 84.34(f)(4); and 24 CFR 92.505(a) and (b)]		
☐ Yes ☐ No		

C. Subrecipient Agreements

Background: The monitor must ensure that all funded subrecipients have a binding written agreement that details the scope of work, use of funds, and all other required provisions and applicable requirements.

Written agreements must include terms that reflect the HOME Program rules specific to the activity being carried out. The monitor should use HUD's Exhibit 7-18, *Guide for Review of Subrecipient Written Agreements*, or Exhibit 7-17, *Guide for Review of State Recipient Written Agreements*, to ensure all requirements are included in the written agreement.

Regulatory Basis: 24 CFR 92.504(b)



- Written agreements between the PJ and the subrecipient(s) or State recipients, as applicable
- Documentation of review of agreements for compliance
- Results of monitoring visit(s) (checklists, notes, reports, or correspondence)

HUD Checklist Exhibit 7-19 Selected Excerpts	Notes
23. Based upon the results of the subrecipients reviewed in [HUD Checklist] Exhibit 7-18, has the PJ executed written agreements with all subrecipients to whom it has allocated HOME funds [or Exhibit 7-14 for State recipients]? [24 CFR 92.504(b)] ☐ Yes ☐ No	
24. Did the PJ execute its written agreements with subrecipients prior to disbursing funds to them? [24 CFR 92.504(b), and 92.504(a)(1) for State recipients and 92.504(c)(2) for subrecipients] ☐ Yes ☐ No	
25. Did the PJ's subrecipient agreements meet the requirements outlined in [HUD Checklist] Exhibit 7-18, Guide for Review of Subrecipient Written Agreements [or Exhibit 7-14, Guide for Review of State Recipient Written Agreements]? [24 CFR 92.504(c)(2)] □ Yes □ No	
26. Were the PJ's written agreements with its subrecipients effective for the entire period for which a subrecipient administers HOME funds? [24 CFR 92.504(b), and 92.504(c)(1)(xii) for State recipients] ☐ Yes ☐ No	
27. When monitoring its subrecipients, does the PJ verify that they execute written agreements with other entities prior to disbursing funds (i.e., compare date of signature with date of initial IDIS draw)? [24 CFR 92.504(b)] ☐ Yes ☐ No	

D. Reporting

Background: The PJ must ascertain that the project data that is entered and reported into the IDIS system is accurate and timely, regardless of whether data entry is conducted by the PJ or the State recipient/subrecipient.

Regulatory Basis: 24 CFR 92.502(b) and (d)

Documentation:

- Data collection procedures/guidance for project set-up and progress reporting for subrecipient(s) or State recipient(s)
- Project data and reports submitted by subrecipient(s) or State recipient(s)
- IDIS reports PR27 and PR22
- Results of monitoring visit(s) (checklists, notes, reports, or correspondence)

HUD Checklist Exhibit 7-19 Selected Excerpts	Notes
28. If subrecipients [or State recipients] enter data for IDIS project set-up and completion, does the PJ review data to ensure that the data are complete, accurate, timely and consistent with subrecipient [or State recipient] records? [24 CFR 92.502(b) and (d)] ☐ Yes ☐ No	
29. When monitoring subrecipients [or State recipients] onsite, does the PJ verify the accuracy of data reported in IDIS and in reports that may be required? [24 CFR 92.504(a)]	

E. Onsite Monitoring by the PJ

Background: Monitors must monitor subrecipients or State recipients onsite at least once a year. If the subrecipient or State recipient has been identified as "high risk," then the monitor should go onsite more often as appropriate.

Regulatory Basis: 24 CFR 92.504(a)



- Monitoring plan or schedule
- Monitoring policies and procedures
- Results of monitoring visit(s) (checklists, notes, reports, or correspondence)

Chapter 1, HOME Monitoring Basics, discusses the steps involved and protocol for conducting a risk analysis and an onsite monitoring visit, and for following up to ensure that any problems are addressed in a timely manner.

HUD Checklist Exh	ibit 7-19 Selected Excer	pts		Notes	
30. Provide the following inf being reviewed.	formation regarding the o	nsite monitor	ing efforts tha	at have been conducted by	y the PJ during the year(s)
Subrecipient/State Recipient Monitored	Dates		nd Types of ding	Date of Letter	Date(s) Findings Resolved
	r State recipients] monito subrecipients funded by t				ntage does this represent
31. Do the PJ's written mon areas monitored and th	itoring reports clearly do e conclusions reached?				
92.504(a) and 24 CFR					
☐ Yes ☐ No					
32. Are subrecipients [or St to respond and/or clari		opportunity			
☐ Yes ☐ No	., .				

33. Are monitoring results communicated timely to subrecipients [or State recipients]?☐ Yes☐ No	
34. Do such results include any expected corrective actions and dates for resolution? [24 CFR 92.504(a) and 24 CFR 92.508(a)(6)(iii)] ☐ Yes ☐ No	
35. What is the PJ's internal procedure for ensuring the quality of monitoring efforts, including documentation and intended actions, and follow through on promised actions? ☐ Yes ☐ No	

F. Program Income

Background: Gross income that is directly generated from the use of HOME funds or matching contributions and is received by a PJ, State recipient, or subrecipient is program income. Program income that is generated by a subrecipient or State recipient can either be returned to the PJ or retained by the subrecipient/State recipient for investment in HOME-eligible activities.

Regulatory Basis: 24 CFR 92.2 (definition of program income) and 92.504(c)(1)(iii) for State recipients; or 92.504(c)(2)(ii) for subrecipients

Documentation:

- IDIS report PR05, Drawdown Voucher Summary Report
- IDIS report PR09, Program Income Audit Trail
- Subrecipient financial records and reports to the PJ
- PJ's internal financial records
- Monitoring plan and procedures
- Results of monitoring visit(s) (checklists, notes, reports, or correspondence)
- Consolidated Plan or annual action plan
- Local budget documents.

	HUD Checklist Exhibit 7-19 Selected Excerpts		Notes
	re subrecipients [and State recipients] accurately eporting program income received to the PJ? [24 CFR		
9:	2.504(c)(2)]		
] Yes □ No		
	Monitoring Program Income		
	The PJ monitor must verify consistency in the amount of princome that is reflected in:	rogram	
	The subrecipient's internal financial records		
	Subrecipient reports to the PJ		
	PJ IDIS program income entries.		
Ē	Use IDIS report PR05, <i>Drawdown Voucher Summary Report</i> identify the date, amount, type of funds, and other informa all of the PJ's vouchers. Use IDIS report PR09, <i>Program Inc. Trail</i> , to review the audit trail of program income receipts.	tion about	
	Identify when program income became available and wheth expended before additional HOME funds were drawn down		
	U.S. Treasury by comparing the two reports.		
In	comparing the PJ's internal financial records with its tegrated Disbursement and Information System (IDIS)		
re	ntries, is the PJ accurately receipting program income eceived by subrecipients in IDIS? [24 CFR 92.503(a)]		
] Yes □ No		
SI	oes the written agreement between the PJ and the ubrecipient [or State recipient] specify whether the		
рі	ubrecipient can retain program income or if it must return rogram income to the PJ? [24 CFR 92.504(c)(1)(iii) for		
	tate recipients and 92.504(c)(2)(ii) for subrecipients] Yes No		
re	program income is retained by the subrecipient [or State cipient], does the PJ check to determine that program		
[2	come is being used before grant funds are requested? 24 CFR 92.504(c)(2)(vi) for subrecipients; or 92.504(c)(i)		
	i) for State recipients]] Yes □ No □ N/A		
	TICS LINE LINEA		
	program income is retained by the subrecipient [or State ecipient], does the PJ check to determine that program		
in	come is being used in accordance with HOME rules? [24 FR 92.504(c)(2) for subrecipients; or 92.504(c)(1) for		
S	tate recipients]		
] Yes □ No □ N/A		
		<u> </u>	

41. Has the PJ included program income expected to be received by all of its subrecipients or State recipients in	
preparing its most recent Consolidated Plan? [24 CFR 91.220(b)(1), 24 CFR 91.320(b)(1) and 24 CFR 91.420(b)	
(1)]	
□ Yes □ No □ N/A	

G. Assessment of Programs and Projects

Background: In addition to assessing the subrecipient's or State recipient's overall management capacity and program compliance (as reflected in Section 2 of this chapter), the PJ staff should also assess subrecipient or State recipient performance when monitoring.

Regulatory Basis: Recommended



- Written agreement between PJ and subrecipient or State recipient
- Project timetables for subrecipient or State recipient projects
- Subrecipient or State recipient progress reports
- Results of subrecipient or State recipient monitoring

HUD Checklist Exhibit 7-19 Selected Excerpts		Note
42. Does the subrecipient or State recipient adhere to production/program administration timetables for each phase of production/program administration? ☐ Yes ☐ No ☐ N/A		
Meeting the Schedule The PJ monitor should use a standard set of project	milestones	
for measuring subrecipient or State recipient progresinstance, for subrecipients or State recipients carryidevelopment activities, the PJ's timetable might include	ng out	
 Marketing and outreach Application processing Rehabilitation and construction starts 		
Loan/grant approvalsProject completions.		
43. Does the subrecipient submit reports that are thorough complete in a timely manner? •	and	
□ Yes □ No		
44. Does the subrecipient submit vouchers that are accurat and include proper documentation and justification of	e	
costs? ⊃ □ Yes □ No		

Chapter 3: Monitoring Management and Administrative Requirements

This chapter describes how to monitor the overall management and administrative requirements of the HOME Program. These requirements generally apply to PJs and their State recipients and subrecipients, regardless of the HOME activity [homeowner rehabilitation, homebuyer, rental, and tenant-based rental assistance (TBRA) they undertake].

Basis of this Chapter

The checklists provided in this chapter are based primarily on the following HUD Checklists:

- Exhibit 7-2, Guide for Review of Overall Management Systems
- Exhibit 7-13, Guide for Review of Match Requirements.

In addition, the chapter uses a limited number of selections from a number of other HUD Checklists.¹

The HUD checklist questions cited in this chapter have been revised slightly for use by the PJ, rather than HUD. The numbering is sequential for all questions; the original HUD checklist numbering has not been retained. Questions that are denoted with the icon \bigcirc have been added to facilitate a PJ's review; these questions are not on the HUD checklists.

Complete copies of the HUD checklists are found in the *CPD Grantee Monitoring Handbook*, available online at **http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm#7**. Chapter 7 of this handbook covers the HOME Program.

Framework for the Monitoring Review

In addition to reviewing the overall management and administrative requirements that are presented in this chapter, there are a number of additional requirements that the PJ monitor needs to review to conduct a comprehensive monitoring review of its programs. The PJ monitor should:

- Use Chapter 2, Section 1 of this guidebook when the PJ funds CHDOs to undertake activities with CHDO set-aside
 funds. This chapter helps the PJ assess whether the CHDO meets HOME eligibility criteria, and how well the PJ is
 managing its CHDOs.
- Use Chapter 2, Section 2 of this guidebook when the PJ uses a State recipient or subrecipient to administer any HOME program. This chapter helps the PJ monitor assess the funded entity's compliance with applicable uniform administrative requirements, and the PJ's management and oversight of these funded entities.
- Use Chapters 4 through 7 of this guidebook to monitor compliance with the HOME activity-based requirements: homeowner rehabilitation, homebuyer, rental, and tenant-based rental assistance, respectively.

Including: Exhibit 7-14, Guide for Review of Beneficiary Written Agreements; Exhibit 7-15, Guide for Review of Contractor Written Agreements; Exhibit 7-16, Guide for Review of Owner, Developer, Sponsor Written Agreements; Exhibit 7-17, Guide for Review of State Recipient Written Agreements; Exhibit 7-18, Guide for Review of Subrecipient Written Agreements; Chapter 21, Environmental Monitoring; Chapter 22, Fair Housing and Equal Opportunity; Chapter 23, Labor Standards Administration; Chapter 24, Lead-based Paint Compliance; Chapter 25, Relocation and Real Property Acquisition; and Exhibit 27-1, Guide for Review of Flood Insurance Protection.

- Use exhibits and guidance in the *CPD Grantee Monitoring Handbook* to review the PJ's own compliance with Federal financial, procurement, and cost allowability requirements, including:
 - Exhibit 7-20, Guide for Review of Financial Management, with Attachment to Exhibit 7-20, Reviewer's Guide for Financial Management Review of HOME Participating Jurisdictions (PJs)
 - Exhibit 7-21, Guide for Review of Cost Allowability
 - Exhibit 7-22, Guide for Review of Procurement
 - Exhibit 7-23, Guide for Review of Equipment and Equipment Disposition.

Resources

The following attachments are provided at the end of this chapter, to facilitate the PJ review:

- Attachment 3-A: Using HUD Reports to Manage HOME Funds and Track Progress
- Attachment 3-B: Provisions in Written Agreements
- Attachment 3-C: HOME Eligible Costs
- Attachment 3-D: Eligible Forms of Assistance
- Attachment 3-E: Summary of Applicable Property Standards by Activity

Section 1. Monitoring Overall Management Systems

The PJ can use this section to conduct a self-assessment of how well it is administering its HOME Program overall. It is organized into the following areas:

- A. Overall management
- B. Program progress, reporting, and oversight
- C. Written agreements
- D. HOME subsidy
- E. HOME affordability requirements
- F. Housing quality standards
- G. Administrative costs
- H. Match
- I. Program income, repayments, and recaptured funds
- J. Other cross-cutting requirements
- K. Recordkeeping

A. Overall Management

Background: In order to administer its HOME program activities effectively, the PJ, State recipient, or subrecipient needs systems and procedures in place for overall program administration, for the administration of each HOME activity it undertakes, and for financial management.

Effective administrative procedures include the following elements, either as stand-alone documents or as part of an administrative procedure manual.

• Roles and responsibilities, including organizational chart(s) that clarify lines of authority and job descriptions that describe roles and responsibilities of each staff person.

- **Program administration procedures** that describe overall administration, financial procedures, and procurement requirements.
- Activity administration procedures that describe how each of the PJ's funded HOME activities (such as its rental development or homeowner rehabilitation program) is administered. These procedures should include step-by-step instructions on how to determine HOME compliance for the funded activity, such as how to determine community housing development organization (CHDO) eligibility, income-eligibility, and amount of HOME subsidy in a project. It should also specify how applicable cross-cutting Federal requirements (such as lead-based paint, or prevailing wage requirements) are implemented for the activity.
- **Integrated Disbursement and Information System (IDIS) procedures** that describe staff responsibilities to ensure accurate, complete, and timely IDIS data entry and reporting.
- Monitoring procedures that explain what monitoring is conducted by the PJ: activities covered, staffing, plan and/or timeline, and typical forms used. This is a Consolidated Plan requirement and is typically included in the PJ's annual action plan. (Monitoring plans are discussed in detail in Chapter 1.)

Regulatory Basis: 24 CFR 92.504(a)

Documentation:

- Program policies and procedures
- Organizational chart(s) and job descriptions
- Program schedules and timelines
- Library or electronic repository of HOME written guidance
- Monitoring plan and procedures, including risk assessment and schedule
- Monitoring correspondence and reports
- Consolidated Plan or annual action plan

Using Staff Interviews to Review Management Systems

When monitoring a program's overall management, it is very important to interview key staff about their jobs and how they carry them out. Regardless of how well a PJ might document its policies and procedures, if staff do not understand them or do not follow them, the procedures have little meaning.

HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
Are the duties and responsibilities of PJ staff clearly defined and understood by both management and staff?	
☐ Yes ☐ No	
Are lines of authority clearly outlined and understood by both management and staff?	
☐ Yes ☐ No	
Are there systems in place that establish deadlines and track employee performance of specific tasks?	
☐ Yes ☐ No	
Are there systems to ensure that staff receives the appropriate information to enable them to complete tasks	
timely?	
☐ Yes ☐ No	

5. Does the program staff maintain a library of HOME written	
guidance (final rule and policy notices) or access to those documents online as needed?	
☐ Yes ☐ No	
6. Does the PJ review the performance of program participants (i.e., subrecipients, State recipients, and contractors) at	
least annually? [24 CFR 92.504(a)]	
□ Yes □ No	
7. Does the PJ select program participants for onsite monitoring at regular intervals or on the basis of risk	
assessment results?	
□ Yes □ No	
HUD Checklist Exhibit 20-1 Selected Excerpts	Notes
8. Is the jurisdiction: Using the standards and procedures it described in its Consolidated Plan for monitoring activities	
carried out in furtherance of the Plan and complying with long-term compliance requirements? [24 CFR 92.525(a)]	

B. Program Progress, Reporting, and Oversight

Background: The PJ is subject to several deadlines that ensure that HOME funds are spent in a reasonable amount of time:

- **Commitment.** The PJ must commit the full amount of its HOME annual allocation within 24 months of receipt of funds. If this deadline is not met, HUD will deobligate HOME funds from the PJ.
- CHDO reservation. The PJ must reserve funds for housing that is owned, developed, or sponsored by CHDOs (a minimum of 15 percent of its HOME allocation) within 24 months of receipt of funds. If this deadline is not met, HUD will deobligate HOME funds from the PJ.
- Expenditure. The PJ must spend its HOME annual allocation (including CHDO funds) within five years of receipt of funds. The date of receipt of funds is the last day of the month in which HUD notifies the PJ of HUD's execution of the HOME Investment Partnership Agreement with the PJ. Note, in addition to this HOME requirement, HOME funds allocated since 2002 are also subject to the National Defense Authorization Act which requires all funds from a fiscal year's grant must be expended within eight years of the first day of the fiscal year for which the funds were appropriated. If this deadline is not met, the U.S. Treasury recaptures the funds and they are no longer available to the PJ.

Regulatory Basis: 24 CFR 92.500(d)(1), 92.502(d)(1), and 92.504(a)

Documentation:

- Deadline Compliance Status Report and/or IDIS report PR27, Status of HOME Grants
- Open Activities Report
- IDIS report PR22, Status of HOME Activities
- Program policies, procedures, and/or tracking systems/tools
- Progress reports

- Monitoring reports and correspondence
- Review of actions taken (correspondence, training, or technical assistance)
- Evidence of terminated written agreement(s) and/or repayments of HOME funds spent on activity that did not proceed, if applicable

HUD Reports that Help Track Project/Activity Progress

The following HUD reports help the PJ track project status:

- · Deadline Compliance Status Report
- · IDIS report PR27, Status of HOME Grants
- · IDIS report PR22, Status of HOME Activities
- · IDIS report PR25, Status of CHDO Funds by Fiscal Year
- · Open Activities Report
- · Expiring Funds Report.

These reports are described in more detail in Attachment 3-A. The PJ monitor should use these reports to evaluate project progress. In addition, the PJ monitor should determine:

- Whether someone on the PJ staff has the responsibility to review these reports on a regular basis (ideally, monthly
 or quarterly) to track carefully the progress of the PJ's projects and funding commitments, CHDO reservations, and
 expenditures
- Whether someone compares project file data with IDIS data on a regular basis to ensure that correct data is being entered into IDIS, including changes to existing projects.

These functions might be the PJ monitor's responsibility or might be assigned to PJ management or project management staff.

	HUD Checklist Exhibit 7-2 Selected Excerpts	Notes	
Syste Comp in cor the P PJ co quart	d on the Integrated Disbursements and Information em (IDIS) Report PR27 and/or the HOME Deadline oliance reports, is the PJ making sufficient progress mmitting funds to meet the 24-month deadline [e.g., IJ] met its deadline in the past three months or, if the intinues to commit funds at its current monthly or iterly commitment rate, it will meet its next deadline as olished at 24 CFR 92.500(d)(1)(B)]?		
	Definition of	Funds Commitment	
	Between the PJ and a CHDO, reserving funds to a CH By the PJ (or subrecipient or State recipient) and a pr For rehabilitation or new construction, where cons For acquisition only, where title will be transferred For TBRA, where a rental assistance contract has If a project is owned by the PJ or a State recipient, the construction can be reasonably expected to begin within Monitors should verify that: (1) Legally binding written as	c, or contractor to produce affordable housing or provide TBRA CHDO project owner for a specific local project: construction is expected to begin in 12 months red within six months as been executed with owner or tenant. The project is committed when it has been set up in IDIS, and	

	Comin re [e.g the qua	ed on the IDIS report PR27 and HOME Deadline in plance reports, is the PJ making sufficient progress esserving funds to CHDOs within the 24-month deadline in the PJ met its deadline in the past 3 months or, if PJ continues to reserve funds at its current monthly or reterly reservation rate, it will meet its next deadline as ablished at 24 CFR 92.500(d)(1)(A)]?		
		Reserving CHDO Funds		
A PJ has reserved CHDO set-aside funds when it enters into a written agreement with a CHDO for a specific amount of HOME funds for housing that will		enters into a written agreement with a CHDO for a		
		Monitors should verify that legally binding written		
		agreements are in the file to support CHDO funding reservations, and that CHDO set-aside funds are reserved in IDIS when the agreements are executed.		
		reserved in ibio when the agreements are executed.		
		s the current rate of spending (as evidenced by the		
		ME Deadline Compliance Report or the IDIS report (7) indicate that project funds will be spent by the		
		ar expiration date [e.g., based upon its current monthly, rterly expenditure rates as established at 24 CFR		
		500(d)(1)(c)]?		
	□ Y	es □ No		
12.	ente proj	ed on the HOME Open Activities Report, is the PJ ering required data in IDIS timely (e.g., PJ completing ects in IDIS and entering benefits data within 120		
	days	s of final draw)? [24 CFR 92.502(d)(1)]		
Г			ng Open Activities	
			IE Activities Report (PR22) identify projects that are in open	
		Stalled projects. The PJ monitor should determine timely IDIS data entry.	if the project is behind schedule or if there is a problem with	
	ŀ	client/other entity dropped out of a program. HUD made within 12 months of project set-up. (See HOI	piects may be cancelled because activity set-up data was not submitted timely, or a ped out of a program. HUD automatically cancels a project where no disbursements are of project set-up. (See HOME Facts, Vol. 3, No. 1, issued June 2010, http://www.hud.	
		gov/offices/cpd/affordablehousing/library/home	monitor should ensure completion data is entered into IDIS	
L		so activities can be marked as complete.	monitor should ensure completion data is entered into IDIS	
13.	Doe	s the PJ have a system for tracking the progress of		
	proj	ects from commitment to completion and occupancy?		
	□ Y	′es □ No		

14. Does the PJ review the progress of funded entities to ensure that project commitments result in disbursements and, ultimately, completed projects? [24 CFR 92.504(a)]	
☐ Yes ☐ No	
Tracking Projects	
While HUD reports can help the PJ track project progress, the PJ should also have its own system	
to track projects against the PJ's performance benchmarks and timelines. These benchmarks	
should be stated in written agreements when a PJ uses subrecipients, State recipients, contractors,	
and/or CHDOs.	
15. If funded entities are not making adequate progress, does the PJ take action to correct the lack of progress	
(e.g., deobligating and reprogramming funds, provision of technical assistance, etc.)? [24 CFR 92.504(a)]	
☐ Yes ☐ No ☐ N/A	
Deobligating HOME Funds	
The PJ should have procedures in place for deobligating f when an entity is not performing and/or not meeting requ	
benchmarks and timelines. If funds are deobligated, the project file should include documentation of the performa	nce
deficiencies, the terminated written agreement, and repay of HOME funds. (For a discussion of program income	
requirements, see Subsection I of this chapter.)	

C. Written Agreements

Background: A written agreement must be executed with each entity funded with HOME before any HOME funds are committed or disbursed. The agreement should be a concise statement of the relationship between the PJ and the funded entity, and include the conditions under which the HOME funds are provided. A properly written and executed agreement is an extremely valuable management tool for verifying compliance and monitoring performance. It also enables a PJ to protect its HOME investment. Written agreements must be carefully executed in order to cover the various parties and requirements involved in a project.

To fully monitor all the applicable requirements for each type of written agreement, PJ monitors should use the following HUD checklists:

- Exhibit 7-14, Guide for Review of Beneficiary Written Agreements
- Exhibit 7-15, Guide for Review of Contractor Written Agreements
- Exhibit 7-16, Guide for Review of Owner, Developer, Sponsor Written Agreements
- Exhibit 7-17, Guide for Review of State Recipient Written Agreements
- Exhibit 7-18, Guide for Review of Subrecipient Written Agreements.

Regulatory Basis: 24 CFR 92.504



• Sample written agreement(s) between the PJ and funded subrecipients; contractors; State recipients; owners, developers, and sponsors; and beneficiaries

- IDIS and financial records, particularly those with dates for funds committed and first drawn by project
- Amendments to written agreements, if any

HUD Checklist Exhi	ibit 7-2 Selected Excerpts		Notes
subrecipients, contractor disbursing funds? [24 Cl	rners, homebuyers, rental owners, rs, CHDOs) before committing or FR 92.504(b)]		
The PJ monitor mus Have been proper signatures	t verify that written agreements: If yexecuted, with authorized and before or on same day as rawdown dates.		
17. Do the written agreemen [24 CFR 92.504(c)]	its include all required provisions?		
	ate recipients, and contractors) omebuyers and rental project	tain	
□ Yes □ No			
	in scope or financing, has an en en agreement been executed?		
☐ Yes ☐ No	Amending Written Agree PJ monitors should verify that writte amended when there are changes t work, financing, or if HOMErequirem were not fully conveyed in the origin	en agreements are to the scope of tents change or	

D. HOME Subsidy

A number of requirements pertain to the form and amount of the HOME subsidy, including:

- 1. Minimum and maximum HOME investment
- 2. Subsidy layering analysis
- 3. HOME eligible costs
- 4. Forms of assistance

1. Minimum and Maximum HOME Investment

Background: For all HOME activities except TBRA, the minimum amount of HOME funds that must be invested in any project is an average of \$1,000 per HOME-assisted unit in the project.

The maximum per unit HOME subsidy limit varies by PJ and is determined by HUD based on the PJ's Section 221(d)(3) limits. The limit in effect at the time of project or activity commitment is the applicable limit. The maximum per unit subsidy limits are available from the HUD Field Office or online at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/subsidylimits.cfm. For some PJs in high cost areas, the limits have been increased to a maximum of 210 percent of the basic limit. For these PJs, HUD will allow, upon request, an increase in the per unit subsidy amount on a program-wide basis. However, the absolute maximum subsidy limit that HUD

Policies and Procedures Review in Administrative Monitoring

When conducting the administrative monitoring review, the PJ monitor should verify that the PJ has policies, procedures, and/or other systems in place to ensure that its programs comply with several key HOME Program requirements, including:

- HOME subsidy
- HOME affordability
- Housing quality standards
- · Other Federal requirements.

The PJ monitor determines if the PJ, State recipient, or subrecipient complies with these requirements in specific projects in its project monitoring, discussed in Chapters 4-7 of this guidebook, for each of the HOME activity areas.

will allow is 240 percent of the basic 221(d)(3) limits. For more information on using the 221(d)(3) limits, see *HOMEfires*, Vol. 9, No. 9, issued August 2008.

The minimum HOME investment and maximum per unit subsidy limits apply to only the HOME funds invested in the project, for HOME-assisted units.

Regulatory Basis: 24 CFR 92.205 and 92.250

Documentation:

- Program policies and procedures
- HUD 221(d)(3) limits for each HOME Program year under review
- IDIS report PR22, Status of HOME Activities

HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
20. Does the PJ have procedures to adequately ensure that it complies with the minimum HOME investment requirement of 24 CFR 92.205(c) and the maximum HOME investment requirement of 24 CFR 92.250(a)?	
□ Yes □ No	
Verify HOME Investment Amount on IDIS Report PR22	2
For a quick verification of compliance with the minimum and maximum per unit subsidy requirements, the PJ monitor can use the PR22 report which shows the amoun of HOME investment divided by the number of HOME units in a project. Project files should be reviewed to confirm ID.	s
data and to uncover any possible problems.	

2. Subsidy Layering Analysis

Background: Before committing HOME funds to a project that involves an investment of other public funds, a PJ must evaluate the project in accordance with written subsidy layering guidelines to ensure that it will not invest any more HOME funds, in combination with other governmental funds (Federal, State, or local), than are necessary to provide affordable housing.

Regulatory Basis: 24 CFR 92.250

Documentation:

· Subsidy layering policies and procedures

	HUD Checklist Exhibit 7-2 Selected Excerpts	
pro	is the PJ adopted and implemented subsidy layering occdures for examining projects that receive HOME and ner public subsidies? [24 CFR 92.250(b)]	
	Yes □ No □ N/A	
	Coordinating Subsidy Layering Review with Other Pub	lic
	Agencies	
	The PJ may use another governmental entity's (such as a	
	housing tax credit allocating agency's) subsidy layering an	
provided that the analysis reflects the final project financing the total amount of HOME funds, and the number of HOM		٠,
•	assisted units.	_

3. HOME Eligible Costs

Background: HOME funds can be used only to pay HOME eligible costs that are reasonable and customary for the area. The following are general categories of eligible costs. Attachment 3-C provides a detailed description of each of these costs, and any HOME requirements related to them:

- New construction
- Rehabilitation
- Reconstruction
- Conversion
- Site improvements
- Acquisition of vacant land or property
- Demolition of properties
- Relocation costs
- Refinancing
- Capitalization of project reserves
- Project-related soft costs.

Regulatory Basis: 24 CFR 92.206



- Written agreement(s) between the PJ and any funded entities
- PJ policies and procedures related to eligible costs and cost reasonableness reviews

HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
22. Does the PJ have systems to ensure that all costs paid with HOME funds are eligible as outlined in 24 CFR 92.206 – 209? ☐ Yes ☐ No	
Ensuring Cost Eligibility	
The PJ may want to adopt policies that specify what the P considers to be reasonable costs, particularly for line item are often negotiated, such as developers and other professor fees. It must conduct a cost eligibility and reasonablenessof each project prior to paying or agreeing to pay any cost the written agreement between the PJ and any funded enticodify what costs are eligible to be paid with HOME funds	ns that ssional s review s. Finally, tity should
23. Does the PJ have systems to ensure that all costs paid with HOME funds are reasonable? [24 CFR 85.20(b)(5)] ☐ Yes ☐ No	

4. Forms of Assistance

Background: HOME allows virtually any form of financial assistance, or subsidy, to be provided for eligible projects and to eligible beneficiaries. The HOME regulation lists the following forms of subsidy as eligible (described in detail in Attachment 3-D), and requires HUD approval of any other form of assistance:

- Interest bearing loans or advances
- Non-interest bearing loans or advances
- Deferred loans (forgivable or repayable)
- Grants
- Interest subsidies
- Equity investments
- Loan guarantees and loan guarantee accounts.

The PJ decides what forms of assistance it will provide. Some forms of assistance will require legal instruments to implement.

Regulatory Basis: 24 CFR 92.205(b)



- Program policies/procedures
- Sample written agreement between PJ and funded entities
- Consolidated Plan or annual action plan and evidence of HUD approval, if form of assistance requires HUD approval

HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
24. Do PJ policies and procedures specify the eligible forms of HOME assistance (e.g., equity investments, interest bearing and non-interest bearing loans and advances, interest subsidies, deferred payment loans or grants)? [24 CFR 92.205(b)] ☐ Yes ☐ No	
25. If a form of assistance not listed above is used, has it been submitted to HUD in the Consolidated Plan, reviewed	
by HUD Headquarters, and approved by HUD? [24 CFR 92.205(b)(1)]	
□ Yes □ No □ N/A	
Identify Other Forms of Assistance in Consolidat	ed Plan
If the PJ intends to use a form of assistance not listed	
above, the PJ's Consolidated Plan or annual action should describe the proposed form of assistance.	•
approved by HUD as part of the plan, no other HUD	
approval is required.	

E. HOME Affordability Requirements

Background: Housing affordability in the HOME Program is created through a combination of income restrictions and rent and/or sales price restrictions, as follows:

Income restrictions

- Each PJ must use 100 percent of its HOME funds to assist low-income households. A low-income household has an annual gross income at or below 80 percent of the area median income, as determined by HUD and adjusted for household size.
- For rental housing, for each annual HOME allocation that the PJ receives, 90 percent or more of the households initially assisted through all the PJ's rental housing programs combined (rental acquisition/development and tenant-based rental assistance) must have annual gross incomes at or below 60 percent of area median income ("the program rule"). Further, for rental properties with five or more HOME-assisted units, at least 20 percent of the units must be occupied by very low-income households ("the project rule"). A very low-income household has an annual gross income at or below 50 percent of the area median income, as determined by HUD and adjusted for household size.

Rent/Sales Price Restrictions

- The rents for HOME-assisted units cannot exceed HUD-prescribed maximum HOME rents. HOME rents represent the maximum that tenants can pay for rent and utilities combined.
- For homeownership activities, the purchase price (for acquisition or new construction) or after-rehabilitation value (for rehabilitation) of an assisted home cannot exceed 95 percent of the median purchase price for the area.
- For homebuyer activities, the PJ must impose long-term affordability through resale or recapture provisions. The resale option ensures that the HOME-assisted unit remains affordable over the entire affordability period; the recapture option enables the PJ to recapture all or a portion of the direct HOME subsidy if the property is transferred or sold during the affordability period, so that these funds can be reinvested in other HOME-eligible activities. The PJ's resale or recapture policies must be described in the PJ's Consolidated Plan or annual action plan.

Chapters 4-7 of this guidebook provide guidance to PJ monitors for reviewing specific projects for compliance with the HOME income targeting and affordability requirements for projects in each of the funded activity areas.

Documentation:

- Copies of the HUD income limits for the years being reviewed
- Income policies and procedures, or other program descriptions, that identify the definition of income used for activities
- Rental program policies and procedures or other program materials that identify the rent limits used for activities
- Program procedures that specify how income and rent limits are conveyed to project owners and managers
- Consolidated Plan or annual action plan with resale or recapture provisions
- Homebuyer program policies or procedures that describe the PJ's resale or recapture policies

HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
26. Is the PJ using the current HOME income limits issued by HUD for its HOME-assisted programs? [24 CFR 92.252(a) and 92.254(a)(3)]	
☐ Yes ☐ No	
Ensuring the Use of Current HOME Income L	imits
The PJ's program procedures should specify what income used in a project and who on the PJ's staff is responsible updated income limits to PJ program staff and project ow developers that have responsibility for determining house HUD generally updates income limits in March and publis HOME Program website at http://www.hud.gov/homepro	for distributing ners and hold income. hes them on the
27. Does the PJ have procedures for ensuring that income determinations meet HOME requirements established in 24 CFR 92.203?	
Ensuring Accurate Income-Eligibility Determinat The PJ's procedures should specify that the PJ/subrecipie compare its determination of the household's income with HOME income limits and this worksheet or form showing eligibility must be retained in the project file.	ent must n the current
28. Does the PJ use a single income definition for each	
program that it administers?	
☐ Yes ☐ No	
Income Definitions	
The PJ must choose among three definitions of income, in calculate a household's annual gross income:	order to
• Part 5 (Section 8) definition of annual (gross) income	
IRS definition of adjusted gross income from IRS Long	
U.S. Census Bureau Long Form definition of annual inc	
The PJ can use a different definition for different funded p activities (e.g., TBRA and homeowner rehabilitation), but it same definition for a single program or activity (e.g., the s for determining the household income of every TBRA appli	must use the ame definition

29. If the PJ is undertaking rental activities, is it using the current rent limits? [24 CFR 92.252(a) and (b)]	
☐ Yes ☐ No ☐ N/A	
Ensuring Use of Correct HOME Rent Lim	its
The PJ's program procedures should specify what rent lir project. For projects with five or more HOME-assisted unit have two HOME rent levels: "high HOME rents" and "low Low HOME rent units must be occupied by very low-incor	ts, projects must HOME rents."
Generally, HUD updates income and rent limits in March are posted on the HOME Program website at http://wwhomeprogram/.	
30. Does the PJ have procedures that ensure that rental project	
owners receive current income and rent limits pursuant to	
24 CFR 92.252(f)(2)?	
□ Yes □ No □ N/A	
31. If the PJ undertakes homebuyer assistance, has it established resale or recapture provisions that meet the	
requirements of 24 CFR 92.254(a)(5)(i) or (ii)? [24 CFR 92.254(a)(5)(i)or (iii)]	
☐ Yes ☐ No ☐ N/A	
PJ's Resale or Recapture Guidelines in	
Consolidated Plan	
The PJ is required to describe its resale or recapture provisions in its Consolidated Plan and	
annual action plan. The PJ monitor should check that the provisions in use are consistent with those in the Consolidated Plan.	

F. Housing Quality Standards

Background: HOME-assisted properties must meet certain building codes and quality standards, depending on the activity being undertaken and/or the type of housing. The minimum property standards that apply to each type of HOME activity are provided in Attachment 3-E.

Regulatory Basis: 24 CFR 92.251

Documentation:

- Program policies and procedures that identify the local or national property codes and standards used for each of the PJ's funded activities
- Project review procedures and/or construction oversight procedures that describe the review process for work write-ups or plans and specifications, and procedures for inspections (initial, ongoing, and final) to ensure applicable property codes and standards are met
- Inspection forms
- PJ's written rehabilitation standards

The Housing Quality Standards checklist in this section helps the PJ monitor determine if the PJ has sufficient policies and procedures in place to ensure that HOME-assisted housing meets applicable property standards. To monitor compliance with these standards in specific projects, the PJ monitor should use the checklists provided in Chapters 4-7 of this guidebook, for each HOME activity area.

The following section, *Other Requirements*, discusses property standards for accessibility in HOME-assisted units.

• Sample written agreements between PJ and subrecipient, State recipient, contractors and/or developers (as applicable), or other evidence that the applicable property standards have been conveyed to construction contractors and other partners

	HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
ass cor affo	es the PJ have procedures that ensure that all HOME- sisted units meet applicable property standards at mpletion and, if applicable, throughout the period of ordability pursuant to 24 CFR 92.251? Yes No	
	Construction Oversight	
	Program procedures must specify what property standard activity and must describe the construction oversight procoversight must include the PJ's: Review and approval process for plans and specification. Inspection process (initial, ongoing, and final). Notice to proceed orders. Contractor work requirements (e.g., insurance, bonding Federal excluded parties listing). Retainage policies and requirements for its release. Workmanship guarantees and lien waivers/releases.	pess. Construction ons or work write-ups
me pro	s the PJ adopted written rehabilitation standards (i.e., othods and materials standards) for its rehabilitation organis? [24 CFR 92.251(a)] Yes	
tha acc and the der are wri pool diff all 92	es the PJ have a construction management system at ensures that work is completed and performed in cordance with rehabilitation or construction methods d materials standards, building codes, etc., specified in a construction contract? (Note: Lack of documentation monstrating that initial, progress, and final inspections a performed; no work write-ups or extremely general te-ups; frequent citizen complaints; apparent use of or quality materials; recurrent housing problems; or ficulty maintaining properties in standard condition are possible indicators of problems in this area.) [24 CFR .505(a) and 24 CFR 85.36(b)(2)]	

G. Administrative Costs

Background: No more than 10 percent of the PJ's annual allocation, plus 10 percent of its program income, can be spent on eligible administrative and planning costs.

The PJ can choose to provide administrative funds to a State recipient or subrecipient, subject to this administrative cap. If this is done, the PJ's written agreement should specify the amount and use of the administrative funds. These funds should be accounted for separately from other funds that are provided to the other entity.

Regulatory Basis: 24 CFR 92.207 and 92.505(a)

Documentation:

- Drawdown reports and status reports from IDIS, as well as the HOME website's production reports
- Accounting records such as cash disbursements journal, invoices, and other back-up documentation
- Time and expense reports for staff that show time charged to the HOME Program

HUD Checklist Exhibit 7-21 Selected Excerpts	Notes
36. Does a review of planning and administrative costs subject to the 10% limitation indicate that they have been properly classified? [24 CFR 92.207]	
☐ Yes ☐ No	
Eligible Administrative and Plar	nning Costs
In addition to staff salaries and related costs, other eligib include: Goods and services necessary for administration (e.g., Administrative services under third party agreements (e. Costs related to administering a tenant-based rental as Public information costs Fair housing activities Indirect costs either under a cost allocation plan prepar Office of Management and Budget (OMB) Circular requir approved by the cognizant agency Preparation of the Consolidated Plan, annual action pla Costs of compliance with other Federal requirements.	utilities, office supplies, etc.) e.g., legal services) sistance (TBRA) program red in accordance with applicable rements or with an Indirect Cost Rate

H. Match

Background: Each PJ must make match contributions equaling 25 percent of the HOME funds it expends for certain housing activities each program year. HOME funds expended for program administration, CHDO operating expenses, CHDO capacity-building, and CHDO predevelopment loans forgiven by the PJ are not required to be matched. Match funds must constitute a permanent contribution to housing that is assisted with HOME funds, or to affordable housing that is not HOME-assisted but meets key HOME requirements ("match-eligible").

Regulatory Basis: 24 CFR 92.218, 92.219, 92.220(a) and (b), 92.508(a)(2)(ix)

Documentation:

- Match log and back-up documentation on source, form, and determination of amount of match
- Project files that document commercial vs. residential space and the breakdown of HOME vs. non-HOME units, as applicable
- · Written agreements with property owner/manager of projects that are being counted as match
- File documentation to support date of match credit

	HUD Checklist Exhibit 7-13 Selected Excerpts	Notes
37. Are match contributions eligible (e.g. non-federal contributions to eligible projects made in eligible form)? [24 - CFR 92.219; 24 CFR 92.220(a) and (b)]		
□ Y	es □ No	
	Eligible Forms of Ma	atch
	Permanent contributions to HOME or other affordable hou housing, the following forms of match are eligible:	sing. For investments in HOME-assisted
A	Cash from non-federal resources (such as State or loca foundations, private lenders)	I government, charitable organizations/
	• Forbearance of State and local taxes, charges, or fees	matariala paid for with pap fodoral funda
	 Donated real property, site preparation, or construction Onsite or off-site infrastructure that is paid with non-fed assisted housing 	
	 Proceeds from multi- and single family affordable housin limitations [see 24 CFR 92.220(a)(5)] 	ng project bond financing, with some
	Direct cost of supportive services or homebuyer counse units	eling to families residing in HOME-assisted
	Value of donated labor, professional services, or equipment	nent rentals.
38. If contributions are made to non-assisted units in housing that is partially HOME-assisted, are at least 50% of the units in the project HOME-assisted? [24 CFR 92.219(a)(3)]		
39. If contributions are made to the commercial space in mixed-use projects, is at least 51% of floor space residential and are at least 50% of the dwelling units HOME-assisted? [24 CFR 92.219(a)(4)]		
	Yes □ No □ N/A	
	ontributions are made to housing that is not HOME- sisted, does the housing or tenant-based rental	
ass	sistance (TBRA) meet the requirements for HOME matchgible housing or TBRA? [24 CFR 92.219(b)]	
	Yes □ No □ N/A	
	Match-eligible Housing	
<u>a</u>	Match-eligible contributions to TBRA must be made to ter low- or very low-income; (2) Meet the PJ's tenant selection reasonable rent as determined by the PJ; and (4) Reside Housing Quality Standards.	n criteria; (3) Pay
Ē	Match-eligible contributions to non-HOME affordable house be invested in housing that meets HOME rental or homeorequirements outlined at 24 CFR 92.252 and 92.254, result (1) Occupants must be low-income; (2) Rental housing manage than the HOME rents and remain affordable for the	spectively. This means: ust be rented at no
more than the HOME rents and remain affordable for the affordability period; (3) Homeownership housing must be sold initially at an affordable price, and if sold to a subsequent buyer during the affordability period, must be subject to either resale restrictions or recapture provisions.		ffordable price, and if

41. If contributions are made to housing that is not HOME-assisted, does the PJ have a written agreement with the owner of the housing that imposes and enumerates the affordability requirements and/or tenant protections, as	
applicable. ☐ Yes ☐ No ☐ N/A Written Agreements fo "Match-eligible This written agreement before any match contril made.	must be executed
42. If contributions are made to housing that is not HOME-assisted, are the forms of match eligible for this type of housing (i.e., not infrastructure, waived fees or charges, supportive services, or homebuyer counseling)?	
43. Was the value of each matching contribution calculated properly? [24 CFR 92.220]	
☐ Yes ☐ No ☐ N/A Determining the Value PJ must document the value, contributions and the provalue, and must retain so substantiate the value.	ocess for determining
44. Were the match contributions credited at the time the contributions were made? [24 CFR 92.220] ☐ Yes ☐ No	
45. Does the PJ have a running match log indicating the type and amount of match contributions and the date credited? [24 CFR 92.508(a)(2)(ix)] ☐ Yes ☐ No	
The match log must be in sufficient detail for the PJ to en requirement will be met by the end of each Federal progra. The PJ should maintain source documentation to back up HUD Notice CPD-97-03, HOME Program Match Guidance, (27, 1997) includes a sample HOME Match Log to help PJ maintain effective match tracking systems.	the match log. (issued March
46. Do the match log and other records indicate that the PJ has met its annual match requirement [for the] program year reviewed? [24 CFR 92.218] ☐ Yes ☐ No	
47. Has the PJ adequately documented the eligibility and value of match contributions? [24 CFR 92.219; 24 CFR 92.220; 24 CFR 92.221 and 24 CFR 508(a)(2)(ix)] ☐ Yes ☐ No	

I. Program Income, Repayments, and Recaptured Funds

Background: Program income that is generated by the use of HOME funds must be used by the PJ, State recipients, or subrecipients for HOME-eligible uses. Up to 10 percent of program income that is deposited into the PJ's local account or received and reported by its State recipients or subrecipients during the program year can be used for eligible administrative and planning costs.

The PJ can permit its State recipients and subrecipients to retain program income to carry out HOME-eligible activities, provided it so specifies in its written agreement. Program income that is received by the PJ must be expended before additional HOME funds are drawn down from the U.S Treasury. Further, program income that is received by the PJ must be reported properly in IDIS.

On a program-wide basis, PJ monitoring staff should ensure that written agreements with State recipients and subrecipients specify that any amount of funds recaptured as a result of a homebuyer property being sold within the affordability period must be used for HOME projects in accordance with all HOME rules.

- The agreements should specify that if recaptured funds are retained that these funds must be spent before additional HOME funds are requested from the PJ.
- PJs may instead require that some or all of these entities return recaptured funds to the PJ, in which case the PJ itself must then use the funds in accordance with all HOME rules, and must spend these funds before requesting additional funds from the U.S. Treasury.

Regulatory Basis: 24 CFR 85.20 and 24 CFR 92.502(c)(2), 92.504(c)(2(iii), 92.505(a), 92.508(a)(5)(iii)

Documentation:

- Cash receipts journal
- Cash disbursements journal
- Program procedures
- Written agreements between the PJ and funded entities
- IDIS reports PR27, PR05, and PR09
- Accounting records, including HOME draw information
- Program income reports
- Monitoring reports/correspondence related to review of program income records of subrecipients or State recipients
- CAPER (or PER for States)
- Loan servicing reports

	HUD Checklist Exhibit 7-2 Selected Excerpts	Notes	
ар	pes the PJ maintain records regarding the source and application of program income, repayments, and recaptured ands? [24 CFR 92.508(a)(5)(iii)]		
	Yes □ No		
	Burton Income Brown		
		tured Funds, and Repayments	
	Program income is the gross income received by a PJ, Sta HOME funds or matching contributions. Program income in	ate recipient, or subrecipient directly generated from the use of ncludes, but is not limited to:	
Proceeds from the sale or long-term lease of real property acquire matching contributions		rty acquired, rehabilitated, or constructed with HOME funds or	
	 Income from the use or rental of real property owned by a PJ, State recipient, or subrecipient that was acquired, 		
		ing contributions, minus the costs incidental to generating that	
	Payments of principal and interest on loans made with I or obligations secured by loans made with HOME or ma	HOME or matching funds, and proceeds from the sale of loans	
	Interest on program income	torning contributions	
	Any other interest or return on the investment of HOME	and matching funds	
	I Total Control of the Control of th	ains consortium program income – even if those activities were	
þ	carried out in, or by, a jurisdiction that has left the cons	the second secon	
	Program income must be used for HOME-eligible activities	, and up to 10% of the program income in a given year can be	
	used to pay eligible administrative and planning costs.		
Recaptured funds are any amount of HOME funds that are recaptured wher			
	affordability period. These funds must be used for HOME projects (not administration) in accordance with all HOME rules.		
Repayments are funds returned for housing that does not meet the affordability requirements for the duration affordability period, or for funds invested in a project that was terminated prior to completion. Repayments are			
	back to whichever HOME account they were drawn from (either the local HOME Investment Trust Fund or the Treasury		
	HOME Investment Trust Fund). See CPD Notice 97-09, HO Proceeds (September 12, 1997) for more information.	ME Program Income, Recaptured Funds, Repayments and CHDO	
	Proceeds (September 12, 1997) for more information.		
	HUD Checklist Exhibit 7-20 Selected Excerpts	Notes	

HUD Checklist Exhibit 7-20 Selected Excerpts	Notes
49. Are revenue-generating activities being undertaken?	
☐ Yes ☐ No The PJ, State recipient, or subrecipient must track how	
much money has been generated in the time period between the start of the PJ's program year and the date of	
the monitoring. (Looking at the current year's budget may not evidence revenue-generating activities as the income	
could be coming from prior year activities.)	

50.	. If revenue-generating activities are being undertaken, has the PJ established revenue accounts to record program income?		
	□ Yes □	No	
	The PJ, State recipient, or subrecipient must be able to show how it accounts for the revenue.		
	Chart of Acc PJ must have	d be receivables in the accounting records (and ounts) to record revenues. The key is that the e a mechanism in place to record revenues insaction happens.	
	for which a d	have revenues go into the grant cash account daily cash balance report is available (or om a computerized system).	
	The trial bala	ance should reflect that such accounts are set	
	The annual athe PJ antici	action plan should reflect what program income pated.	
51.		disburse program income to pay program costs ng cash withdrawals from the U.S. Treasury?	
	[24 CFR 92.5		
		No □ N/A whether the cash account is used so that	
	program incom	ome received (principal and interest payments, e, etc.) is used to pay program costs first. If	
	the accounts	as been paid, ask for records or information on 6.	
52.		have a system/procedures for tracking ome received by subrecipients, State recipients	
	or contractor PJ's HOME p	rs administering all or a portion of the rogram? [24 CFR 85.20(b)(3) and 24 CFR	
	92.505(a)] ☐ Yes ☐	No □ N/A	
			State Recipients and Subrecipients
			recipients, subrecipients, and consortium members eturned to the PJ or retained by the other entity. If specific uses.
	- 1	the allowable uses of those funds. If the CHDO	ct proceeds; the written agreement must specify D's project proceeds are returned to the PJ, they are
		considered program income. (See Chapter 2 fo	or further information on project proceeds).
53.	recipients or	come is retained by subrecipients, State contractors administering all of a portion of	
	ensuring tha	AE program, does the PJ have a system for t such income is reported in a timely and	
	accurate ma ☐ Yes ☐		
	⊔ ie5 ⊔	No □ N/A	

54. Upon expiration of any agreements between the PJ and subrecipients, State recipients or contractors, does the PJ					
have a system for ensuring:					
 i. The transfer of any funds to be returned to the PJ; and/or 					
ii. The transfer of outstanding loans or accounts receivable?					
[24 CFR 92.504(c)(2)(vii) and 24 CFR 85.20(b)(3)]					
☐ Yes ☐ No ☐ N/A					
55. Does the program income information in the PJ's official accounting records for the period covered by the most					
recently completed performance report match the information in IDIS? [24 CFR 85.20(b)(1) and 24 CFR					
92.505(a)]					
☐ Yes ☐ No					
Reconciling Local Progr	am Income Records with IDIS				
Monitors should periodically compare local accounting rec	Monitors should periodically compare local accounting records on program income receipts with program income records				
in IDIS. Monitors can use IDIS to print out the <i>Drawdown</i> 1					
	nmary Report identifies the date, amount, type of funds, and ram Income Audit Trail displays an audit trail of program income				
receipts.	an moone hade nam displays an addit dail of program moone				
56. If the PJ provides loans, does it have a system for properly					
servicing all loans (including deferred payment loans and					
loans in a revolving fund) that includes:					
 i. Written loan agreements that clearly describe the repayment terms, what constitutes a default and how 					
it can be cured, and what actions the PJ will take if the					
default is not cured, and (if applicable) what is pledged					
as security for the loan? ii. Collection procedures that provide for the recognition of					
all current amounts due, payments received, notification					
to borrower when payments are overdue, a process for					
taking action on defaulted loans, and criteria for writing off bad debts?					
☐ Yes ☐ No ☐ N/A					

J. Other Requirements

Background: Other Federal requirements include:

- Equal opportunity and fair housing
- Affirmative marketing
- Minority and women's business outreach
- Environmental review
- Acquisition, relocation, displacement, and one-for-one replacement of housing
- Labor standards
- Lead-based paint
- Debarment and excluded parties check.

The administrative monitoring review focuses on whether the PJ is cognizant of the other Federal requirements that apply to its HOME activities, and whether it has a system in place to ensure that those requirements are met. For an in-depth review of how effective these systems are and whether these requirements are met for specific projects, PJ monitors should use the HUD monitoring guidance in the *CPD Grantee Monitoring Handbook*, available online at http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm#7:

- · Chapter 21: Environmental Monitoring
- · Chapter 22: Fair Housing and Equal Opportunity
- · Chapter 23: Labor Standards Administration
- · Chapter 24: Lead-based Paint Monitoring
- · Chapter 25: Relocation and Real Property Acquisition
- · Chapter 27: Flood Insurance Protection.

These requirements are also covered in Chapters 4-7 of this guidebook, for evaluating compliance in specific projects for each of the four HOME activities.

Regulatory Basis: 24 CFR 92.251(a)(3), 92.351-92.355, and 92.525(a)

Documentation:

- Program procedures that identify requirements for accessibility standards
- Inspection forms (initial, ongoing, and final) and work write-ups or plans and specifications
- PJ's affirmative marketing policy
- Affirmative marketing procedures, required forms, and recordkeeping requirements
- Environmental review program procedures, required forms, and recordkeeping requirements
- Acquisition and relocation program procedures, required forms, and recordkeeping requirements
- PJ's Anti-displacement and Relocation Assistance Plan
- Labor standards program procedures, required forms, and recordkeeping requirements
- Lead-based paint program procedures, required forms, and recordkeeping requirements
- Flood area review procedures, required forms, and recordkeeping requirements
- Flood plain map showing areas that have been designated

HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
57. Does the PJ have a system to ensure that projects meet the accessibility standards of Section 504, as applicable, pursuant to 24 CFR 92.251(a)(3)? ☐ Yes ☐ No ☐ N/A	
58. Does the PJ have procedures to ensure that the following requirement, if applicable, [is] incorporated into its programs and projects: Affirmative marketing pursuant to 24 CFR 92.351?	

59. Does the PJ have procedures to ensure that the following requirement, if applicable, [is] incorporated into its programs and projects: Environmental review pursuant to 24 CFR 92.352? (This determination may be based upon the use of appropriate exhibits in Chapter 21; on the projects sampled; or by use of staff interviews and other verification methods.) ☐ Yes ☐ No ☐ N/A	
60. Does the PJ have procedures to ensure that the following requirement, if applicable, [is] incorporated into its programs and projects: Relocation pursuant to 24 CFR 92.353? ☐ Yes ☐ No ☐ N/A	
HUD Checklist Exhibit 20-1 Selected Excerpts	Notes
61. Is there evidence to show that the jurisdiction: Has in effect and has been following a residential anti-displacement and relocation assistance plan? [24 CFR 91.525(a); the certification]	
HUD Checklist Exhibit 7-2 Selected Excerpts	Notes
HUD Checklist Exhibit 7-2 Selected Excerpts 62. Does the PJ have procedures to ensure that the following requirement, if applicable, [is] incorporated into its programs and projects: Labor standards pursuant to 24 CFR 92.354? □ Yes □ No □ N/A	Notes
62. Does the PJ have procedures to ensure that the following requirement, if applicable, [is] incorporated into its programs and projects: Labor standards pursuant to 24 CFR 92.354?	Notes Notes

K. Recordkeeping

Background: The PJ and all its HOME-funded entities (especially its State recipients, subrecipients, and contractors) must retain written and/or electronic records to document compliance with HOME requirements. At a minimum, the following records must be maintained by the PJ to remain in compliance with the HOME regulations:

- **PJ designation.** Records concerning designation as a PJ (e.g., award letters from HUD for each program year)
- **Program records,** including:
 - Efforts to maximize participation by the private sector as required by 24 CFR 92.200
 - Forms of assistance used
 - Subsidy layering guidelines (See HUD Notice CPD 98-01, Layering Guidance for HOME Participating Jurisdictions When Combining HOME Funds With Other Government Subsidies, issued January 22, 1998.)
 - Multifamily refinancing guidelines, if applicable
 - Procedures for establishing 95 percent of median purchase price for the area (homebuyer and homeowner programs only)
 - Resale/recapture guidelines (homebuyer programs only)
 - TBRA records, including: Consolidated Plan TBRA certification; market conditions/needs assessment; selection
 policies and criteria; supporting documentation if using preferences; and rent standards and minimum tenant
 contribution
 - Compliance with requirement that initially, for each annual HOME allocation, 90 percent of assisted families in rental housing (including rental development and TBRA programs combined) have annual gross incomes at or below 60 percent of median
 - Compliance with matching requirements including a match log
 - Records documenting compliance with the following: 24-month commitment deadline; minimum fifteen percent set-aside for CHDO eligible activities; and 10 percent cap on administrative and planning costs.
- Project records. See Chapters 4-7 of this guidebook for discussion of recordkeeping requirements for each HOME-funded activity.
- CHDO records. See Chapter 2 of this guidebook for a discussion of CHDO recordkeeping requirements.
- Financial records.
- Program administration records, including:
 - Written agreements
 - Documents to demonstrate compliance with applicable uniform administrative requirements
 - Reports and correspondence related to inspections, monitoring reviews and audits, and resolution of any findings or concerns.
- Other Federal requirement records. See applicable HUD checklists, as identified in Chapters 4-7 of this guidebook for each HOME activity.

Regulatory Basis: 24 CFR 92.508

Documentation:

- Policies and procedures regarding recordkeeping and records retention
- Program and project records

HUD Checklist Exhibit 7-2 Selected Excerpts				Notes	
66. Does the PJ have an adequate recordkeeping policy? ☐ Yes ☐ No					
Recordkee The PJ should have a recordkeepi	eping Policy				
Lists what records to keep	ing policy that.				
Specifies in what form the rechard copy)					
Identifies where records are kSpecifies the records retention	•	ked files)			
In addition, the PJ should articula in written agreements with State	_				
contractors; and owners, develop	ers, and sponsors.				
67. Does the PJ maintain records to dem					
with HOME requirements? [24 CFR 9 ☐ Yes ☐ No	2.506]				
Spot Sampling to A	ssess Recordkeeping Pr	actices			
PJ monitors should conduct spot recipient, subrecipient, or contract					
Records must be organized to pe must be complete and contain al					
HOME Program requirements hav					
68. Are records retained for the time per	iods specified in the				
HOME final rule? [24 CFR 92.508(c)]					
☐ Yes ☐ No	Records R	otontion I	Poriodo		
Generally, HOME-related records n	nust be retained for five y	ears after	project com		vever, must be
Rental. General records must be and inspection information must					
Homeownership. Homeowners records must be kept for the full full forms.		-		oject completion. Resale ar	nd recapture
TBRA. TBRA records must be k	cept for five years after re	ntal assist	ance ends.		
Written Agreements. Generally	_				
Displacement and Acquisition. those displaced.	. Displacement and acqu	isition reco	ords must be	e kept for five years after fil	nal payment to
69. Does the PJ have a policy that provid					
representatives and the general public with reasonable and timely access to its records?					
☐ Yes ☐ No	Access to Rec	ords]
Citizens, public agencies, and oth	er interested parties sho	uld have re			
consistent with applicable State a			_		
the use of HOME funds of any PJ, transcript purposes.	•		_	•	

Attachment 3-A

Using HUD Reports to Manage HOME Funds and Track Progress

HUD issues a number of reports that can help PJ staff track the progress of the PJ's projects.

- Deadline Compliance Status Report. HUD posts this report on the Internet at http://www.hud.gov/offices/cpd/affordablehousing/reports/index.cfm. This report is used to verify that the commitment, CHDO reservation, and expenditure amounts are equal to or greater than the cumulative HOME allocation amount. If this report shows an existing shortfall, the PJ should verify the accuracy and timeliness of its IDIS data entries and review written agreement documentation. If the shortfall is due to problems with IDIS reporting, then the PJ should work with its HUD representative to correct the information. Otherwise, the PJ should try to commit, reserve for CHDOs, or expend its shortfall amounts as quickly as possible in order to meet HUD deadlines.
- **IDIS Report PR27**, *Status of HOME Grants Report*. The PR27 contains basic financial information on HOME grants; subgrants; and subfunds including commitments, disbursements, administrative funds; and CHDO reservations. The PJ should periodically review the following data:
 - Status of Commitments from Authorized Funds helps the PJ determine if all of its funds are committed for older years.
 - *Status of Disbursements* shows if funds being drawn in a timely fashion. This is especially important if the PJ is expending its own funds first and drawing down for reimbursement.
 - HOME Activities Commitments/Disbursement identifies if funds available are being committed to activities, and if committed funds committed are being drawn.
 - CHDO Funds identifies the status of CHDO funds, including whether CHDO funds available are fully reserved, whether funds reserved for CHDOs are committed to activities, and if funds committed to CHDO activities are being disbursed.
- **IDIS Report PR22**, *Status of HOME Activities Report*. The PR22 provides the status of each activity (a specific HOME project) entered into IDIS. This report can be used in a number of ways:
 - If the PR27 indicates a slow rate of disbursement, the PJ can review the PR22 and compare the commit date (date the activity was set up in IDIS) to the amount drawn and status date to identify which activities are experiencing slow disbursements.
 - Review the activities that are designated as open ("OP") and identify the stalled projects (where the last activity status date is greater than six months old and/or no draws have occurred). PJ staff should seek additional information to determine the cause of inactivity.
 - Identify any cancelled activities ("XX"), or whether there are a large number of cancelled activities. PJ staff should seek additional information about the nature and cause of the cancelled activities. While an occasional canceled project is not typically cause for concern, if there are a number of cancelled projects, there may be problems with the PJ's up-front project underwriting, project selection, or project commitment process.
 - Identify activities that are designated as final draw ("FD") where the status date is greater than 120 days. These projects should be completed ("CP") and beneficiary data should be submitted and entered into IDIS. PJ monitors should follow up to secure this information and complete the project.
- *Open Activities Report.* This report is posted on the Internet at http://www.hud.gov/offices/cpd/affordablehousing/reports/open/. This report is generated using the same data that is reported on the PR22 report, discussed above; however, this information is based on monthly data. Monitors can use this report or download a more recent copy of the PR22 to pinpoint the most current activity performance issues.
- IDIS Report PR25, *Status of CHDO Funds by Fiscal Year*. The PR25 is a high level report that displays CHDO funds reserved, committed to activities, and disbursed by fiscal year. This report can be used to analyze whether funds are being committed to activities in a timely manner, whether funds are being spent in a timely manner, and whether any CHDO activities are stalled.

Attachment 3-B

Provisions in Written Agreements

✓ Required provision

+ Recommended provision

NA Not applicable

	PJ Agreement With						
Required Provisions (§92.504)	State Recipients	Subrecipients	Project Owners, Sponsors, Developers	Contractors	Homebuyers	Homeowners	Tenants Receiving TBRA
Use of HOME Funds	✓	✓	✓	✓	✓	✓	+
Description of the Project	+ as applicable	+ as applicable	+	+ as applicable	+	NA	NA
Roles and Responsibilities	+	+	+	+	+	NA	NA
Performance Standards	+	+	+	+	NA	NA	NA
Affordability (§92.252 or §92.254)	✓ as applicable and convey to 3rd parties	+ as applicable and convey to 3rd parties	✓	Convey to 3rd parties, as applicable	√	NA	NA
Project Requirements (as applicable in Subpart F)	✓ as applicable and convey to 3rd parties	+ as applicable and convey to 3rd parties	✓	+ as applicable and convey to 3rd parties	₹ §92.254(a) only	₹ §92.254(b) only	▼ §92.209 and §92.253 only
Property Standards (§92.251 and §92.355)	+ Convey to 3rd parties as applicable	+ Convey to 3rd parties as applicable	✓	+ Convey to 3rd parties as applicable	NA	√	NA
Other Federal Requirements (Subpart H except §92.352 and §92.357)	√	√	✓	✓ except §92.505, §92.506, and §92.352	NA	NA	NA
Affirmative Marketing (§92.351)	√	√	✓	+ as applicable and convey to 3rd parties	NA	NA	NA
Conflict of Interest	+	+	+	+	NA	NA	NA
Program Income	✓	✓	NA	NA	NA	NA	NA
Uniform Administrative Requirements (§92.505)	√	√	NA	NA	NA	NA	NA
Requests for Disbursement of Funds	√	✓	✓	+ as applicable	NA	NA	NA
Reversion of Assets	+	✓	NA	+ as applicable	NA	NA	NA
Records and Reports	✓	✓	✓	+ as applicable	NA	NA	NA

✓ Required provision

+ Recommended provision

NA Not applicable

		ca provision		idea provision	ин посарр			
		PJ Agreement With						
Required Provisions (§92.504)	State Recipients	Subrecipients	Project Owners, Sponsors, Developers	Contractors	Homebuyers	Homeowners	Tenants Receiving TBRA	
Monitoring	+	+	+	+	+	+	+	
Enforcement of the Agreement (§92.252, 92.254 and 24 CFR Part 85 as applicable)	√	√	√	+ as applicable	NA	NA	NA	
Duration of the Agreement	✓	✓	✓	✓	+	+	+	
Conditions for Religious Organizations (§92.257)	+ convey to 3rd parties as applicable	+ convey to 3rd parties as applicable	✓	+ convey to 3rd parties as applicable	NA	NA	NA	
CHDO Provisions (§92.300 and §92.301)	+ convey to 3rd parties as applicable	+ convey to 3rd parties as applicable	√	+ convey to 3rd parties as applicable	NA	NA	NA	
Close-out Requirements	+	+	+	+	NA	NA	NA	

Attachment 3-C

HOME Eligible Costs

The following costs are eligible HOME costs:

- New construction. HOME funds may be used for new construction of both rental and ownership housing. Any
 project that includes the addition of dwelling units outside the existing walls of a structure is considered new
 construction.
- **Rehabilitation.** This includes the alteration, improvement, or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure, but adding a housing unit is considered new construction.
- **Reconstruction.** This refers to rebuilding a structure on the same lot where housing is standing at the time of project commitment. HOME funds may be used to build a new foundation or repair an existing foundation. Reconstruction also includes replacing a substandard manufactured house with a new manufactured house. During reconstruction, the number of rooms per unit may change, but the number of units may not.
- Conversion. Conversion of an existing structure from another use to affordable residential housing is usually classified as rehabilitation. If conversion involves additional units beyond the walls (envelope) of an existing structure, the entire project will be deemed new construction. Conversion of a structure to commercial use is prohibited.
- Site improvements. Site improvements must be comparable with improvements to surrounding standard projects. This would include developing new, onsite improvements (sidewalks, utility connections, sewer and water lines, etc.) where none are present. Building new, off-site utility connections to an adjacent street is also eligible. Off-site infrastructure is not eligible as a HOME expense, but may be eligible for match credit.
- Acquisition of property. Acquisition of existing standard property, or substandard property in need of rehabilitation, is eligible as part of either a homebuyer program or a rental housing project.
- Acquisition of vacant land. HOME funds may be used for acquisition of vacant land only if construction will begin on a HOME project within 12 months of purchase. Land banking is prohibited.
- **Demolition.** Demolition of an existing structure may be funded with HOME funds if construction will begin on the HOME project within 12 months.
- **Relocation costs.** The Uniform Relocation Act and Section 104(d) (also known as the Barney Frank Amendments) apply to all HOME-assisted properties. Both permanent and temporary relocation assistance are eligible costs. Staff and overhead costs associated with relocation assistance are also eligible.
- Refinancing. HOME funds may be used to refinance existing debt on single family, owner-occupied properties in
 connection with HOME-funded rehabilitation. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted.
 HOME may also be used to refinance existing debt on multifamily projects being rehabilitated with HOME funds, if
 refinancing is necessary to permit or continue long-term affordability, and is consistent with PJ-established refinancing
 guidelines.
- Capitalization of project reserves. HOME funds may be used to fund an initial operating deficit reserve for new construction and rehabilitation projects for the initial rent-up period. The reserve may be used to pay for project operating expenses, scheduled payments to a replacement reserve and debt service for a period of up to 18 months.
- **Project-related soft costs.** HOME funds may be used for project-related soft costs. These must be reasonable and necessary. Examples of eligible project soft costs include: finance-related costs; architectural, engineering, and related professional services; homebuyer counseling, provided the recipient of counseling ultimately becomes the owner of a HOME-assisted unit; project audit costs; affirmative marketing and fair housing services to prospective tenants or owners of an assisted project; and PJ staff costs directly related to projects (not including TBRA).

Attachment 3-D

Eligible Forms of Assistance

The following are eligible forms of HOME assistance:

- **Interest bearing loans or advances.** These loans are amortizing loans. Repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal and interest is repaid.
- Non-interest bearing loans or advances. The principal amount of such loans is paid back on a regular basis over time, but no interest is charged.
- **Deferred loans (forgivable or repayable).** These loans are not fully amortized. Instead, some, or even all, principal and interest payments are deferred to some point in the future. Deferred loans can be structured in many different ways.
- **Grants.** Grants are provided with no requirement or expectation of repayment.
- **Interest subsidies.** This is usually an up-front discounted payment to a private lender in exchange for a lower interest rate on a loan. An interest subsidy may also be a deposit in an interest-bearing account from which monthly subsidies are drawn and paid to a lender along with the homeowner's monthly payment.
- Equity investments. An equity investment is an investment made in return for a share of ownership. Under this form of subsidy, the PJ acquires a financial stake in the assisted property and is paid a monetary return on the investment if money is left after expenses and loans are paid.
- Loan guarantees and loan guarantee accounts. HOME funds may be pledged to guarantee loans or to capitalize a loan guarantee account. A loan guarantee or a loan guarantee account ensures payment of a loan in case of default.

Other forms of assistance require HUD approval. If the PJ intends to use a form of assistance not listed above, the PJ's Consolidated Plan or annual action plan should describe the proposed form of assistance. Once approved by HUD as part of the plan, no other HUD approval is required,

Attachment 3-E

Summary of Applicable Property Standards by Activity

Activity	Minimum Property Standard to be Met
Tenant-based rental assistance	Section 8 HQS
Acquisition of existing housing (no rehabilitation or construction)	Applicable State or local housing quality standards and code requirements if no local standards/codes apply, Section 8 HQS
Rehabilitation of housing	Local written rehabilitation standards and
	State and local code requirements and if no local codes apply, one of the following national model codes: ¹
	Uniform Building Code (ICBO)
	National Building Code (BOCA)
	Standard Building Code (SBCCI) or
	Council of American Building Officials one- or two-family code (CABO) or
	Minimum Property Standards at 24 CFR 200.925 or 200.926 (FHA) and
	Handicapped accessibility requirements, where applicable.
New construction of housing	State and local code requirements, or if no State and local codes apply, one of the following national model codes:
	Uniform Building Code (ICBO)
	National Building Code (BOCA)
	Standard Building Code (SBCCI) or
	Council of American Building Officials one- or two-family code (CABO) or
	 Minimum Property Standards (FHA) at 24 CFR 200.925 (for multifamily) or 200.926 (for one- and two-unit dwellings)
	International Energy Conservation Code
	Handicapped accessibility requirements, where applicable
	New construction of rental housing must meet site and neighborhood standards at 24 CFR 893.6(b)
New manufactured housing	Construction and Safety Standards of 24 CFR 3280
	Installation in accordance with State or local codes or the manufacturer's written instructions

Since the promulgation of the HOME Program regulations, these code issuing agencies have merged to form the International Code Council (ICC). The model codes used for the HOME Program are no longer being updated. In their stead, the ICC has issued the International Building Code. HUD will consider whether changes to the HOME regulations incorporating the International Building Code are appropriate. The HOME Program web page provides updated information on all HOME requirements. (See http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.) For more information about the International Building Code, see http://www.iccsafe.org.

Chapter 4: Homeowner Rehabilitation Programs

This chapter describes how to monitor HOME-funded homeowner rehabilitation programs. It is organized into sections that correlate to the three key stages of monitoring:

- Section 1. Pre-monitoring (program design and operations). Pre-monitoring is a systematic way for the PJ to gather background information on the program's administration. It helps the PJ assess if the program administrator has policies and procedures in place to facilitate HOME compliance and helps the PJ prepare for a monitoring site visit.
- Section 2. Project (or case file) monitoring. The core of the PJ's monitoring, project monitoring is a systematic way to review specific case files to assess whether the program administrator follows its procedures in a consistent way while implementing the program, and whether each case is in compliance with the HOME requirements.
- **Section 3. Program monitoring.** Program monitoring is a systematic way to review the overall performance and compliance of the program. It helps the PJ to identify patterns and trends in the program, and helps the PJ draw conclusions about the program administrator's policies, procedures, practices, and outcomes.

A homeowner rehabilitation program can be administered by the PJ itself, or by a subrecipient, State recipient, or contractor. This chapter uses the term "program administrator" to refer to any of these entities.

Basis of this Chapter

The checklists in this chapter are based on HUD Checklist Exhibits 7-0 (HOME Pre-monitoring Preparation for Homeowner Rehabilitation), Exhibit 7-3 (Guide for Review of Homeowner Rehabilitation Projects), and Exhibit 7-4 (Guide for Review of Homebuyer Programs). The HUD checklist questions cited in this chapter have been revised slightly for use by the PJ, rather than HUD. The numbering is sequential for all questions; the original HUD checklist numbering has not been retained. Questions that are denoted with the icon \clubsuit have been added to facilitate a PJ's review; these questions are not on the HUD checklists.

Complete copies of the HUD checklists are found in the *CPD Grantee Monitoring Handbook*, available online at http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm#7. Chapter 7 of this handbook covers the HOME Program.

Framework for the Monitoring Review

This chapter provides guidance on monitoring the key HOME Program requirements of a homeowner rehabilitation program and the checklists in this chapter can be used instead of the HUD checklists found in the *CPD Grantee Monitoring Handbook*. In addition to the key HOME requirements covered in this chapter, there are a number of additional requirements that the PJ monitor needs to review to conduct a comprehensive monitoring review of a homeowner rehabilitation program:

- **Program Administration.** To monitor requirements related to the administration and management of the program, refer to other chapters of this guidebook, depending on what entity administers the program:
 - Use Chapter 2, Section 2 of this guidebook to monitor the State recipients' and subrecipients' compliance with applicable uniform administrative requirements, and the PJ's management and oversight of these funded entitites when these entities administer the program.
 - Use Chapter 3 of this guidebook to monitor the PJ's administrative and management systems. This should be done regardless of how the homeowner rehabilitation program is administered.

- Written Agreements. To monitor whether the HOME written agreement adequately conveys HOME requirements and whether it is enforceable, use one of the following HUD checklists, depending on what type of entity administers the program.
 - Exhibit 7-15, Guide for Review of Contractor Written Agreements, when a contractor administers program
 - Exhibit 7-17, Guide for Review of State Recipient Written Agreements, when a State recipient administers program
 - Exhibit 7-18, *Guide for Review of Subrecipient Written Agreement*, when a subrecipient administers program.

In addition, regardless of who administers the program, the PJ monitor should review the written agreement with the assisted homeowner. To do this, it can use the following HUD Checklist:

 Exhibit 7-14, Guide for Review of Beneficiary Written Agreements. The guidebook has adapted the HUD monitoring checklists for key HOME Program requirements for use by the PJ when it monitors itself and its funded entities. For these areas of review, the PJ monitor is directed to other chapters of this guidebook. For some areas of review (such as other Federal requirements, procurement, and written agreements), the HUD checklists have not been adapted for PJ use and the PJ monitor is directed to the HUD checklists in the *CPD Grantee Monitoring Handbook*. The PJ monitor should be able to use these HUD checklists in their existing form.

- Other Federal Requirements. There are several cross-cutting Federal requirements that apply to homeowner rehabilitation activities, and the PJ monitor should use the following HUD checklists to monitor those aspects of compliance:
 - Exhibit 21-1, Guide for Environmental Review of the Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grants, and Housing for Persons With AIDS Programs by the Community Planning and Development (CPD) Representative
 - Exhibit 22-3, *Guide for Review of Civil Rights-Related Program Requirements for the HOME Investment Partnerships Program*, Sections B (beneficiary data) and D (minority and women's business enterprise)
 - Exhibit 24-1, Guide for Review of Lead-based Paint Compliance in Properties Receiving Federal Rehabilitation Assistance.
 - Exhibit 27-1, Guide for Review of Flood Insurance Protection.

Resources

The following attachments are provided at the end of this chapter to facilitate the monitoring review:

- Attachment 4-A: Client File Form Homeowner Rehabilitation
- Attachment 4-B: Summary of Lead-based Paint Requirements for Homeowner Rehabilitation
- Attachment 4-C: Summary of Key HOME Homeowner Rehabilitation Rules and How to Document
- Attachment 4-D: Other Federal Requirements for Homeowner Rehabilitation.

Section 1. Pre-Monitoring Review: Design and Operation of the Homeowner Rehabilitation Program

Overview of the Pre-Monitoring Review

Pre-monitoring helps the PJ:

- Gather background information about how the program administrator has designed its homeowner rehabilitation program
- Prepare for an onsite monitoring visit
- Begin to assess whether the program administrator has the necessary policies and procedures in place to administer the program in compliance with the HOME requirements.

Pre-monitoring is not required before every onsite monitoring visit. It is recommended when:

- The program administrator is new
- The PJ monitor is reviewing the program administrator for the first time
- The subject under review appears to pose a high risk.

Organization of this Section

This section reviews key program design and operational requirements of a homeowner rehabilitation program, including:

- A. Participant selection and marketing
- B. Program administration
- C. Income definition
- D. Maximum property value
- E. Property type
- F. Property standards
- G. Loan and/or grant terms
- H. Refinancing
- I. Contractor listings
- J. Client complaints and dispute resolution
- K. Summary of pre-monitoring review results

Instructions

The PJ monitor should copy and use the checklists in this chapter to conduct its pre-monitoring review. For each area of review, the PJ monitor should review relevant documents and answer each checklist question.

The first column, "HUD Checklist Exhibit 7-0 Selected Excerpts," provides the HUD checklist question. It may be adapted somewhat (indicated by the use of [brackets]) for use by PJs.

The second column, "What to Analyze," provides guidance to help the PJ monitor assess compliance.

The third column, "Follow-up Needed at Site Visit," provides space for the PJ monitor to make notes that will facilitate the onsite review. This might be a record of items where a determination of compliance could not be made during pre-monitoring, or a list of questions the PJ monitor will want to ask of the program administrator when on site.

Documentation

- Copy of the HOME regulations found at 24 CFR Part 92
- HOME income limits in effect for the years under review
- Desk review monitoring file, if available
- Written agreement(s) with subrecipient, State recipient, or contractor
- Written agreement between the PJ and the program administrator
- Homeowner rehabilitation program policies and procedures
- Program guide for applicants
- Application form/package
- Participant selection policy

- Marketing procedures/plan
- Marketing advertisements and flyers
- Guidance on how to make income determinations provided by the PJ to State recipient, subrecipient, or contractor, if applicable)
- State, local, or national property codes and standards used for activity
- Written rehabilitation standards
- List of contractors and documentation of qualifications, if available
- Conflict resolution procedures and documentation that any complaints were handled in accordance with such procedures
- Disciplinary procedures for poor performing contractors

A. Participant Selection and Marketing

Background: The HOME Program requires that homeowner rehabilitation programs be administered in an equitable manner and in compliance with fair housing legislation.

Regulatory Basis: 24 CFR 92.350



- Participant selection policy
- Marketing procedures/plan
- Marketing advertisements and flyers
- Application form/package
- Homeowner rehabilitation program policies and procedures

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
Are written informational materials such as marketing materials, informational materials for potential applicants, application forms, etc. about the program available? If "yes" obtain copies. ☐ Yes ☐ No		
2. How are homeowners selected? ☐ First come, first served ☐ Lottery ☐ Other – specify: ☐ Yes ☐ No	If first-come first-served, selection procedures should specify that a date and time must be stamped on each application upon receipt. If lottery, selection procedures should clearly state the date of the lottery draw and that applicants will be notified in writing of outcome. If other, the selection procedures must reflect an equitable process.	

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The PJ monitor should request any documents that it does not have from the program administrator prior to conducting the premonitoring review.

3. Does the program administrator	Selection policy must:	
have a procedures manual that outlines policies with respect to:	State that applicants that are not selected will be notified in writing	
(a) Initial eligibility screenings of applicants	Specifically prohibit unlawful discrimination, favoritism towards	
(b) Program education for homeowners	friends or relatives, and potential conflicts of interest.	
(c) Procedures for notifying	Selection policy should:	
□ Yes □ No	 Specify selection criteria (such as urgency of repairs, needs, income, etc.) 	
	Accurately and clearly explain the income limits of the program	
	 Specify what documentation the applicant must submit to demonstrate that he/she meets the selection criteria. 	
	Marketing should be conducted to reach a full range of potential clients. Marketing materials:	
	Must include fair housing language and logo	
	Should be written in clear and simple terms	
	Should be available in other languages.	
	ianguagos.	

B. Program Administration

Background: The PJ monitor needs to identify who is primarily responsible for the administration of the homeowner rehabilitation program and whether any other entities play a key role in the program's administration.

Regulatory Basis: Recommended



• Written agreement(s) between the PJ and the State recipient, subrecipient, or contractor, if applicable

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
4. Does the PJ directly administer the homeowner rehabilitation program or does it use a subrecipient, State recipient, or contractor for this purpose? □ PJ □ subrecipient □ State recipient □ contractor	The PJ must have a written agreement with the entity carrying out the program administration. The program administrator must have a written agreement with any other entity that it provides HOME funding to administer a portion of the program, if applicable.	

5. Does the program administrator contract with any other entity for services related to the administration of the homeowner rehabilitation program (such as a	
nonprofit organization that might carry out marketing and intake procedures)? Who?	
For what services?	
☐ Yes ☐ No	

C. Income Definition

Background: All HOME funds must benefit low-income households. A low-income household is defined as a household with an income at or below 80 percent of the area median income as determined by HUD, adjusted for household size.

In order to meet this requirement, the program administrator determines the income-eligibility of households assisted with HOME funds. Income-eligibility is based on the anticipated annual income of all family members in the household using one of the following definitions:

- Part 5 (Section 8) definition of annual income
- Internal Revenue Service (IRS) definition of adjusted gross income from IRS Form 1040 Long Form
- U.S. Census Bureau Long Form definition of annual income.

Regulatory Basis: 24 CFR 92.203

Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Guidance on income determinations provided by the PJ to the State recipient, subrecipient, or contractor, as applicable
- Program administrator's policies and procedures identifying the definition of income used for the activity
- Copies of the HUD income limits in effect for the year(s) under review

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
What definition of income is being used for the homeowner rehabilitation program?	The PJ must instruct the program administrator about which definition must be used (ideally, in the written	
☐ Part 5 (Section 8) definition of annual income	agreement). The same definition of income must be	
☐ Internal Revenue Service (IRS) definition of adjusted gross	used consistently within the homeowner rehabilitation program.	
income from IRS Form 1040 Long Form	The PJ should provide guidance on how to use the definition.	
☐ U.S. Census Bureau Long Form definition of annual income	The program administrator's policies and procedures should require staff to use	
	the PJ-adopted definition of income in its income-eligibility determinations.	
7. Obtain the HUD income limits for year(s) being monitored [24 CFR		
92.203(b)] Applicable years:		
——————————————————————————————————————		

D. Form of Assistance

Background: Typically, the PJ determines what form of assistance is provided to the homeowners, and communicates this to the program administrator. HOME allows virtually any form of financial assistance, or subsidy, to be provided for eligible projects and to eligible beneficiaries, including:

- Interest bearing loans or advances. These loans are amortizing loans. Repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal and interest is repaid.
- **Non-interest bearing loans or advances.** The principal amount of such loans is paid back on a regular basis over time, but no interest is charged.
- **Deferred loans (forgivable or repayable)**. These loans are not fully amortized. Instead, some, or even all, principal and interest payments are deferred to some point in the future.
- **Grants.** Grants are provided with no requirement or expectation of repayment.
- **Interest subsidies.** This is usually an up-front discounted payment to a private lender in exchange for a lower interest rate on a loan. An interest subsidy may also be a deposit in an interest-bearing account from which monthly subsidies are drawn and paid to a lender along with the homeowner's monthly payment.
- Loan guarantees and loan guarantee accounts. HOME funds may be pledged to guarantee loans or to capitalize a loan guarantee account. A loan guarantee or a loan guarantee account ensures payment of a loan in case of default.
- Other forms approved by HUD. Other forms of assistance require HUD approval. If the PJ intends to use a form of assistance not listed above, the PJ's Consolidated Plan or annual action plan should describe the proposed form of assistance. Once approved by HUD as part of the plan, no other HUD approval is required.

Regulatory Basis: 24 CFR 92.205(b)

Documentation:

• Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
8. Does the [program administrator] grant or loan the funds to homeowners? ☐ Grant ☐ Loan		
9. Is the form of assistance permitted by the HOME Program (check applicable form)? Interest bearing loans or advances Non-interest bearing loans or advances Deferred payment loans Grant Interest subsidies Loan guarantee Other form of assistance (Specify:	The program administrator must provide HOME funds in the form of assistance that is specified by the PJ. If "other form of assistance" is used, the PJ must have documentation of this form of assistance in the PJ's Consolidated Plan or annual action plan and must have evidence of HUD approval.	
10. If funds are loaned, what are the loan terms?		

E. Maximum Property Value [203(b) Limit]

Background: The value of a HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area.

At this writing, the Section 203(b) mortgage limits exceed the 95 percent of the median purchase price limits imposed by the HOME Program statute. HUD authorizes PJs to determine their own limits in accordance with procedures described in the HOME regulations at 24 CFR 92.254, or to use the greater of:

- Section 203(b) mortgage limits established as of February, 2008 or
- Actual 95 percent of median sales price limits for their areas.

HUD has published and periodically updates a *Value Limits Spreadsheet* with current limits for each county in the U.S. This is found at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm.

See HUD's HOMEfires, Vol. 10 No. 1, issued January, 2009 for more information on this limit.

Regulatory Basis: 24 CFR 95.254(b)

Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Procedures identifying what 95 percent of median purchase price limits are to be used

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
11. What does the program administrator use to represent the 95% of median purchase price limit? ☐ FHA 203(b) limit (2008 limit) ☐ HUD-determined 95 percent of median purchase price limit from Value Limits Spreadsheet ☐ PJ-determined limit	The PJ must use one of the approved limits—FHA 203(b), HUD-determined 95% of median purchase price, or PJ-determined. If the PJ determines the median purchase price limits, the PJ must have HUD approval to conduct its own market survey. The file should contain evidence that the market survey is updated annually and submitted to HUD for review and approval.	
12. Obtain the figure if the Federal Housing Administration (FHA) 203(b)-determined limits are used or review PJ submission if PJ-determined. [24 CDR 92.254(a)(2)(iii)]		
13. How does the program administrator determine the after-rehabilitation value of the property? ☐ Estimate of value ☐ Appraisal ☐ Tax assessment	These three methods of determining the after rehabilitation value of the property are the only methods approved by HUD. • If using an estimate of value, it must be conducted by a qualified person for the PJ, State recipient, independent contractor, or subrecipient. Project files must contain the estimates of value and document the basis for the value estimates.	
Finding the Purchase Price Limits The HUD-determined 95% of median purchase price limits and the FHA 203(b) limits are available on the HOME Program website at http://www.hud.gov/homeprogram/. Applicable Limit:	 If using an appraisal, it can be prepared by a licensed fee appraiser or by a PJ's staff appraiser. Project files must document the appraised value and the appraisal approach used. If using tax assessment, a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation. Assessments based on a percentage of market value may be used, if adjusted to reflect actual market value. 	

14. Does the program administrator have procedures in place to ensure that the after-rehabilitation value of a property does not exceed 95% of area median purchase price? ☐ Yes ☐ No	The program administrator must have procedures in place that ensure that it determines that the actual afterrehabilitation value is equal to or less than the HUD limits <i>prior to</i> committing any HOME funds.	
15. Does the PJ have procedures in place to ensure that it informs the program administrator of the current after-rehabilitation value limits on an annual basis? ☐ Yes ☐ No	The PJ must inform the State recipient, subrecipient, or contractor of the current after rehabilitation value limits each year.	

F. Property Type

Background: HOME funds can be used to rehabilitate a wide variety of single family structures, with one to four units. Ownership interest must be in fee simple title, 99-year leasehold interest, or cooperative or mutual housing if State law recognizes these as forms of homeownership.

Regulatory Basis: 24 CFR 92.2

Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Program procedures and/or application materials that identify what property types are eligible for the program

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
16. Check applicable property types permitted in the program application materials and policy/	Only these property types are eligible under the HOME Program.	
procedures: Traditional single family housing (one to four units) Condominium unit Cooperative unit Unit in a mutual housing project Manufactured home, including a mobile home Yes No	Single Family Housing with 2 to 4 Units When HOME funds are used to assist units other than the unit that is owner-occupied, these units are subject to the HOME rental housing requirements. See Chapter 6 of this guidebook for guidance on monitoring HOME rental housing.	
17. Has the PJ notified the State recipient, subrecipient, or contractor of the eligible property types? ☐ Yes ☐ No	The PJ must notify the State recipient, subrecipient, or contractor of the eligible property types (ideally through the written agreement).	

18. Does program administrator have policies and procedures in place to ensure that the ownership interest is eligible? ☐ Yes ☐ No	The program administrator must have procedures in place to verify the eligibility of the property (type and form of ownership) prior to committing HOME funds to the project.	

G. Property Standards

Background: HOME-assisted properties must meet all applicable State and local codes or a national model building code if no local codes are present. The PJ must adopt written rehabilitation standards that describe the methods and materials of the rehabilitation work.

Regulatory Basis: 24 CFR 92.251(a)(1)



- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Program administrator's procedures for reviewing work write-ups and inspections to ensure compliance with applicable code and property standards
- State, local, or national code used for activity
- Written rehabilitation standards

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
19. What property standards apply to the homeowner rehabilitation program?		
Obtain copy if monitoring rehabilitation work. [24 CFR 92.251(a)(1)]		
20. Does the PJ have written rehabilitation standards, as required by HOME regulations?	The PJ must communicate the applicable codes and property standards to the State recipient, subrecipient, or contractor (in written agreement).	
	The program administrator's procedures should reflect use of the requisite codes and standards.	
	The program administrator's policies and procedures must ensure that work write-ups or plans and specifications are reviewed for compliance with applicable codes and standards prior to rehabilitation start.	

H. Refinancing

Background: Refinancing is an eligible HOME activity as long as it is done in combination with rehabilitation and refinancing is necessary to reduce the overall housing cost to the owner. Rehabilitation must be the primary use of the HOME funds.

Regulatory Basis: 24 CFR 92.206(b)(1)

Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Procedures that outline the conditions required to qualify for refinancing

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
21. Are HOME funds used to refinance homeowner debt? [24 CFR 92.206(b)(1)] ☐ Yes ☐ No	The written agreement must specify that refinancing can only be undertaken in conjunction with rehabilitation when it is necessary to reduce the owner's housing costs. Application materials should clearly state the program administrator's policy to undertake refinancing only in conjunction with rehabilitation, when it lowers the owner's housing costs. Procedures should describe the program administrator's underwriting guidelines to determine when refinancing is eligible.	

I. Contractor Listing

Background: The construction contractor that carries out HOME-funded rehabilitation work may be selected either by the homeowner, the PJ, or the subrecipient, State recipient, or contractor. The construction contractor must be qualified to perform the work, and must charge a reasonable cost for work performed.

When the PJ, State recipient, or subrecipient selects the contractor, then that entity must comply with Federal procurement rules regarding competitive bidding. It must:

- For bids estimated at over \$100,000, follow requirements for solicitation by sealed bid, including the issuance of a public invitation for bids and an effort made to solicit more than one bid
- For bids estimated below \$100,000, follow informal procurement for small purchase procedures with solicitation of several price quotes, if possible
- Document the reasons each contractor is not selected; and retain the documentation in the files.

When the homeowner or the PJ's contractor selects the rehabilitation contractor, the Federal competitive bidding requirements do not apply. However, a cost reasonableness test must be applied. A staff member of the program administrator who is familiar with the property and with local construction costs and methods should review the homeowner's bid before a contractor is selected.

Some PJs maintain a list of "qualified" contractors. The PJ should have written standards that specify the minimum qualifications and experience a contractor needs in order to be included on the list.

The requirements for State PJs may vary, as the State procurement rules apply.

Regulatory Basis: 24 CFR 92.505 and 24 CFR 85.36

Documentation:

- Procedures that explain how rehabilitation contractors are chosen
- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Procedures that outline how contractors qualify for the list
- List of contractors and documentation of qualifications, if available

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
22. Who selects the contractor? □ PJ □ Homeowner □ Program administrator		
23. Does the program administrator have written policy that explains how contractors are selected?	The written agreement between the PJ and the State recipient, subrecipient, or contractor should clearly state what procurement requirements apply to the selection of contractors in the homeowner rehabilitation program. The program administrator must have procedures that specify what procurement process will be used to select contractors, how contractor qualifications will be evaluated, and that the administrator will verify that a contractor is not included on the Federal excluded parties listing prior to securing its services, and has required bonding and insurance.	
24. (b) Does the [PJ or program administrator] maintain a list of qualified contractors?	The PJ or program administrator should have clearly written criteria that specify the minimum qualifications required of contractors on the list. The PJ or program administrator must have a policy in place that enables qualified contractors to be added to the list on a regular basis (such as through the issuance of a Request for Qualifications).	

J. Client Complaints and Dispute Resolution

Background: Complaints are often the result of a lack of understanding about the program or its procedures. By providing homeowners and contractors with easy-to-understand information about what to expect throughout the rehabilitation process, PJs and their program administrators can minimize conflicts and improve compliance. However, some conflicts are inevitable. PJs should also have conflict/complaint resolution procedures in case of dispute with contractors.

Regulatory Basis: Recommended

Documentation:

- Program guide for applicants
- Conflict resolution procedures and documentation that any complaints were handled in accordance with such procedures
- Disciplinary procedures for poor performing contractors

HUD Checklist Exhibit 7-0/Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
25. Does the [PJ or program administrator] have procedures for resolving disputes between contractors and homeowners? ☐ Yes ☐ No	Dispute resolution procedures should: Describe how complaints will be handled, by whom, and by when Encourage rehabilitation staff to informally resolve conflicts early in the disagreement Turn to third party conflict resolution when program administrator cannot resolve the conflict. It is advisable, (but not required), to require the homeowner and contractor to sign an arbitration clause prior to commencement of work.	
26. Does the PJ or program administrator have policies or procedures in place for disciplinary procedures for poor performing contractors? ☐ Yes ☐ No	Disciplinary procedures for poorperforming contractors should: Define poor performance Specify process for how poor performance will be identified Identify who will determine whether or not, and when, to take disciplinary action. (Effective programs typically use a system of progressive discipline, including probation, suspension, and debarment for contractors.) Identify actions that would be cause for immediate debarment.	
27. Has [HUD or the PJ] received an unusually high number of complaints regarding the homeowner rehabilitation program during the past 12-24 months? ☐ Yes ☐ No		

Summary of Pre-monitoring Review

Homeowner Rehabilitation Program

Instructions: Using the completed checklists from the pre-monitoring review, complete the following chart to summarize the monitoring results. The written documentation that should have been examined includes: written agreement between the PJ and State recipient, subrecipient, and contractor, if applicable; agreement with homeowner; and program policies, procedures, and materials.

	No Apparent Problems with written documentation	Follow-Up Needed
A. Participant selection and marketing		
B. Program administration		
C. Income definition		
D. Form of assistance		
E. Maximum property value		
F. Property type		
G. Property standards		
H. Refinancing		
I. Contractor listing		
J. Client complaints and dispute resolution		

Section 2. Project (Case File) Monitoring

Overview of the Project Monitoring Review

During project monitoring, the PJ monitor:

- Reviews individual project files for the owner-occupied rehabilitation program
- Determines whether the program administrator complies with the HOME requirements in the implementation of the program.

The program administrator should have a project file (also known as a "case file") for each homeowner that receives HOME assistance. The PJ monitor must review a sufficient sample of project files to determine that the program administrator is complying with all applicable HOME requirements. Generally, the PJ monitor should randomly select at least ten percent of the files, or a minimum three project files if the program is small. In addition, it should select the files of any project that it has concerns may be at risk for noncompliance or performance difficulties.

When the PJ uncovers instances of noncompliance in the project review, it must take steps to see that the noncompliance is corrected in each instance.

Note, the results of project monitoring can be aggregated, or looked at in their entirety, to draw conclusions about the overall performance of the program administrator. This process can be done at the conclusion of the Project Monitoring review, or it can be done as part of the PJ's program monitoring, which is discussed in Section 3 of this chapter.

Organization of this Section

This section is organized into the following sections:

- A. Participant eligibility
- B. Property eligibility
- C. Eligible and reasonable costs
- D. Property and rehabilitation standards
- E. Contractor selection
- F. Construction management
- G. Loan processing and servicing
- H. Long-term monitoring for occupancy (optional)

Instructions

The PJ monitor should copy and use the checklists in this chapter to conduct its project monitoring review. For each area of the review, the PJ monitor should review relevant documents and answer each checklist question. A separate checklist should be completed for each project file reviewed.

The first column, "HUD Checklist Exhibit 7-3 Selected Excerpts," provides the HUD checklist questions. It may be adapted somewhat (indicated by the use of [brackets]) for use by PJs.

The second column, "Identified Problems," lists potential compliance issues. The PJ monitor should check off any of the "Identified Problems" that he or she encounters while reviewing project files.

At the end of each subsection is a "Notes" section for the PJ to make notes and recommended actions.

Documentation

The following documents are needed for an onsite project monitoring review:

• Pre-monitoring review, if available

- Copy of the HOME regulations found at 24 CFR Part 92
- HOME income limits in effect for the years under review

A. Participant Eligibility

The requirements related to participant eligibility describe who is eligible to receive homeowner rehabilitation assistance. Participant eligibility covers the following topics:

- 1. Income-eligibility
- 2. Occupancy
- 3. Ownership
- 4. Written agreement with homeowner

1. Income-eligibility

Background: Income-eligibility refers to the requirement that every homeowner that is assisted with HOME funds must have an annual gross income that is at or below 80 percent of the area median income.

Regulatory Basis: 24 CFR 92.203(b), 92.203(a)(2), 92.254(b), and 92.508(a)(3)(v)

Documentation:

- Application that lists all household members and states the income/employment of each household member, including the applicant's position, income, and length of time at job
- Procedures that detail how to determine the household income (and the applicable income definition) for the activity
- Source documentation of income for all household members
- Documentation that compares the household's income to the HUD income limit for the applicable household size
- Worksheet that shows how anticipated household income was calculated and compares it to current HUD income limits
- Acceptance or rejection letter based upon income determination

	HUD Checklist 7-3 Selected Excerpts	Identified Problems
	the applicable definition of income used (e.g., selected this homeownership rehabilitation program)? Yes No	☐ Wrong definition used☐ No definition used
for t	the PJ correctly apply income inclusions and exclusions the chosen income definition and was the calculation formed correctly? [24 CFR 92.203(b)] Yes No	 ☐ Household size not verified (application and personal interview) ☐ All applicable income not "counted" as income ☐ Income that could have been excluded was counted
4	Resources for Calculating Income HUD provides two key resources to assist with making income-eligibility determinations: 1. Online income calculator at http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/calculator.cfm	 □ Anticipated income (expected in the next twelve months) not used □ Income for all household members not counted
	2. Technical Guide for Determining Income and Allowances for the HOME Program (HUD 1780-CPD, January 2005), available from Community Connections, 1-800-998-9999.	

 3. Was household income supported with source documentation? [24 CFR 92.203(a)(2)] ☐ Yes ☐ No 	□ Income not verified with source documentation □ Insufficient source documentation Acceptable Forms of Source Documentation • Pay stubs • Bank statements • Income verification forms for other sources of income (such as Social Security Administration)
 4. Was the [household's] annual income less than or equal to 80% of the area median income? [24 CFR 92.254(b)] ☐ Yes ☐ No 	 □ No documentation to show comparison of HUD income limits to the household income □ Wrong HUD income limits used (e.g., wrong year) □ Household received funds, but was over-income
5. For [household] information, is the following documentation in the file: Completed application?☐ Yes☐ No	☐ Application not complete☐ No application in file
6. For [household] information, is the following documentation in the file: Verification of Income? [24 CFR 92.508(a)(3)(v)] ☐ Yes ☐ No	☐ No income verification in file
7. For household information, is the following documentation in the file: Approval notification/documents?☐ Yes☐ No	☐ No approval/rejection notice in file
8. Did program administrator make the income-eligibility determination in a timely manner (within six months of the provision of assistance)? Date of income determination: Date of loan or grant agreement:	□ Income-eligibility determined after conveying HOME assistance □ Income-eligibility outdated Timing of Income-eligibility Determination If more than six months passes between the time of application and the time when HOME assistance is provided, the program administrator must conduct an updated income determination.

2. Occupancy

Background: The homeowner must occupy the home as its principal residence. Properties used as second homes or temporary residences cannot be assisted.

Regulatory Basis: 24 CFR 92.254(b)(2) and 92.508(a)(3)(xi)

Documentation:

- Written agreement between PJ/program administrator and the homeowner
- Participant certification (with signature) that the property is and will continue to be primary residence
- Evidence that the program administrator verified the participant resides in the home as their primary residence (such as inspector/staff site visit or utility bills)

HUD Checklist 7-3 Selected Excerpts	Identified Problems
9. Does the file documentation include a documentation demonstrating that the household uses this property as its principal residence (e.g., utility bill)? [24 CFR 92.254(b)(2)] ☐ Yes ☐ No	
 For [household] information, is the following documentation in the file: Documentation of principal residency? [24 CFR 508(a)(3)(xi)] 	☐ No verification of the homeowner's principal residency
Possible forms of verification:	
\square Onsite inspection	
☐ Review of utility bills	
☐ Other (specify:)	
☐ Yes ☐ No	

3. Ownership

Background: Ownership refers to the form of ownership the owner has in the assisted property.

Regulatory Basis: 24 CFR 92.254(c) and 92.508(a)(3)(xi)

Documentation:

- Deed or other documentation showing type of ownership
- Title search report or preliminary title opinion

HUD Checklist 7-3 Selected Excerpts	Identified Problems
11. Check the form of ownership: \bigcirc	
☐ Fee simple title	
☐ A 99-year leasehold interest (or 50-year leasehold on trust or restricted Indian lands)	
 Ownership or membership in a cooperative or mutual housing project (where an ownership interest under State law) 	
\square Another form of ownership approved by HUD	
Specify:	
Does file contain HUD approval letter?	
☐ Yes ☐ No	
12. Check the form of documentation in file:	☐ No documentation
☐ Title search report or other similar documented review of ownership	
☐ Copy of recorded lien(s), if any	

deed or a r	rogram staff obtain evidence of ownership? (Note: A alone is not sufficient documentation. A title search recent review of recorded ownership information d have been conducted.) [24 CFR 92.254(c)]	□ No verification of form of ownership□ No documentation of form of ownership:□ No deed
□ Yes	□ No	☐ No title report
	Verifying Clear Title	\square Ownership is not free and clear
	File should include evidence of that the property is clear of any outstanding debt and liens on the property, restrictions or encumbrances that unduly restrict the marketable nature of the ownership interest. It should also include loan payment history to determine whether the homeowner is current on mortgage payments and/or at risk for foreclosure.	☐ Insufficient documentation of free and clear ownership

4. Written Agreement with Homeowner

Background: The program administrator must execute a written agreement with the homeowner prior to disbursing HOME funds. The PJ may permit a subrecipient, State recipient, or contractor to enter into the homeowner agreement, or it may execute the agreement itself. If the State recipient or subrecipient enters into an agreement with the homeowner, it must be assignable to the PJ.

Regulatory Basis: 24 CFR 92.504(c)(5), 92.504(b)(5), and 92.508(a)(3)(ii)



- Written agreement between the program administrator and the homeowner
- Loan Agreement, if applicable
- Promissory Note, if applicable

HUD Checklist 7-3 Selected Excerpts	Identified Problems
14. Regarding legal documents, is there a Homeowner HOME Written Agreement in the file? [24 CFR 92.504(b)(5) and 92.508(a)(3)(ii)] ☐ Yes ☐ No	 □ No written agreement between the program administrator and the homeowner □ Improper authorization of written agreement (i.e., not properly signed)
15. Does the written agreement with the homeowner include all required provisions? (Complete HUD Checklist [Exhibit 7-14, Guide for Review of Beneficiary Written Agreements, Section B. Homeowners], to answer this question.) [24 CFR 92.504(c)(5)] ☐ Yes ☐ No	 ☐ Key provisions missing from agreement: ☐ Amount of HOME funds ☐ Form of assistance ☐ Maximum after-rehabilitation value ☐ Principal residency ☐ If agreement is between the State recipient or subrecipient and the homeowner, assignability of the agreement to the PJ ☐ Written agreement not clearly written for homeowner to understand ☐ Agreement executed after initial drawdown date ☐ Amendment(s) not properly executed (signed and dated) ☐ No documented justification for amendment(s)

16. If HOME funds were provided to the owner in the form of a loan, does the program administrator have a loan agreement and a promissory note with the homeowner that clearly states the loan terms? ☐ Yes ☐ No	 □ Loaned funds, but no executed loan agreement with the homeowner □ Loan terms not clearly stated in loan agreement □ No promissory note executed
NOTES on Participant Eligibility	
B. Property Eligibility	
A number of HOME requirements pertain to the eligibility of	the property or site selection, including:
1. Eligible property structure	
2. Minimum and maximum per unit investment	

- 3. Property value
- 4. Environmental review
- 5. Uniform Relocation Act requirements

1. Eligible Property Structure

Background: HOME rules specify the types of property that are eligible for funding.

Regulatory Basis: 24 CFR 92.2

Documentation:

- Documentation of property type (application, if it identifies the property type; inspection; site visit; photos)
- Map or tax information indicating location of property

HUD Checklist 7-3 Selected Excerpts	Identified Problems
17. Was the property listed as a single family home (1-4 units)? Check property type (eligible types): ☐ Single family property of one to four units ☐ Manufactured or mobile homes ☐ Condominium ☐ A cooperative unit or unit in a mutual housing project (if State law recognizes these as forms of homeownership) ☐ Yes ☐ No	☐ Property ineligible ☐ No/insufficient documentation of property type
18. Was the property within the PJ's boundaries? ☐ Yes ☐ No	□ Property not in boundaries□ No documentation of location
If HOME funds are used to assist the re units, the HOME rental rules apply (incl	with 2- to 4- Units ental units in a structure with two to four luding provisions regarding tenant occupancy, bility). See Chapter 6 to monitor rental units.

2. Minimum and Maximum HOME Investment

Background: The HOME program sets both a minimum and maximum amount of HOME funds that can be invested in a project.

- The minimum amount of HOME funds that can be invested in a project is an average of \$1000, multiplied by the number of HOME-assisted units in the project.
- The maximum per unit subsidy limit varies by PJ and is determined by HUD based on the PJ's Section 221(d)(3) program limits. The limit in effect at the time of project commitment is the applicable limit.

Regulatory Basis: 24 CFR 92.250(a) and 92.205(c)

Documentation:

- Copy of the 221(d)(3) limits for the year the project was funded
- Worksheet or form that shows that the program administrator determined that the amount provided was less than the applicable 221(d)(3) limit
- Agreement, grant, loan, or other documentation that shows amount of assistance

HUD Checklist 7-3 Selected Excerpts	Identified Problems
19. Was the amount of HOME subsidy at or below the applicable maximum per unit subsidy limit for the unit? [24 CFR 92.250(a)] ☐ Yes ☐ No	HOME investment is greater than the maximum 221(d)(3) limit Wrong subsidy limit used (wrong year) No verification/comparison that the investment was less than the 221(d)(3) limit
The maximum per unit subsidy limits are based on the Field Office or online at http://www.hud.gov/office subsidylimits.cfm. For some PJs, the 221(d)(3) limits have been increating an increase in the per unit subsidy amount on a pro-	s/cpd/affordablehousing/ programs/home/limits/ sed to 210% of the base limit. For these PJs, HUD allows gram-wide basis, upon request, up to no more than 240% of HOMEfires, Vol. 9, No. 4, issued August, 2008, and found at
20. Was the amount of HOME subsidy equal to or greater than the \$1,000 minimum per unit subsidy? [24 CFR 92.205(c)] Yes No Deduct Ineligible Costs Before Determining Per Unit Investment The PJ monitor should deduct ineligible costs from the project work write-up or cost estimate before it determines whether the project has satisfied the minimum investment per unit requirement.	HOME subsidy less than \$1,000 per unit Ineligible costs included in determination of subsidy amount No verification/comparison that the HOME subsidy was greater than \$1,000 per unit

3. Maximum Property Value

Background: The value of a HOME-assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area.

At this writing, the Section 203(b) mortgage limits exceed the 95 percent of the median purchase price limits imposed by the HOME Program statute. HUD authorizes PJs determine their own limits in accordance with procedures described in the HOME regulations at 24 CFR 92.254, or to use the greater of:

- Section 203(b) mortgage limits established as of February, 2008; or
- Actual 95 percent of median sales price limits for their areas.

HUD publishes and periodically updates a *Value Limits Spreadsheet* with current limits for each county in the U.S. This is available online at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm.

See HUD's HOMEfires, Vol. 10 No. 1, issued January, 2009 for a detailed discussion of this issue.

Regulatory Basis: 24 CFR 92.254(b)(1) and 24 CFR 92.508.(a)(3)(x)



- PJ's basis of the 95 percent median sales price
- Documentation of how the after-rehabilitation value was determined
- Documentation showing that the program administrator compared the after-rehabilitation value to the 95 percent median sales price limit (form or memo to file)

HUD Checklist 7-3 Selected Excerpts	Identified Problems
21. PJ's basis of the 95% median sales price (check one): □ 203(b) limit for year project was funded, or February 2008 for projects funded in 2008 to the present □ For years 2008 to the present, the HUD-determined 95% of median sales price □ The PJ-determined (and HUD-approved) 95% of median sales price □ Yes □ No	☐ Property ineligible ☐ No/insufficient documentation of property type
22. Is the estimated after-rehabilitation property value less than or equal to 95% of the median single family purchase price for the area as determined by HUD/PJ? [24 CFR 92.254(b)(1)] ☐ Yes ☐ No	 □ After-rehabilitation value exceeds limit □ Wrong 95% of median sales price figure used □ No documentation of HUD approval, if PJ determined the value of 95% median purchase price limit itself □ No documentation of property's after-rehabilitation value □ No verification/comparison of after-rehabilitation value and 95% of median purchase price for the area
23. Regarding property information, is the following documentation in the file: Appraisal/value estimate? [24 CFR 92.508.(a)(3)(x)]	 □ After-rehabilitation value not determined with one of the HUD-approved methods □ No documentation of the after-rehabilitation value
24. Documentation of how the after-rehabilitation value was determined (check one): ☐ Appraisal ☐ Tax assessment (based on current value of a comparable rehabilitated property) ☐ Expert estimate of the value that explains its methodology and calculations.	

4. Environmental Review

Background: HOME-funded activities are subject to the environmental review requirements at 24 CFR Part 58. In summary, the PJ must conduct an environmental review and issue an Environmental Review Record (ERR) for the homeowner rehabilitation program before the program administrator commits any HOME funding. Individual homeowner rehabilitation projects are typically categorically excluded subject to 24 CFR 58.5, which means that a broad review is completed of the program and placed in the file and then site specific reviews are completed for certain statutory items when project sites are known. Therefore, the ERR must contain the program documentation as well as the site specific checklists indicating that the 24 CFR 58.5 items were reviewed and appropriately addressed.

Regulatory Basis: 24 CFR 92.352 and 92.508(a)(7)(iii)



Documentation:

- Environmental Review Record (ERR)
- IDIS report / List of funded projects

HUD (Checklist 7-3 Selected Excerpts	Identified Problems	
review requires	ontain evidence that the environmental ments were met? (Complete HUD Checklist answer this question.) [24 CFR 92.352]	 □ No documentation of PJ's environmental review □ Individual projects were not reviewed □ Identified environmental concerns not addressed □ Request for Release of Funds (RROF) was issued after project funds were spent □ Projects identified in IDIS, where no RROF has been issued 	ued
	Key Provisions of Environmental Review For more information, see HUD Notice CPD 01-11, Environmental Review and the HOME Investment Partnerships Program, issued July 17, 2001, available at http://www.hud.gov/ offices/cpd/lawsregs/notices/ 2001/01-11.pdf, and HOMEfires Vol. 4, No. 2 at http://www.hud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol4no2.cfm.		
documentation	perty information, is the following in the file: Environmental screening CFR 92.508.(a)(7)(iii)]	☐ Environmental screening checklist not completed for the specific site)

5. Uniform Relocation Act and Section 104(d)

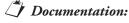
Background: Federal relocation requirements generally do not apply to homeowner rehabilitation programs since participation is voluntary and usually does not involve permanent displacement. However, if the owner's home is a multi-unit structure with rental units, tenants are covered by the Uniform Relocation Act (URA) and may also be covered by the relocation requirements of Section 104(d) of the Housing and Community Development Act of 1974, as amended.

In addition, if lead hazard reduction work is performed as part of the rehabilitation, temporary relocation may be required. Although the PJ/program administrator is not obligated to provide financial assistance for temporary relocation, it must ensure the family is relocated to a suitable, decent, safe and similarly accessible dwelling unit that does not have lead-based paint hazards. See 24 CFR 35.1345 for more information.

PJs are permitted (but not required) to temporarily relocate households while work is being completed. For example, a PJ might choose to relocate a household if rehabilitation work requires shutting off heat or plumbing. Temporary relocation costs are eligible HOME expenses.

If project does not have any temporary relocation, skip this section and proceed to Section C, *Eligible and Reasonable Costs*.

Regulatory Basis: 24 CFR 92.353



- Temporary relocation policy
- Payment expense log for the resident

• Evidence that the relocation dwelling was safe and sanitary

HUD Checklist 7-3 Selected Excerpts	Identified Problems
27. Does the property include rental units? ☐ Yes ☐ No	☐ If "yes," see Attachment 6-D, found at the end of Chapter 6, for a summary of lead-based paint requirements for rental housing
28. Does the PJ have a temporary relocation plan? ☐ Yes ☐ No	 □ No temporary relocation plan □ No clear policy on benefits in the temporary relocation plan (benefits not distributed in a fair, nondiscriminatory manner) □ PJ's temporary relocation plan not followed
29. If relocation was required for the project, is there any documentation on the relocation for the project? ☐ Yes ☐ No	 □ No inspection (or no documentation) of temporary relocation □ Resident not offered a suitable, safe, and sanitary dwelling □ No inspection of temporary unit □ Resident not reimbursed for all reasonable out-of-pocket expenses, including increases in monthly rent/utility costs □ No documentation to justify temporary relocation costs
NOTES on Property Eligibility Summary	

C. Eligible/Reasonable Costs

The PJ monitor's review of costs should include a review of:

- 1. Eligibility of HOME costs
- 2. Reasonableness of HOME costs
- 3. Eligibility of refinancing
- 4. Form of assistance

1. Eligibility of HOME Costs

Background: HOME funds can be used to pay the hard rehabilitation costs necessary to meet required property standards; associated soft costs (e.g., fees, insurance, or appraisals); and general property improvements that are considered standard or customary for the area.

Costs associated with constructing or rehabilitating detached garages or other "out-buildings" generally are not eligible for HOME funding. Further, HOME funds cannot be used to pay for luxury improvements – i.e., improvements that are not considered necessary or customary to the area. Figure 4-1 summarizes eligible hard and soft rehabilitation costs under the HOME Program.

Figure 4-1. HOME-Eligible Homeowner Rehabilitation Costs

Hard Costs	Soft Costs
Meeting the rehabilitation standards	Financing fees
Meeting applicable codes, standards and ordinances	Credit reports
Essential improvements	Title binders and insurance
Energy-related improvements	Recordation fees, transaction taxe
Lead-based paint hazard reduction	Legal and accounting fees
Accessibility for disabled persons	Appraisals
Repair or replacement of major housing systems	Architectural/engineering fees, including specifications and
Incipient repairs and general property improvements of a	job progress inspections
non-luxury nature	Project costs incurred by the PJ that are directly related to
Site improvements and utility connections	a specific project
	Refinancing of secured existing debt if the housing is
	owner-occupied and refinancing allows the overall costs
	of borrower to be reduced and the housing is made more affordable

Regulatory Basis: 24 CFR 92.206



- Cost estimate or work write-up
- Rehabilitation contract
- Invoices, timesheets, cost allocation plans
- IDIS activity set-up sheet and draw record
- Budget review sheet/log for project

HUD Checklist 7-3 Selected Excerpts	Identified Problems
30. Are all costs detailed on the cost estimate and in the rehabilitation contract eligible under the HOME Program? [24 CFR 92.206] □ Yes □ No	 □ Ineligible costs included on: □ Cost estimate □ Rehabilitation contract □ Project costs not clearly identified in cost estimate or rehabilitation contract

31. Are all IDIS draw downs supported by invoices, timesheets, or cost allocations plans as applicable?	☐ Insufficient documentation of draws☐ Costs not accurately set up in IDIS☐ IDIS draw downs not supported by actual expenditures
32. If costs are shared across multiple units, does the project file contain a worksheet or some other statement of cost allocation to demonstrate how the allocation was determined?	 □ No/insufficient documentation of cost allocation □ Inequitable distribution of shared costs
33. If costs were not eligible, was another source of funds used for these costs?☐ Yes☐ No	 □ Ineligible costs paid with HOME □ No documentation of another source for ineligible costs

2. Cost Reasonableness

Background: The HOME uniform administrative requirements and OMB Circular A-87 require that all HOME expenditures be reasonable and customary. PJs or program administrators must assess project cost reasonableness prior to soliciting contractor services and committing HOME funds.

Regulatory Basis: 24 CFR 92.505(a) and 24 CFR 85.22

Documentation:

- In-house cost estimate or work write-up
- Documentation of bid solicitation
- Documentation that program administrator compared bids received to in-house cost estimate
- Draw requests

HUD Checklist 7-3 Selected Excerpts	Identified Problems
34. Did program administrator prepare an in-house cost estimate prior to seeking contractor bids/cost estimates? ☐ Yes ☐ No	 □ No in-house estimate prepared □ Contractor hired/funding commitment made before In-house estimate complete
35. Do the costs appear reasonable (e.g., based upon the [program administrator] cost estimate and costs of comparable work in the area)? [24 CFR 92.505(a) and 24 CFR 85.22 and OMB A-87, Attachment A, Section C.2)]	 ☐ Costs unreasonable ☐ No verification of cost reasonableness (comparison of in-house estimate and bids)
	te the homeowner's selection for cost
36. If contractors' bids/cost estimates were not reasonable, what did the program administrator do? □	☐ No satisfactory explanation of resolution (e.g., project was re-bid, bids were accepted because homeowner paid for the cost overage, etc.)

3. Refinancing

Background: HOME funds may be used to refinance existing debt on single family, owner-occupied properties in connection with HOME-funded rehabilitation only when the refinancing is necessary to reduce the owner's overall housing costs and to make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted. Further, debt must be secured by the housing; refinancing personal loans (car loans, credit cards, etc.) is not permitted.

Regulatory Basis: 24 CFR 92.206(b)(1)



- Worksheet or form that shows the reduction in overall housing costs to the homeowner
- Copy of the refinanced loan document(s)

HUD Checklist 7-3 Selected Excerpts	Identified Problems
37. If HOME funds were used for refinancing, is there documentation in the file demonstrating that the household's overall housing costs were reduced? ☐ Yes ☐ No ☐ N/A	 □ No documentation of reduction in overall housing costs □ Calculation of reduction in overall housing costs done incorrectly □ No reduction in overall housing costs □ No refinanced loan document(s) in file

4. Form of Assistance

Background: HOME funds can be provided in one of the following eligible forms:

- Grants
- Deferred-payment loans
- Non-interest-bearing loans
- Interest-bearing loans
- Interest subsidies
- · Loan guarantees.

Note, these forms of assistance are each described in Attachment 3-D, found at the end of Chapter 3.

Regulatory Basis: 24 CFR 92.205(b)(1)



Documentation:

- Written agreement between the program administrator and the homeowner
- Loan document, if applicable
- Consolidated Plan or annual action plan that describes other form of assistance, if applicable, and evidence of HUD approval

HUD Checklist 7-3 Selected Excerpts	Identified Problems
38. Was the subsidy provided in an eligible form of investment (i.e., equity investments, interest bearing or non-interest bearing loans or advances, interest subsidies, deferred payment loans, grants or loan guarantees)? [24 CFR 92.205(b)(1)] ☐ Yes ☐ No	 □ No documentation on form of assistance □ Form of assistance ineligible (See next question to verify HUD approval.)

39. If the subsidy was provided in a form not listed above, was that form approved by HUD? [24 CFR 92.205(b)(1)]	☐ No evidence of HUD approval	
☐ Yes ☐ No	☐ Other form of assistance not described in PJ's Consolidated Plan	
NOTES on Eligible and Reasonable Costs		
D. Property and Rehabilitation Standards		

The program administrator must have a system in place to ensure that the property-related requirements are met, including:

- 1. Property standards
- 2. Work write-ups
- 3. Inspections
- 4. Lead-based paint requirements
- 5. Onsite inspections for rehabilitation quality

1. Property Standards

Background: The applicable property standards for HOME-assisted owner-occupied rehabilitation projects, including manufactured housing, are:

• Local written rehabilitation standards

- State and local code requirements, or if no local codes apply, one of the following national model codes:1
 - Uniform Building Code (ICBO)
 - National Building Code (BOCA)
 - Standard Building Code (SBCCI)
 - Council of American Building Officials one- or two-family code (CABO)
 - Minimum Property Standards at 24 CFR 200.925 or 200.926 (FHA)
- Handicapped accessibility requirements, where applicable.

Regulatory Basis: 24 CFR 92.251



- Copy of PJ's written rehabilitation standards
- Specification/work write-up
- Inspections reports, including final inspection upon project completion

HUD Checklist 7-3 Selected Excerpts	Identified Problems
40. Applicable code(s): \bigcirc	
41. Was an initial inspection conducted to determine extent of rehabilitation needed to meet applicable codes? ☐ Yes ☐ No	
42. Was the work performed in accordance with the PJ's written rehabilitation standards? [24 CFR 92.251(a)(1)] ☐ Yes ☐ No	 □ Rehabilitation standard not adequate □ No rehabilitation standard □ Rehabilitation standard not conveyed to the State recipient, subrecipient, or contractor □ Specific construction issues identified in inspection: □ — — — — — — — — — — — — — — — — — — —
43. Does the final inspection confirm that the property met all applicable property standards at completion? [24 CFR 92.251(a)(1)] ☐ Yes ☐ No	 □ No final inspection report in file □ Final inspection report unclear □ Applicable codes and rehabilitation standards not met, and no follow-up conducted

2. Work Write-ups

Background: The program administrator must develop a work write-up or cost estimate for each project. A good work write-up/cost estimate should include:

• Detailed description of work to be performed to serve as the basis for obtaining bids from contractors

Since the promulgation of the HOME Program regulations, these code issuing agencies have merged to form the International Code Council (ICC). The model codes used for the HOME Program are no longer being updated. In their stead, the ICC has issued the International Building Code. HUD will consider whether changes to the HOME regulations incorporating the International Building Code are appropriate. The HOME Program web page provides updated information on all HOME requirements. (See http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.)

- Description of repairs necessary to eliminate code violations and generally improve the property
- Specifications of the type of repairs, their location and scope, the method and quality of materials to be used, and any special requirements

Regulatory Basis: 24 CFR 92.205, 24 CFR 92.251, 24 CFR 92.505(a), and 24 CFR 85.36

Documentation:

- Work write-up/cost estimate
- Initial inspection report
- Written rehabilitation standards

HUD Checklist 7-3 Selected Excerpts	Identified Problems
44. Does the project file include the following: Work write-up/cost estimate? [24 CFR 92.205(a) and 24 CFR 85.36(f)] ☐ Yes ☐ No	☐ No documentation
45. Does the work write-up: include all work noted on the initial inspection report? [24 CFR 92.251] ☐ Yes ☐ No	 □ No initial inspection report in file □ Work on initial inspection report not included in work write-up □ Work write-up includes extensive work that is not included in initial inspection report
46. Does the work write-up: reflect the PJ's written rehabilitation standards? [24 CFR 92.251(a)(1)] ☐ Yes ☐ No	☐ Does not meet PJ's rehabilitation standard
47. Was the work write-up written with enough detail to enable a contractor to provide a reliable bid? [24 CFR 92.505(a) and 24 CFR 85.36(c)(3)(i) and 85.36(d)(2)(i)(A)] ☐ Yes ☐ No	□ Not sufficient:□ Excessive change orders□ Wide variance in bid amounts□ Other:
48. Did the owner sign a statement approving the proposed work and the work write-up/cost estimate? ☐ Yes ☐ No	☐ No owner authorization in file

3. Inspections

Background: The program administrator should conduct three types of inspections:

- **Initial inspection** to identify the extent of necessary rehabilitation.
- Payment/Progress inspections, conducted prior to payment, to verify that work is done according to the rehabilitation standards and applicable codes. PJ or program administrator can determine how frequently contractors can submit payment requests. Typically, program administrators retain a small amount (often 10 percent) from each payment until all work is completed and all contract close-out documentation has been received. This is not required by HOME.
- **Final inspection**, done in the presence of the owner and the contractor, to verify that all work specified in the write-up and construction contract is performed properly and that the appropriate property standards and codes are met. If additional work is required, the inspector prepares a detailed list (a "punch list") that the contractor must complete. Final payment to the contractor is made only after all punch list items are completed and re-inspected. Upon satisfactory re-inspection, the program administrator issues a Certificate of Final Inspection. Where building code inspections are required, the building code inspectors' reports or other required documentation from the jurisdiction should be included in the project file.

Regulatory Basis: 24 CFR 92.205(a), 92.251(a)(1), 92.508(a)(3)(iv), and 24 CFR 85.36(f)

Documentation:

- Initial inspection report
- Progress inspection reports (or log with notes)
- Final inspection report

HUD Checklist 7-3 Selected Excerpts	Identified Problems
49. Does the project file include documentation of initial inspection? [24 CFR 92.205(a) and 24 CFR 85.36(f)] ☐ Yes ☐ No	 □ No documentation □ Conditions identified in inspection report do not meet applicable property standards or codes □ Inspection conducted by unqualified inspector
50. Does the project file include documentation of progress inspection? [24 CFR 92.205(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No	 □ No documentation □ No progress inspection report for each payment □ Payments made before progress inspections completed
51. Does the final inspection confirm that all necessary work was completed? [24 CFR 92.251(a)(1)] ☐ Yes ☐ No	 □ No final inspection report □ Items not completed per final inspection, but no re-inspection

4. Lead-based Paint Requirements

Background: The "level of assistance" dictates the required type of lead hazard evaluation and reduction in homes construction pre-1978, as follows:

- Level of Assistance under \$5,000. Documentation of a paint test of disturbed surfaces, notice of lead hazard evaluation, evidence of paint repaired by qualified workers who followed safe work practices, clearance, and notice of lead hazard reduction activities before reoccupancy.
- Level of Assistance between \$5,000–\$25,000. Documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of interim controls or standard treatments by qualified workers who followed safe work practices, clearance, and notice of lead hazard reduction activities before reoccupancy.
- Level of Assistance over \$25,000. Documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of abatement activities by qualified workers who followed abatement practices, clearance, and notice of lead hazard reduction activities before reoccupancy.

The level of assistance number is determined by calculating the lesser of the Federal funds per unit or the rehabilitation hard costs per unit (exclusive of the lead hazard evaluation and reduction costs).

If lead hazard reduction activities occurred, a clearance test must be conducted and the unit must pass clearance.

Regulatory Basis: 24 CFR 92.355, 92.508(a)(3)(iv), and 24 CFR Part 35

If the home was constructed in 1978 or after, the PJ monitor can skip this section and proceed to Subsection 5, *Onsite Inspections for Rehabilitation Quality.*

For properties constructed after 1978, this checklist identifies the key lead requirements and documentation required. For a complete review of compliance with the lead-based paint requirements, monitors must complete HUD Checklist Exhibits 24-1, 24-2, and 24-3, *Lead Hazards Monitoring Guidance for Rehabilitation*.

Documentation:

- Documentation that homeowner received a copy of the Lead-based Paint Pamphlet
- Documentation that homeowner received a Notice of Lead Hazard Evaluation or Notice of Presumption
- Risk assessment, if applicable
- Evidence that qualified contractors were used
- Clearance test, if applicable
- Documentation that homeowner received a Notice of Lead Hazard Reduction Activities, if applicable
- Abatement report, if applicable

HUD Checklist 7-3 Selected Excerpts	Identified Problems
52. Did the program administrator make a determination of the level of assistance for the project? ☐ Yes ☐ No	
53. If the project was constructed before 1978, does project comply with lead safe housing requirements at 24 CFR Part 35? (Complete Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist, Exhibit 24-1 to answer this question.) ☐ Yes ☐ No	
54. Based on HUD Checklist Exhibit 24-1, which of the following items are required: •	☐ No documentation of the determination of the level of assistance
☐ Risk assessment, if applicable	☐ Level of assistance determined incorrectly
□ Evidence that qualified contractors were used□ Clearance test, if applicable	☐ Incorrect level of lead hazard evaluation and reduction conducted for level of assistance
☐ Documentation that homeowner received a <i>Notice</i> of Lead Hazard Reduction Activities, if applicable	☐ No evidence that owner received the lead-based paint pamphlet
☐ Abatement report, if applicable	☐ No evidence that owner received Notice of Lead Hazard Evaluation or Notice of Presumption
☐ Yes ☐ No	☐ Results of clearance test not in file, where needed
	☐ No reevaluation conducted, where home did not pass clearance
55. Regarding Property Information, is the following documentation in the file: Notification of Lead-Based Paint? [24 CFR 92.508.(a)(3)(iv)] ☐ Yes ☐ No	□ No documentation

5. Onsite Inspections for Rehabilitation Quality

Background: Properties are required to be rehabilitated up to the applicable codes and standards.

Regulatory Basis: 24 CFR 92.251



• Monitoring report/notes from onsite inspection

This checklist can be used by a PJ monitor that is not on the inspection staff, for a common sense review of compliance with applicable codes and standards. The monitor can then raise concerns with an inspector, as needed.

HUD Checklist 7-3 Selected Excerpts	Identified Problems
56. If the project has been selected for an onsite inspection to examine the quality of the rehabilitation work, the monitor should perform a walk-through of the property with the initial inspection, the work write-up, and the final inspection report.	Identifying Problems when On Site When visiting homes, monitors should be careful not to create problems between homeowners and program staff or contractors. If a problem is encountered, the monitor should communicate concerns to the progam administrator and not the homeowner.
57. Based upon observable conditions, have the deficiencies identified in the initial inspection report been corrected? [24 CFR 92.251] ☐ Yes ☐ No	□ Deficiencies not corrected□ Work does not appear to be of standard quality□ New problems apparent
58. If the homeowner was interviewed, is s/he satisfied with the rehabilitation? ☐ Yes ☐ No	☐ Homeowner is dissatisfied☐ Homeowner identified new problems/concerns
59. Is the property free of all obvious property standard violations? [24 CFR 92.251(a)(1)] ☐ Yes ☐ No	☐ Obvious property violations or hazards ☐ Specify: ————————————————————————————————————
NOTES on Property and Rehabilitation	

E. Contractor Selection

Background: The contractor that carries out HOME-funded rehabilitation work may be selected either by the homeowner, the PJ, or another entity administering the program (subrecipient, State recipient, or contractor). There are specific rules about contractor eligibility and how contractors are selected, depending on who selects them.

Regulatory Basis: 24 CFR 92.350(a), 92.505(a) and 24 CFR 85.36(c)(9)

Documentation:

- Print-out of the page that states the contractor is not on the Federal excluded parties list
- Bidding procedures
- · Documentation of bids collected and reviewed
- Documentation of contractor selection (worksheet or notes of bid review)

HUD Checklist 7-3 Selected Excerpts	Identified Problems	
60. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for Federal procurement or nonprocurement programs? [24 CFR 92.350(a)]	 □ No documentation that excluded parties list was checked □ Excluded parties list checked after issuance/approval of contract □ Contractor is excluded but selected anyway 	
Contractors must be http://www.epls.gov/	ed Parties List checked at the website (index.html to verify their te in federally-funded work.	
61. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)] ☐ Yes ☐ No	☐ No justification of contractor selection	
62. Does the file contain evidence the program administrator verified the quality of work, references, licenses and insurance coverage of the selected contractor? ☐ Yes ☐ No	 □ No evidence of contractor review □ Review of contractor was cursory and insufficient □ Insufficient justification for contractor selection 	
63. If the PJ selected the contractor, was a competitive bid process used? [24 CFR 92.505(a) and 85.36(c) and (d)] ☐ Yes ☐ No	 □ No documentation of competitive bid process □ Bid process not executed properly 	
64. If the homeowner solicited bids, was more than one bid solicited? ☐ Yes ☐ No	☐ No documentation of solicited bids ☐ Only one bid solicited	
NOTES on Contractor Selection		

F. Construction Management

The program administrator must monitor and document the construction process to ensure that the following construction management requirements are met:

- 1. Pre-construction conference
- 2. Construction contract
- 3. Progress inspections
- 4. Appropriate approvals
- 5. Change orders
- 6. Lien releases and warranty information

1. Pre-construction Conference

Background: The pre-construction conference is a recommended step to see that the owner and the contractor have shared expectations about the work to be completed and the rehabilitation process. It should be conducted onsite with the owner and the contractor before the execution of any construction contract.

Regulatory Basis: 24 CFR 92.505(a) and 24 CFR 85.36(b)(2)



• Pre-construction notes or minutes

HUD Checklist 7-3 Selected Excerpts	Identified Problems
65. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No	 □ No conference held □ Conference held, but no documentation retained

2. Construction Contract

Background: Prior to the start of construction, the owner and contractor must execute a rehabilitation contract and the program administrator should subsequently issue a notice to proceed.

Regulatory Basis: 24 CFR 92.505(a), 92.508(a)(3)(ii) and 24 CFR 85.20(b)(6)



- Construction contract
- Notice to proceed

HUD Checklist 7-3 Selected Excerpts	Identified Problems
66. Did the homeowner and contractor execute a rehabilitation contract? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6)] ☐ Yes ☐ No	☐ No contract in file☐ Contract not properly executed
67. Does the file contain a notice to proceed? ☐ Yes ☐ No	☐ No notice to proceed in file

3. Progress Inspections

Background: Progress inspections document that the work being done adheres to the rehabilitation contract and all applicable codes and standards prior to contractor payment.

Regulatory Basis: 24 CFR 92.505(a) and 24 CFR 85.36(b)(2)

Documentation:

• Progress/payment inspection reports (log or notes)

HUD Checklist 7-3 Selected Excerpts	Identified Problems
68. Were progress inspections of the project performed prior to approving the contractor's request for payment? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No	 □ No progress inspection reports on file □ Progress inspections not done for: □ Payment requests □ Change orders □ Client complaints □ Project delays □ Critical point in construction (e.g., when work will be covered by other work, such as before drywall covers the electrical, plumbing, framing rough-in, etc.) □ Progress inspection not signed by homeowner

4. Appropriate Approvals

Background: Prior to the final payment to the contractor and the release of liens, the homeowner should agree that the work was completed satisfactorily.

Regulatory Basis: Recommended

Documentation:

• Documentation of homeowner approval (signature) on final payment request/draw or similar documentation

HUD Checklist 7-3 Selected Excerpts	Identified Problems
69. Did the owner approve final payment to the contractor?	☐ No documentation of homeowner approval
□ Yes □ No	☐ Homeowner approval secured after final payment/draw request

5. Change Orders

Background: Any change in the scope of work or budget for a project must be documented and approved by the PJ or program administrator as a change order before the work is initiated.

Regulatory Basis: 24 CFR 92.505(a), 92.508(a)(3)(ii), and 24 CFR 85.20(b)(6) and 85.36(f)(1)

12	Documentation:
	Documentation:

- Change orders with backup documentation
- Documentation that costs were reviewed for eligibility and reasonableness

HUD Checklist 7-3 Selected Excerpts	Identified Problems
70. Did the [program administrator] and the owner review and approve change orders for any changes in the scope of work? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6) and 85.36(f)(1)]	 □ No change order on file for each change in scope of work that occurred □ Insufficient backup documentation or justification for change orders □ Revised scope of work does not meet applicable codes □ Program administrator did not approve change order(s) prior to work being done

6. Lien Releases and Warranty Information

Background: A release of liens signed by all parties must be executed upon completion of the rehabilitation work. The contractor should provide all warranties or affidavits to the homeowner.

Regulatory Basis: 24 CFR 92.505(a) and 24 CFR 85.36(b)(2)

Documentation:

- Lien release form signed by the PJ and/or homeowner
- Warranty information and documentation that it was provided to the homeowner (e.g., signature on form indicating receipt)

HUD Checklist 7-3 Selected Excerpts	Identified Problems
71. Does the project file contain: Contractor warranty or equipment warranties? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]	☐ No contractor warranty or equipment warranties on file
☐ Yes ☐ No	
NOTES on Construction Management	

G. Loan Processing and Servicing

Program administrators have a great deal of flexibility in the loan processing and servicing functions of homeowner rehabilitation programs. However, there are several HOME requirements concerning loan documentation, repayment and use of loan funds, including:

- 1. Underwriting procedures
- 2. Loan approval
- 3. Loan documentation

If the HOME funds were not provided in the form of a loan, then the PJ monitor can skip this section and proceed to Subsection I, Long-Term Monitoring for Occupancy (optional).

1. Underwriting Procedures

Background: The HOME Program requires the PJ to ensure that all costs are necessary and reasonable. The program administrator has considerable flexibility in how to do this.

Regulatory Basis: 24 CFR 92.505 and OMB Circular A-87



- Program's underwriting policies and procedures
- · Documentation that shows how loan amount was calculated
- · Letter of acceptance or rejection of loan
- Loan agreement

HUD Checklist 7-3 Selected Excerpts	Identified Problems
72. Has the PJ provided the program administrator with program procedures for underwriting? ☐ Yes ☐ No	□ No underwriting procedures
73. Has program administrator followed PJ's underwriting guidance? ☐ Yes ☐ No	☐ PJ did not give administrator underwriting guidance
74. Is there a worksheet or other documentation showing how the loan amount was calculated? ☐ Yes ☐ No	 □ No documentation on how loan amount was determined □ Errors made in loan amount calculations □ Underwriting policy not followed
75. Are there acceptance and rejection letters in regards to the loan in the file? ☐ Yes ☐ No	 □ No acceptance and/or rejection letters on file □ Acceptance letters not clear about terms of loan □ Reasons for rejection unclear
76. Is there a copy of the loan agreement in the file? ☐ Yes ☐ No	 □ No loan agreement on file □ Loan agreement not satisfactory [did not contain required provisions per 24 CRF 92.504(c)(5)]

2. Loan Approval

Background: At the time the loan documents are executed, the program administrator must provide truth-in-lending materials to the borrower and fully explain the borrower's rights to cancel the assistance.

Regulatory Basis: Truth in Lending Act of 1968

Documentation:

- · Date of approval
- Truth-in-Lending Disclosure Statement

HUD Checklist 7-3 Selected Excerpts	Identified Problems
77. Is there a date on the approval determination? ☐ Yes ☐ No	☐ No date on approval determination
78. Is there a copy of the truth-in-lending notice in the file? ☐ Yes ☐ No	☐ Truth-in-lending notice not on file

3. Loan Documentation

Background: Loan documents must be consistent, complete, properly executed, properly recorded and reflect all applicable HOME and other Federal requirements. In addition, HOME rules require that the homeowner signs a written agreement that includes the required HOME provisions. The written agreement must be executed before any HOME funds may be dispersed.

Regulatory Basis: 24 CFR 92.205(b)(1), 92.505(a), 92.508(a)(3)(ii), and 24 CFR 85.20(b)

Documentation:

- Signed loan agreement
- Deed of trust or note and mortgage
- Evidence that documents were recorded with the local government
- Documentation of additional funding sources (e.g., copy of application, budget documents, or financial records indicating the HOME portion of payments)
- Executed written agreement between program administrator and homeowner
- Truth-in-Lending Disclosure Statement
- Right to Cancel or Right of Rescission

HUD Checklist 7-3 Selected Excerpts	Identified Problems
79. Did the homeowner sign the loan agreement? [24 CFR 92.205(b)(1); 24 CFR 92.505(a) and 24 CFR 85.20(b)(2) and 85.20(b(6)] ☐ Yes ☐ No	□ No loan agreement on file□ Homeowner did not sign
80. Were loan documents recorded? [24 CFR 92.505(a) and 24 CFR 85.20(b)(3)]	☐ No evidence that documents were recorded
81. If funding sources in addition to HOME were used, do project records include documentation of the source and application of funds for the project? [24 CFR 92.508(a)(3) (ii); 24 CFR 92.505(a) and 24 CFR 85.20(b)]	☐ No documentation on other sources of funds

82. Regarding legal documents, are there closing documents in	Missing documents:
the file? [24 CFR 92.508(a)(3)(ii)]	☐ Written agreement
☐ Yes ☐ No	☐ Deed of trust or promissory note
	\square Signed and notarized mortgage
	☐ Truth-in-Lending Disclosure Statement
	\square Right to Cancel (Right to Rescission)
NOTES on Loan Processing and Servicing	
H. Long-term Monitoring for Occupancy (Option	al)
Background: The HOME Program does not require long-term PJ may choose to impose it.	a occupancy for homeowner rehabilitation programs, but the
Regulatory Basis: None	

• Documentation of homeowner's ongoing occupancy (e.g., utility bills, copy of annual insurance policy statement, or

Documentation:

other)

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HUD Checklist 7-3 Selected Excerpts	Identified Problems
83. If the PJ requires long-term monitoring for occupancy, is there evidence in the file of PJ staff checking for this ongoing occupancy? ☐ Yes ☐ No	No documentation of ongoing occupancy
Check form of evidence in the file:	
☐ Utility bills	
☐ Insurance policies (Note, PJs can be listed on an insurance policy as a "loss payee" or additional parties. Once the PJ's contact information is added to the policy, it will be notified every time a claim is made or when the policy is renewed or expired. Most insurance declaration pages state whether the property is the principal residence of the owner, rental property, or not otherwise occupied by the owner.	
 Mail service. Post office can verify if mail is being delivered to the address or if a forwarding address has been filed. 	
\Box Tax records. City tax department can verify the address to which the property tax bill is mailed.	
Inspection. Staff can perform an inspection to ensure the owners reside at the property.	
NOTES on Long-term Monitoring for Occupancy	

Summary of Results: Project Monitoring

Homeowner Rehabilitation Program

Instructions: Using the completed checklists, complete the following chart to assist with summarizing the monitoring results.

	No Apparent Problems	Problems Identified	Follow-Up Needed
A. Participant eligibility			
1. Income-eligibility			
2. Occupancy			
3. Ownership			
Written agreement with homeowner			
B. Property eligibility			
Eligible property structure			
Minimum and maximum HOME investment			
3. Maximum property value			
Environmental review			
5. Uniform Relocation Act and Section 104(d)			
C. Eligible/reasonable costs			
Eligible HOME costs			
2. Cost reasonableness			
3. Refinancing			
4. Form of assistance			
D. Property and rehabilitation standards			
Property standards			
2. Work write-ups			
3. Inspections			
Lead-based paint requirements			

5. Onsite Inspections for Rehabilitation Quality		
F. Construction management 1. Pre-construction conference		
Construction contract		
3. Progress inspections		
4. Appropriate approvals		
5. Change orders		
6. Lien releases and warranty information		
G. Loan processing and servicing 1. Underwriting procedures		
2. Loan approval		
3. Loan documentation		
H. Long-term monitoring for occupancy (optional)		

Section 3. Program Monitoring: Homeowner Rehabilitation Program

Purpose of the Program Review

The program review helps the PJ assess how well the homeowner rehabilitation program is operating. Ideally, it is done in conjunction with the pre-monitoring review of policies and procedures (Section 1 of this chapter) and the project file review (Section 2 of this chapter). It helps the PJ answer:

- Does the program administrator comply with HOME requirements in all cases? By looking at all the results of the project file review, the PJ monitor can more identify areas where the program administrator performs consistently and where there are recurring problems.
- Does the program administrator have effective written documentation supporting the program? This includes the written agreement with the PJ; and policies, procedures, and other program materials that clearly state HOME requirements and expectations. By evaluating the program's written documentation, the PJ monitor can determine if the program administrator has adequate systems in place to promote compliance and performance.

How this Section Is Organized

The checklist in this section summarizes the HOME requirements that are reviewed in detail in Section 1 (pre-monitoring review) and the Section 2 (project review). This section does not use HUD checklist questions verbatim, as do the other sections of this chapter. However, this section is covers the same HOME requirements and is organized in the same manner as the HUD Checklist Exhibit 7-4, *Guide for Review of Homeowner Rehabilitation Programs*, and includes following sections:

- A. Project recordkeeping
- B. Participant eligibility
- C. Property requirements
- D. Property standards
- E. Eligible/reasonable costs
- F. Contractor selection
- G. Construction management
- H. Loan processing and servicing

Instructions

The PJ monitor should use one copy of the checklist in this section of this chapter to conduct a program review the homeowner rehabilitation program administrator (funded entity or PJ).

Column 1, "HOME Requirement," identifies the HOME requirement under review.

In columns 2a, 2b, and 2c, "Program Implementation," the PJ monitor summarizes its findings of the project monitoring review and indicates how often the program administrator effectively met the requirement (always, sometimes, never).

In columns 3a, 3b, and 3c, "Effectiveness of Documentation," the PJ monitor documents the findings of the pre-monitoring review, if it was done, or reviews the program's written documentation. The PJ monitor checks whether the requirement was: (1) Stated in

How to Use the Program Review

The PJ monitor can use the program review in a few different ways:

- To consolidate the results of a pre-monitoring and project monitoring review. To do this, complete the questions in Column 2. For any area where there is a potential problem, also complete Column 3.
- To conduct a cursory review of the program's operations. To do this, complete the questions in Column 3 only. This results in a review of the written documentation and program policies and procedures that constitute the foundation of the program's operation.
- To interview staff. To do this, ask the interviewee how the requirement specified in Column 1 is implemented. Take notes in Column 3(c), and on other paper, to the extent possible. Use interview results in conjunction with desk and project file reviews to draw conclusions about the program's operations.

the written agreement between the PJ and the State recipient, subrecipient, or contractor (if applicable) in column 3a, (2) Adequately reflected in the program administrator's policies and procedures in column 3b, or (3) Documented in other written documentation (such as program application) in column 3c.

A "Notes" section is provided at the end of each subsection for the PJ monitor to make notes on findings and recommended actions, as needed.

Documentation

The following documents are needed for a program review:

- Copy of the HOME regulations found at 24 CFR Part 92
- Written agreement between the PJ and the State recipient, subrecipient, or contractor, if applicable
- Written agreement with the homeowner
- Pre-monitoring file(s) or checklist results, if available
- Project case file monitoring file(s) or checklist results, if available

1. HOME Requirement	2. Effectiv	eness of Impler	nentation	3. Effective	ness of Document	tation
Describe anadysis administrator or		itoring shows th rator complied v requirement		This requirem	This requirement is clearly stated	
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
RECORDKEEPING	•					
Document HOME compliance through effective recordkeeping (overall)						
[24 CFR 92.508(a)(3)]						
PARTICIPANT ELIGIBILITY – Income						
1. Use current HOME income limits						
[24 CFR 92.254(b)]						
Use one of the three permissible definitions of income						
[24 CFR 92.203(d)]						
Include anticipated household income for a 12 month period						
[24 CFR 92.203(d)]						
Verify household income with source documentation						
[24 CFR 92.203(a)(1)]						
Make accurate household income determinations						
[all of the above combined correctly]						

	1. HOME Requirement	2. Effective	eness of Implei	mentation	3. Effective	ness of Document	ation
	Do so the management administrator or	administ	itoring shows th rator complied v requirement		This requirement is clearly stated in		ed in
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
No	tes:						
PA	RTICIPANT ELIGIBILITY – Ownership and O	ccupancy Sta	atus				
1.	Verify participant ownership of property (deed alone is insufficient; must also use title report or review of ownership records)						
	[24 CFR 92.254(c)]						
2.	Verify participant's principal residency at property						
	[24 CFR 92.254(b)(3)]						
	OPERTY REQUIREMENTS						
1.	Invest no less than \$1,000 per unit						
_	[24 CFR 92.205(c)]						
2.	Invest no more than the Section 221(d) (3) maximum subsidy limit per unit						
	[24 CFR 92.254(b)(1)]						
3.	Invest only in properties that are valued at or below 95% of area median purchase price						
	[24 CFR 92.254(b)(1)]						
4.	Determine 95% of area median purchase price by using one of the following:						
	HUD-determined value limits						
	203(b) limits in effect in 2008 Plastarminad and IIID approved.						
	 PJ-determined and HUD-approved limits 						
	[24 CFR 92.254(b)(1) and <i>HOMEFires</i> Vol. 10, No.1, issued January 2009]						
5.	Use one of the approved methods to determine after-rehabilitation value						
	• Appraisal						
	Tax records						
	• Estimate by qualified staff						
	[24 CFR 92.254(b)]						

1. HOME Requirement	2. Effectiv	eness of Implei	mentation	3. Effective	ness of Document	ation
		itoring shows th rator complied v requirement		This requirem	ent is clearly state	ed in
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
*Environmental review is the PJ's responsibility.						
If the program administrator is the PJ, secure an environmental review for the program and specific sites prior to committing HOME funds						
If program administrator is not the PJ, secure environmental clearance from the PJ prior to committing funds to a specific site.						
[24 CFR 92.352]						
Notes:						
PROPERTY STANDARDS						
 Review and approve work write-ups or plans and specifications for compliance with applicable property standards and PJ's written rehabilitation standard prior to construction start [24 CFR 92.251(a)(1)] 						
Comply with all applicable property standards (i.e., units are in standard condition upon completion)						
[24 CFR 92.251(a)(1)]						
Conduct initial and final inspections to monitor construction progress						
[Recommended practice]						
 Comply with PJ's written rehabilitation standard (i.e., units are constructed with requisite methods and materials) 						
[24 CFR 92.251(a)]						
Comply with lead hazard reduction requirements for level of assistance						
[24 CFR 92.355 and Part 35]						
*For comprehensive review, use HUD Checklist Exhibits 24-1, 24-2, or 24-3.						
Notes:						

	1. HOME Requirement	2. Effectiv	eness of Imple	mentation	3. Effective	ness of Document	ation
	Does the program administrator or	administ	itoring shows th rator complied requirement		This requirem	ent is clearly state	ed in
	developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
ELI	IGIBLE AND REASONABLE COSTS						
1.	Verify that project costs identified in work write-ups, proposals, and contracts are allowable and reasonable						
	[24 CFR 92.206, 92.505(a) and 24 CFR 85.22]						
2.	Document the actual cost of the rehabilitation work						
3.	[24 CFR 92.508(a)(3)(ii)] Provide HOME funds in an eligible form of investment (i.e., interest or non-interest bearing loans or advances, interest subsidies, deferred payment loans, grants, or loan guarantees) [24 CFR 92.205(b)]						
4.	Secure HUD approval for any form of investment used, but not eligible (listed in the question above)						
	[24 CFR 92.205(b)(1)]						
	*PJ responsibility.						
	NTRACTOR SELECTION						
_	Award contracts only to contractors that are NOT excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for Federal procurement or nonprocurement programs [24 CFR 92.350(a)]						
2.	If a pre-qualified list of contractors is maintained, regularly review the list of firms to verify their continuation of eligibility (not suspended or debarred), licensure, quality performance, and insurance coverage [24 CFR 92.350(a), 92.505(a) and 24 CFR 85.36(c)(4)]						

	1. HOME Requirement	2. Effectiv	eness of Implei	nentation	3. Effective	ness of Document	tation
	Project monitoring shows that program administrator complied with this requirement			This requirement is clearly stated in			
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
3.	Use a competitive bidding process (i.e., public invitation for bids; solicitation of multiple bid; cost reasonable test applied)						
	[24 CFR 92.505(a) and 24 CFR 85.36(c) (4)]						
	*This is required when the PJ or a subrecipient selects contractors, but not when the owner does.						
No	tes:						
	Inspect projects to assess rehabilitation						
	progress on a regular basis						
	[24 CFR 92.505(a) and 24 CFR 85.36(b) (2)]						
2.	Inspect projects prior to processing payment requests to confirm that all specified work has been satisfactorily completed						
	[24 CFR 92.505(a) and 24 CFR 85.36(b) (2)]						
3.	Review and approve [or secure PJ approval of] requests for change orders						
	[24 CFR 92.505(a) and 24 CFR 85.36(f)]						
4.	Have and use (as needed) an effective dispute resolution process for conflicts between homeowners and contractors						
	[24 CFR 92.505(a) and 24 CFR 85.36(b) (12)]						
5.	Have and use (as needed) an effective dispute resolution process for conflicts between homeowners and contractors						
	[24 CFR 92.505(a) and 24 CFR 85.36(b) (12)]						
6.	Implement effective procedures to ensure that contractors perform in accordance with the terms of their contracts						
	[24 CFR 85.36(b)(2)]						

1. HOME Requirement	2. Effective	eness of Impler	mentation	3. Effective	ness of Document	ation
		nitoring shows th trator complied v requirement		This requirem	ent is clearly state	d in
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify
Notes:						
LOAN PROCESSING AND SERVICING						
Properly execute and record all loan instruments						
[24 CFR 92.505(a) and 24 CFR 85.20(b) (3)]						
 Accurately determine that the assisted household's overall housing costs are reduced, when/if the program permits refinancing 						
[24 CFR 92.206(b)]						
Notes:						

Attachment 4-A

Client File Form – Homeowner Rehabilitation

	Are Items in Project Case File?	Answ	er
Und	derwriting and Applicant Processing		
1.	Application form; authorization to release information	☐ Yes	□ No
2.	Source documentation and calculation of income	□ Yes	□ No
3.	Documentation of principal residence	□ Yes	□ No
4.	Documentation of ownership	□ Yes	□ No
5.	Designation of property type and location	□ Yes	□ No
6.	Project underwriting worksheet	☐ Yes	□ No
7.	Origination checklist	□ Yes	□ No
8.	Project activity log	☐ Yes	□ No
9.	Verification of utility expenses (for past 12 months)	☐ Yes	□ No
10.	Credit report	☐ Yes	□ No
Leg	al and Financial Documents		
11.	Documentation of all costs and compliance with subsidy limits	□ Yes	□ No
12.	Written agreement	□ Yes	□No
	Mortgage documents or note	□ Yes	□ No
	Title search and title insurance	□ Yes	□No
15.	Copy of deed	□ Yes	□No
	Closing documents	□ Yes	□No
	Flood insurance	☐ Yes	□No
18.	Property insurance	□ Yes	□No
19.	Program income records	☐ Yes	□No
	nstruction Management		
20.	Lead-based paint notification pamphlet receipt	☐ Yes	□No
	Lead hazard risk assessment or other lead hazard evaluation; lead hazard evaluation and reduction notices to occupant	□ Yes	□ No
22.	Property inspection checklists to determine compliance with local codes and written rehabilitation standards	□ Yes	□ No
23.	Environmental review checklist	☐ Yes	□ No
24.	Relocation notices; documentation of assistance	☐ Yes	□ No
25.	Work specifications and program-generated cost estimate	☐ Yes	□ No
26.	Documentation of after-rehabilitation property value	☐ Yes	□ No
27.	Bid documents; bid analysis	☐ Yes	□ No
28.	Verification of contractor eligibility	□ Yes	□ No
29.	Contract for construction work	☐ Yes	□ No
30.	Pre-construction conference report	☐ Yes	□No
31.	Notice to proceed	☐ Yes	□ No
32.	Change orders	☐ Yes	□ No
33.	Ongoing and final inspection reports; building code compliance inspections	□ Yes	□ No
34.	Payment records and lien releases	☐ Yes	□ No
35.	Warranties and guarantees	☐ Yes	□ No
36.	Onsite monitoring of construction work performed	☐ Yes	□ No

Attachment 4-B

Summary of Lead-Based Paint Requirements for Homeowner Rehabilitation

	Rehabilitation (Subpart J) Chapter 4		
	<\$5,000	\$5,000 - \$25,000	>\$25,000
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Notice of Lead Hazard Reduction	Notice of Lead Hazard Evaluation and Notice of Lead Hazard Reduction	Notice of Lead Hazard Evaluation and Notice of Lead Hazard Reduction
Lead Hazard Evaluation	Paint Testing (of surfaces to be disturbed)	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation	Interim Controls	Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation)
	Safe work practices	Safe work practices	Safe work practices
	Clearance	Clearance	Clearance
Ongoing Maintenance	For HOME rental only	For HOME rental only	For HOME rental only
EIBLL Requirements	No	No	No
Options	Presume lead-based paint Use safe work practices on all surfaces	Presume lead-based paint and/or hazards Use standard treatments	Presume lead-based paint and/or hazardsAbate all applicable surfaces

Attachment 4-C

Summary of Key HOME Homeowner Rehabilitation Rules and How to Document

	Key HOME Requirement	Documentation (See checklists for details)
Eligible Activities		(acc chechinete lei detaile)
Eligible Activities	Rehabilitation, reconstruction	Document all expenditures
		Document initial inspection work specifications and write-up and include picture of unit
Eligible Participants		
Owner Income	Gross income < 80 percent of median income based on the upcoming 12 months Income is defined by one of three options: Section 8 annual income; annual income under Census long form; or adjusted gross income under IRS Form 1040	 Completed application in the project file Source documentation (wage statements, interest statements) in the project file Completed calculation of income (done in accordance with selected income definition)
Owner Occupancy	Applicant must occupy unit as his/her principal residence	 Client must sign a clause on the application form certifying that the property will be the principal residence of the owner This clause must also be included in the written agreement
Ownership of Property	Applicant must have ownership of the property through: • Fee simple title • 99-year leasehold interest • Ownership/membership in a cooperative or mutual housing project • Other forms approved by HUD.	Title check documentation in project file Copy of deed or other ownership document in the project file
Eligible Properties		
Property Type	Eligible property types include: One- to four-unit property Condominium unit Cooperative or mutual housing unit, if recognized by State law Manufactured or mobile home.	 If two to four units, indicate status of non-owner-occupied units in the application If non-owner occupied units were assisted with HOME funds, agreement with homeowner must impose HOME rental requirements (See Chapter 6 to monitor rental units.)
Property Location	Property must be located within geographic area of the PJ	Application must include address in PJ's geographic area. A map may also be included
HOME Minimum and Maximum Subsidy	 A minimum of \$1,000 in HOME funds must be invested in each assisted unit The maximum per-unit subsidy limit is determined by HUD 	Maintain records on expenditures in project file demonstrating that the perunit HOME investment exceeded \$1,000 Maintain records on expenditures in the project file indicating total HOME subsidy did not exceed maximums provided by HUD (221(d)(3) limits)

Property Value	After-rehabilitation value must not exceed 95% of the area median purchase price	If using local value limits, document data used to determine limits as well
	· Use Feb. 2008 203(b) limits	as evidence of HUD approval in the program file
	HUD-determined 95% of area median purchase price, or	Document method for determining value in the project file
	Establish local limits and obtain HUD approval	Copy of value estimate in project file
Property Standards	Property must meet PJ's written rehabilitation standards	Document local code or model code used in program files
	Property must meet applicable codes (State or local codes/standards or one of three nationally accepted codes/ standards)	Maintain written rehabilitation standards in program files
		Keep inspection checklist and work write-up in project file
		Include inspection report or certification by inspector in project file

Attachment 4-D

Other Federal Requirements for Homeowner Rehabilitation

Other Federal Requirement	Apply to Homeowner Rehabilitation?	Special/Issues/Considerations	Regulatory Citations and References		
Nondiscrimination and I	Nondiscrimination and Equal Access Rules				
Fair Housing and Equal Opportunity	Yes	PJ must affirmatively further fair housing in jurisdiction	24 CFR 92.202 and 92.250Title VI of Civil Rights Act of 1964 (42		
			U.S.C. 2000d et. seq.) • Fair Housing Act (42 U.S.C.		
			3601-3620) • Executive Order 11063 (amended by Executive Order 12259)		
			Age Discrimination Act of 1975, as amended (42 U.S.C. 6101)		
			· 24 CFR 5.105(a)		
Affirmative Marketing	No		· 24 CFR 92.351		
Handicapped Accessibility	Yes	Program accessibility requirements	Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8)		
			For multifamily buildings only, 24 CFR 100.205 (implements the Fair Housing Act)		
Employment and Contra	cting Rules				
Equal Opportunity Employment	Yes	Small projects offer opportunities for minority and resident-contractors	Executive Order 11246 (implemented at 41 CFR Part 60)		
Section 3 Economic Opportunity	Yes, if amount of assistance exceeds \$200,000 or contract or subcontract exceeds \$100,000	Include Section 3 clause in contracts and subcontracts	Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)		
Minority/Women Employment	Yes	PJs must develop procedures and include in contracts and subcontracts	Executive Orders 11625, 12432 and 12138		
			· 24 CFR 85.36(e)		
Davis-Bacon	No		· 24 CFR 92.354		
			Davis-Bacon Act (40 U.S.C. 276a – 276a-5)		
			• 24 CFR Part 70 (volunteers)		
			Copeland Anti-Kickback Act (40 U.S.C. 276c)		
Conflict of Interest	Yes		· 24 CFR 92.356		
			· 24 CFR 85.36		
			· 24 CFR 84.42		
Debarred Contractors	Yes	PJ should check HUD's list of debarred contractors	• 24 CFR Part 5		
Other Federal Requirem	ents				
Environmental Reviews	Yes	 Neighborhood reviews may facilitate targeted programs, but individual checklists still required for each project site Special attention should be paid to flood insurance and historic requirements 	· 24 CFR 92.352		
			· 24 CFR Part 58.35 a(4)		
			National Environmental Policy Act (NEPA) of 1969		

Flood Insurance	Yes for PJs that are cities/counties No for State programs	 Must obtain flood insurance if located in a FEMA designated 100-year flood plain Community must be participating in FEMA's flood insurance program 	Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106)
Site and Neighborhood Standards	No		· 24 CFR 893.6(b)
Lead-Based Paint	Yes for pre-1978 units EPA's Renovation, Repair, and Painting Rule applies	 Notices to owners Paint testing of surfaces to be disturbed Risk assessment, if applicable, based on level of rehabilitation assistance Appropriate lead-hazard reduction activity (based on level of rehabilitation assistance) Safe work practices and clearance Provisions included in all contracts and subcontracts 	 24 CFR 92.355 Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.) 24 CFR Part 35 24 CFR 982.401(j) (except paragraph 982.401(j)(1)(i)) 40 CFR Part 745
Relocation	Yes	 Relocation is required if tenants are living in the other units Relocation is not required for owner-occupied units 	 24 CFR 92.353 Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) 49 CFR Part 24 24 CFR Part 42 (subpart B) Section 104(d) "Barney Frank Amendments"

Chapter 5: Homebuyer Programs

This chapter describes how to monitor HOME and American Dream Downpayment Initiative (ADDI)-funded homebuyer programs. It includes guidance for when HOME assistance is: (1) provided for rehabilitation or new construction of affordable housing for low-income households, and (2) provided directly to the homebuyer (e.g., downpayment, closing cost, or mortgage assistance).

The chapter is organized into three sections that correlate to the three key stages of monitoring:

- Section 1. Pre-monitoring (program design and operations). Pre-monitoring is a systematic way for the PJ to gather background information on the program's administration. It helps the PJ assess if the program administrator has policies and procedures in place to facilitate HOME compliance and helps the PJ prepare for a monitoring site visit.
- Section 2. Project (or case file) monitoring. The core of the PJ's monitoring, project monitoring is a systematic way to review specific project/case files to assess whether the program administrator follows its procedures in a consistent way while implementing the program, and to determine whether each case is in compliance with the HOME requirements.
- Section 3. Program monitoring. Program monitoring is a systematic way to review the overall performance and compliance of the program. It helps the PJ identify patterns and trends in the program, and helps the PJ draw conclusions about the program administrator's policies, procedures, practices, and outcomes.

Before monitoring homebuyer activities, the PJ needs to identify the role of the entity it will monitor. Homebuyer programs might be administered by the PJ itself, a subrecipient, State recipient, or contractor. These entities are referred to as "program administrators" in this chapter. PJs also monitor the entities that carry out development activities—the project owners, developers, and sponsors. These entities are referred to as "developers" or "owners" in this chapter. Depending on the homebuyer program design, the responsibility for compliance may lie with one or more of these entities. Where possible, the checklist identifies the likely responsible party.

Basis of this Chapter

The checklists provided in this chapter are based on HUD Checklist Exhibits 7-0 (HOME Pre-monitoring Preparation for Homebuyer Assistance Programs), 7-5 (Guide for Review of Homebuyer Projects), and 7-6 (Guide for Review of Homebuyer Programs). The checklists in this chapter can be used instead of the checklists in the CPD Grantee Monitoring Handbook. The HUD checklist questions cited in this chapter have been revised slightly for use by the PJ, rather than HUD. In addition, some new questions have been added to the HUD checklists to facilitate the PJ's review. All the questions are numbered sequentially; the original HUD checklist numbering has **not** been retained. Questions that are not on the original HUD checklists are denoted with the icon \bigcirc .

Complete copies of the HUD checklists are found in the *CPD Grantee Monitoring Handbook*, available online at http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm#7. Chapter 7 of this handbook covers the HOME Program.

Framework for the Monitoring Review

In addition to the key HOME requirements covered in this chapter, there are a number of additional requirements that the PJ monitor needs to review to conduct a comprehensive monitoring review of a homebuyer program.

• Program and Project Administration. To monitor requirements related to the administration and financial

management of the program, refer to other chapters of this guidebook, depending on what entity administers the program:

- Use Chapter 2, Section 1 of this guidebook when funding CHDOs to undertake homebuyer projects with set-aside funds, and when using CHDO set-aside funds for a project that also includes downpayment assistance. (Note, CHDO set-aside funds cannot be used to administer a downpayment assistance program independent of an eligible CHDO set-aside project.) This chapter helps the PJ assess whether the CHDO meets HOME eligibility criteria, and how well the PJ is managing its CHDOs.
- Use Chapter 2, Section 2 of this guidebook when using a State recipient or subrecipient (including a CHDO that is acting as a subrecipient) to administer the homebuyer program. This chapter helps the PJ monitor assess the funded entity's compliance with applicable uniform administrative requirements, and the PJ's management and oversight of these funded entities.
- Use Chapter 3 of this guidebook to monitor the PJ's administrative and management systems. This should be done regardless of what entity administers the homebuyer program.
- Written Agreements. To monitor whether the HOME written agreement adequately conveys HOME requirements and whether it is enforceable, use one of the following HUD checklists, depending on what type of entity administers the program, or if funds are provided directly for project development:
 - Exhibit 7-15, *Guide for Review of Contractor Written Agreements*, when a contractor administers program
 - Exhibit 7-16, Guide for Review of Owner, Developer, Sponsor Written Agreements, when providing HOME funds for project development activities
 - Exhibit 7-17, Guide for Review of State Recipient Written Agreements, when a State recipient administers program
 - Exhibit 7-18, *Guide for Review of Subrecipient Written Agreement*, when a subrecipient administers program.

In addition, the PJ monitor should review the written agreement with the assisted homebuyer, using:

- Exhibit 7-14, Guide for Review of Beneficiary Written Agreements.
- Other Federal Requirements. There are several cross-cutting Federal requirements that apply to homebuyer activities, and the PJ monitor should use the following HUD checklists to monitor those aspects of compliance:
- This guidebook has adapted the HUD monitoring checklists for key HOME Program requirements for use by the PJ when it monitors itself and its funded entities. For review of these HOME requirements, the PJ monitor is directed to other chapters of this guidebook. For some areas of review (such as other Federal requirements, procurement, and written agreements), the HUD checklists have not been adapted for PJ use. For these areas of review, the PJ monitor is directed to the HUD checklists in the CPD Grantee Monitoring Handbook. The PJ monitor should be able to use these HUD checklists in their existing form.
- Exhibit 21-1, Guide for Environmental Review of the Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grants, and Housing for Persons With AIDS Programs by the Community Planning and Development (CPD) Representative
- Exhibit 22-3, Guide for Review of Civil Rights-Related Program Requirements for the HOME Investment Partnerships Program
- Exhibit 23-1 Guide for Review of Labor Standards Administration, for projects with 12 or more HOME-assisted units
- Exhibit 24-1, Guide for Review of Lead-based Paint Compliance in Properties Receiving Federal Rehabilitation Assistance
- Chapter 24 and related exhibits, for review of relocation and real property acquisition policies and procedures, if applicable
- Exhibit 27-1, Guide for Review of Flood Insurance Protection.

Resources

The following attachments are provided at the end of this chapter to facilitate the monitoring review:

- Attachment 5-A: Client File Form Homebuyer Program
- Attachment 5-B: Summary of Lead-based Paint Requirements for Homebuyer Programs
- Attachment 5-C: Summary of Key HOME Homebuyer Rules and How to Document
- Attachment 5-D: Summary of Other Federal Requirements for HOME Homebuyer Programs.

Section 1: Pre-monitoring: Design and Operation of the Homebuyer Program

Overview of the Pre-monitoring Review

Pre-monitoring helps the PJ:

- Gather background information about how the program administrator has designed its homebuyer program
- Prepare for an onsite monitoring visit
- Assess whether the program administrator has the necessary policies and procedures in place to administer the homebuyer program in compliance with the HOME requirements.

Pre-monitoring is not required before every onsite monitoring visit. It is recommended when:

- The program administrator is new
- The PJ monitor is reviewing the program administrator for the first time
- The subject under review appears to pose a high risk.

Organization of this Section

This section reviews key program design and operational requirements including:

- A. Participant selection and marketing
- B. Program design
- C. Program administrator
- D. Income definition
- E. Maximum property value limit
- F. Property type
- G. Property standards
- H. Loan and/or grant terms
- I. Resale and recapture provisions
- J. Contractor listings
- K. Client complaints and dispute resolution.

Instructions

The PJ monitor should copy and use the checklists in this section of the chapter to facilitate its pre-monitoring review. For each area of review, the PJ monitor should review relevant documents and answer each checklist question.

The first column, "HUD Checklist Exhibit 7-0 Selected Excerpts," provides the HUD checklist question. It may be adapted somewhat for use by PJs. Changes to the original HUD checklist questions are denoted with [brackets].

The second column, "What to Analyze," provides guidance to help the PJ monitor assess compliance.

The third column, "Follow-up Needed at Site Visit," provides space for the PJ monitor to make notes that will facilitate the onsite review. This might be a record of items where a determination of compliance could not be made during pre-monitoring, or a list of questions the PJ monitor will want to ask of the program administrator when on site.

Documentation

The following documents are needed for a pre-monitoring review:

- Copy of the HOME regulations found at 24 CFR Part 92
- HOME income limits in effect for the year(s) under review
- Desk review monitoring file and results of previous monitoring visit(s), if available
- Written agreement(s) with subrecipient, State recipient, or contractor administering the program, if applicable
- Policies and procedures for the homebuyer program
- Application form and/or package of information for homebuyer applicants
- Application form and/or package of information for developer applicants
- Participant selection policy
- Marketing procedures/plan and materials (e.g., advertisements and flyers)
- Guidance on how to make income determinations (provided by the PJ)

The PJ monitor should request any documents that it does not have from the PJ staff or the State recipient, subrecipient, or contractor (as applicable), prior to conducting the pre-monitoring review.

A. Participant Selection and Marketing

Background: The HOME Program requires that homebuyer programs be administered in an equitable manner and the program must comply with fair housing requirements.

Regulatory Basis: 24 CFR 92.350



Documentation:

- Participant selection policy
- Marketing procedures/plan
- Marketing advertisements and flyers
- Application form/package
- PJ affirmative marketing plan

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
 Are there written informational materials about the program such as: (a) Marketing materials for prospective applicants, including a program description (b) Marketing/informational materials for lenders and real estate agents, including a program description (c) Informational materials regarding homebuyer responsibilities (d) Other? If "yes" obtain copies. 	Advertisements and marketing materials should: Use fair housing and affirmative marketing language and logos Be clearly written and understandable to clients Be available in other languages. If there are five or more HOME-assisted units in project: Marketing plan must specify how project will be marketed to the full range of potential clients, including those least likely to apply Affirmative marketing steps must be consistent with PJ's affirmative marketing policy.	
2. If applicable, has the program administrator provided the entity undertaking marketing with guidance conveying HOME requirements related to the application, screening, and selection of homebuyer participants? ☐ Yes ☐ No	Participant selection policy should clearly explain: What documentation the applicant must submit to demonstrate his/her qualifications The income limits of the program The specific criteria on which participant selection will be based That applicants that are not selected are notified in writing. Selection criteria should be equitable. For instance: First-come, first-served: Date and time must be stamped on each application upon receipt. For lottery: File must contain list of applicants, date of lottery draw, and letters to accepted and rejected applicants indicating the outcome. Selection criteria must: State criteria (qualifications and preferences) Prohibit conflict of interest or bias (discrimination or favoritism towards friends or relatives) Be applied in a manner that is consistent with fair housing laws. Monitors must verify that there is a system in place for written notification to ineligible applicants or those who could not be served due to lack of funds. Monitors may want to review a few files where applicants were denied assistance to ensure that these procedures are followed.	

B. Program Design

Background: The PJ monitor should become familiar with the type of homebuyer program under review and how it is designed to operate before conducting a site visit.

Regulatory Basis: Recommended

Documentation:

- Consolidated Plan program description and annual action plan
- Program policies and procedures that explain how the program operates (such as policies related to resale/recapture, lease-purchase program policies, or counseling requirements for homebuyers, as applicable)
- Description of Request for Proposals (RFP) process for owner, developer, and sponsor participation (for development activities)
- ADDI program policies and/or procedures, if applicable

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
3. Does the program have "significant" design features (e.g., a construction component, lease- purchase, affordability periods or [resale/recapture] provisions that exceed HOME requirements? Obtain relevant program design documents (e.g., resale or recapture provisions from annual action plan, program descriptions). ☐ Yes ☐ No	Policies and procedures should explain how the program operates, who is eligible to participate, and key program requirements. Written policies and procedures should be consistent with those adopted in the Consolidated Plan or annual action plan. Homebuyer programs must adopt a resale or recapture provision in order to secure long-term affordability.	
 4. What can HOME assistance be used for (check all that apply): □ Downpayment/closing costs? □ Reduction of first mortgage/ gap financing? □ Other purchase assistance? □ Construction? 		
5. Does the [program administrator] receive American Dream Downpayment Initiative (ADDI) funds? If yes, are the funds administered as part of its HOME homebuyer program or separately? Obtain any materials describing the ADDI program, if separate from HOME. Yes No	If ADDI funds are administered separately, learn about the program design of both the HOME and ADDI homebuyer programs and identify how the program requirements differ for the two programs.	

C. Program Administrator

Background: Before monitoring, the PJ monitor should have a clear understanding of the roles and responsibilities of each of the entities involved in the program, including: (1) who administers the program, and (2) who enters into agreements with participating developers (development assistance) or homebuyers (direct assistance). When a State recipient or subrecipient administers the homebuyer program, the PJ can retain the responsibility to enter into the written agreement with the developer(s) and/or homebuyer(s), or it can permit the State recipient or subrecipient to execute these agreements. If the State recipient or subrecipient executes these written agreements, the agreements must be assignable to the PJ, in the event the PJ needs to enforce the agreement directly. It is also permissible to use a three-party agreement between the PJ, State recipient/ subrecipient, and the developer or homebuyer.

Regardless of the administrative structure the PJ chooses, the PJ is responsible for HOME compliance and must monitor its program partners.

Regulatory Basis: 24 CFR 92.2 (definitions of subrecipient, State recipient) and 92.504

Documentation:

- Written agreement(s) between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Written agreement(s) between the program administrator and owners, sponsors, or developers

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
6. Does the program have "significant" design features (e.g., a construction component, lease- purchase, affordability periods or [resale/recapture] provisions that exceed HOME requirements? Obtain relevant program design documents (e.g., resale or recapture provisions from annual action plan, program descriptions). ☐ Yes ☐ No	Policies and procedures should explain how the program operates, who is eligible to participate, and key program requirements. Written policies and procedures should be consistent with those adopted in the Consolidated Plan or annual action plan. Homebuyer programs must adopt a resale or recapture provision in order to secure long-term affordability.	

7. Does the PJ directly administer the homebuyer program or use	Some acceptable models of program administration include:	
subrecipient(s) [State recipient, or contractor] for this purpose? If a subrecipient, [State recipient, or contractor] is used, obtain a copy of the HOME written agreement for this activity.	 PJ administration include. PJ administers the program and has agreement directly with either (1) owners, developers, and sponsors of affordable housing, and/or (2) homebuyers. 	
☐ Yes ☐ No	 PJ contracts with a subrecipient, State recipient, or contractor for program: 	
Written Agreement Is Needed Before Funds Distribution Whenever the PJ provides HOME funds to another entity to administer all or part of the program, or to carry out a specific activity, it must have a written agreement with that entity.	 PJ executes agreements with owners, developers, sponsors, and/or homebuyers, or The State recipient, subrecipient, or contractor executes agreements with owners, developers, sponsors, and/or homebuyers, and the agreement is assignable to the PJ, or The PJ and the State recipient, subrecipient or contractor and the homebuyer enter into three-party agreement. PJ administers the program overall and uses subrecipient(s) or contractor(s) to perform a limited number of tasks related to the program's administration (e.g., marketing activities). Other: 	
8. Does the program administrator work with owners, sponsors, or developers to construct and/or rehabilitate affordable homebuyer housing?		

D. Income Definition

Background: All HOME and ADDI funds must benefit low-income households. A low-income household is defined as a household with an annual gross income at or below 80 percent of the area median income, as determined by HUD and adjusted for household size.

In order to meet this requirement, the program administrator must determine the income-eligibility of potential homebuyers prior to their receipt of HOME assistance. Income-eligibility is based on the anticipated annual gross income of all family members in the household using one of the following definitions:

- Part 5 (Section 8) definition of annual income
- Internal Revenue Service (IRS) definition of adjusted gross income from IRS Form 1040 Long Form
- U.S. Census Bureau Long Form definition of annual income.

Regulatory Basis: 24 CFR 92.203

Documentation:

- Written agreement between the PJ and State recipient, subrecipient, or contractor, if applicable
- Policies and/or procedures related to determining income-eligibility of homebuyers
- Copies of the HUD income limits for the years being monitored

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
9. What definition of income is being used for the homebuyer program? Obtain the HUD income limits for years being monitored from the HOME webpage. [24 CFR 92.203(b)] Yes No HUD Income Limits The HUD income limits are available online at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/. For guidance on how to make income-eligibility determinations, see Technical Guide for Determining Income and Allowances for the HOME Program (HUD 1780-CPD, January 2005), available from Community Connections, 1-800-998-9999.	The PJ must instruct the State recipient, subrecipient, or contractor (and developer, as applicable) about which income definition must be used; ideally, this is specified in the written agreement. The same definition of income must be used consistently for all applicants in the homebuyer program. The program administrator should provide the developer with guidance on how to use the income definition. The program administrator's policies and procedures should require staff to use the PJ-adopted definition of income when making income-eligibility determinations.	

E. Maximum Property Value Limit

Background: For acquisition or new construction activities, the purchase price of a HOME-assisted property cannot exceed 95 percent of the median purchase price limits for the area. For rehabilitation activities, the after-rehabilitation value cannot exceed 95 percent of the median purchase price limits for the area.

At this writing, the Section 203(b) mortgage limits exceed the 95 percent of the median purchase price limits imposed by the HOME Program statute. HUD authorizes PJs to determine their own limits in accordance with procedures described in the HOME regulations at 24 CFR 92.254, or to use the greater of either:

- Section 203(b) mortgage limits established as of February, 2008; or
- Actual 95 percent of median sales price limits for their areas. HUD has published and periodically updates a *Value Limits Spreadsheet* with current limits for each county in the U.S. This is found at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm.

For more information on the property value/sales price limits, see HUD's *HOMEfires*, Vol. 10 No. 1, issued January, 2009, available online at http://www.hud.gov/offices/cpd/affordablehousing/library/homefires/index.cfm#2009.

Regulatory Basis: 24 CFR 92.254(a)(2)(iii)

Documentation:

• Policy that identifies what 95 percent of median purchase price limits are to be used

- If using a PJ-determined value, market survey and evidence it was submitted to and approved by HUD
- Policies/procedures that identify the method the program administrator uses to estimate the after-rehabilitation value of property
- Written agreement between the PJ and the State recipient, subrecipient, or contractor, if applicable

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
10. What does the program administrator use as the 95 of median purchase price limit? ☐ FHA 203(b) limit ☐ HUD-determined 95% of median purchase price limit from Value Limits Spreadsheet ☐ PJ-determined limit ☐ Yes ☐ No	The PJ must use one of the approved limits—FHA 203(b), HUD-determined 95% of median purchase price, or PJ-determined. If the PJ determines the median purchase price limits, the PJ must have HUD approval of market survey.	
11. What is the 95% of area median purchase price applicable to the PJ's program for the time period being reviewed? Obtain the figure if FHA 203(b)-determined or HUD-determined, or review PJ submission if PJ-determined. [24 CFR 92.254(a)(2)(iii)]		

12. For rehabilitation programs, how does the program administrator determine the after-rehabilitation value of the property? ☐ Estimate of value ☐ Appraisal ☐ Tax assessment	These three methods of determining the after-rehabilitation value of the property are the only methods approved by HUD. If using an estimate of value, it must be conducted by a qualified person for the PJ, State recipient, independent contractor, or subrecipient. Project files must contain the estimates of value and document the basis for the value estimates. An appraisal can be prepared by a licensed fee appraiser or by a PJ's staff appraiser. Project files must document the appraised value and the appraisal approach used. If using tax assessment, a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after-rehabilitation. Assessments based on a percentage of market value may be used, if adjusted to reflect actual market value.	
13. Does the program administrator have procedures in place to ensure that the sales price or after-rehabilitation value of a property does not exceed 95% of area median purchase price? ☐ Yes ☐ No	The program administrator must have procedures in place that ensure that it determines that the proposed sales price or after-rehabilitation value is equal to or less than the HUD limits prior to committing any HOME funds.	

F. Property Type

Background: HOME funds can be used to rehabilitate a wide variety of single family structures, with one to four units. Ownership interest must be in fee simple title or 99-year leasehold interest, or as cooperative or mutual housing if State law recognizes these as forms of homeownership.

Regulatory Basis: 24 CFR 92.254(a)(1) and 92.2 (definition of homeownership)



• Program policies/procedures and/or application materials that outline the eligible property types for the program

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
14. What property types are permitted in the program application materials and policy/procedures:	The listed property types are all HOME-eligible.	
☐ Traditional single family housing (one to four units)		
☐ Condominium unit		
\square Cooperative unit		
☐ Unit in a mutual housing project		
☐ Manufactured home, including a mobile home		
15. Does program administrator have policies and procedures in place to ensure that only eligible property types are assisted? Yes No Verifying Property Eligibility The program administrator can verify the eligible property type with a site visit or inspection, photo, or homebuyer certification. Documentation should be retained in the project file.	The PJ must notify the State recipient, subrecipient, or contractor in writing of the eligible property types; ideally this is specified in the written agreement). The program administrator must have procedures in place to verify the eligibility of the property (type and form of ownership) <i>prior to</i> committing HOME funds to the project.	
16. Does program administrator have policies and procedures in place to ensure that the ownership interest is eligible? ☐ Yes ☐ No	Program administrator should verify ownership interest with a deed and title search.	

G. Property Standards

Background: HOME-funded properties must meet certain minimum property standards.

Regulatory Basis: 24 CFR 92.251(a)(1)

Documentation:

- Policies/procedures that identify the local code or national code used for the homebuyer program
- Written agreement between the PJ and the State recipient, subrecipient, or contractor and/or developer
- Written rehabilitation standards, if applicable

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
17. If the homebuyer program provides downpayment assistance only (i.e., no construction or rehabilitation is involved), what property standards apply? Obtain copy if monitoring property	The PJ must communicate (ideally, in the written agreement) what property standards apply, either: (1) State or local codes, or (2) absent State or local codes, the Federal Housing Quality Standards (HQS), apply to the project.	
condition. [24 CFR 92.251(a)]	The program administrator's procedures should reflect use of the requisite codes and standards.	
	The program administrator's policies and procedures must ensure that properties are inspected for compliance with applicable codes prior to making a funding commitment to a particular property.	
18. If the homebuyer program has a construction component, what property standards apply? Obtain copy if monitoring construction	The PJ must communicate to the State recipient, subrecipient, contractor, and/or developer (in the written agreement) what property standards apply:	
work. [24 CFR 92.251(a)]	 Either (1) State or local codes, or (2) one of three national model codes (ICBO, BOCA, or SBCCI) or CABO, or Minimum Property Standards¹ 	
	For new construction, the International Energy Conservation Code (IECC)	
	 For rehabilitation, the PJ's written rehabilitation standard. 	
	The program administrator's procedures should reflect use of the applicable codes and standards.	
	The program administrator's policies and procedures must ensure that work write-ups or plans and specifications are reviewed for compliance with applicable codes and standards prior to construction start.	

Since the promulgation of the HOME Program regulations, these code issuing agencies have merged to form the International Code Council (ICC). The model codes used for the HOME Program are no longer being updated. In their stead, the ICC has issued the International Building Code. HUD will consider whether changes to the HOME regulations incorporating the International Building Code are appropriate. The HOME Program web page provides updated information on all HOME requirements. (See http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.) For more information about the International Building Code, see http://www.iccsafe.org.

19. If the homebuyer program involves rehabilitation, does the PJ have written rehabilitation standards, as required by HOME regulations? Obtain copy if monitoring rehabilitation projects. [24 CFR 92.251(a)(1)] ☐ Yes ☐ No	The PJ must adopt a written rehabilitation standard and must communicate its standard to the State recipient, subrecipient, or contractor (in written agreement). The program administrator's procedures should reflect use of the requisite rehabilitation standards.	
	The program administrator's policies and procedures must ensure that work write-ups or plans and specifications are reviewed for compliance with the rehabilitation standard prior to rehabilitation start.	

H. Loan and/or Grant Terms

Background: Typically, the PJ determines what form of assistance is provided to developers and/or homebuyers and conveys this decision to the State recipient, subrecipient, or contractor. HOME allows virtually any form of financial assistance to be provided for eligible projects and to eligible beneficiaries, including:

- **Interest bearing loans or advances.** These are amortizing loans, for which repayment is expected on a regular basis (usually monthly). Over a fixed period of time, all of the principal and interest is repaid.
- Non-interest bearing loans or advances. The principal amount of such loans is paid back on a regular basis over time, but no interest is charged.
- **Deferred loans (forgivable or repayable).** These loans are not fully amortized. Instead, some, or even all, principal and interest payments are deferred to some point in the future.
- **Grants.** Grants are provided with no requirement or expectation of repayment. Grants cannot be used under a recapture provision (see next section, *I. Resale and Recapture*).
- **Interest subsidies.** These are usually an up-front discounted payment to a private lender in exchange for a lower interest rate on a loan. An interest subsidy may also be a deposit in an interest-bearing account from which monthly subsidies are drawn and paid to a lender along with the homebuyer's monthly payment.
- Equity investments. An equity investment is an investment made in return for a share of ownership. Under this form of subsidy, the PJ acquires a financial stake in the assisted property and is paid a monetary return on the investment if money is left after expenses and loans are paid.
- Loan guarantees and loan guarantee accounts. HOME funds may be pledged to guarantee loans or to capitalize a loan guarantee account. A loan guarantee or a loan guarantee account ensures payment of a loan in case of default.
- Other forms approved by HUD. Other forms of assistance require HUD approval. If the PJ intends to use a form of assistance not listed above, the PJ's Consolidated Plan or annual action plan should describe the proposed form of assistance. Once the Consolidated Plan is approved by HUD, no other HUD approval is required.

Regulatory Basis: 24 CFR 92.205(b)

Documentation:

- Policies/procedures that identify the form of assistance provided to homebuyers
- If the PJ provides assistance in a form other than those specified above, documentation of HUD approval of the Consolidated Plan
- Written agreement between the PJ and State recipient, subrecipient, or contractor, if applicable

• Sample written agreements between the PJ/program administrator/developer and homebuyer

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
20. What form of assistance is provided? ☐ Interest bearing loans or advances ☐ Non-interest bearing loans or advances ☐ Deferred payment loans ☐ Grant ☐ Interest subsidies ☐ Loan guarantee ☐ Other form of assistance (Specify:	These forms of assistance are allowed by HUD. If "other form of assistance" is used, the PJ must have documentation of this form of assistance in the PJ's Consolidated Plan or annual action plan and must have evidence of HUD approval.	
21. What are the procedures for determining the amount and terms of assistance provided? (These may be located in a policies/procedures manual, desk policies/procedures, or underwriting standards).	If the amount of assistance is based on project underwriting and varies from homebuyer to homebuyer (or developer to developer), the PJ should have written underwriting guidelines that are followed for all projects to ensure consistency.	
22. Does the program administrator grant or loan the funds to homebuyers? ☐ Grant ☐ Loan ☐ N/A		
23. If funds are loaned, what are the loan terms or, if loan terms vary project-by-project, how are the loan terms determined?		

I. Resale and Recapture Provisions

Background: HOME and ADDI Program regulations require the use of either recapture or resale provisions for assisted homebuyer projects.

• Recapture. This is a mechanism to recapture all or a portion of the direct HOME subsidy if the property is transferred or sold during the affordability period. Recaptured funds must be used for HOME-eligible activities. The affordability period and the maximum amount subject to recapture is based upon the amount of direct assistance to the homebuyer (e.g., downpayment and/or closing cost assistance, principal reduction, etc.). The regulations describe four different

options for recapture; the PJ must describe its recapture guidelines in its Consolidated Plan.

• **Resale.** This option ensures that the HOME-assisted unit remains affordable over the entire affordability period. Using this option, if a HOME-assisted unit is sold during the affordability period, it must be sold to another low-income homebuyer at an affordable sales price while providing for a "fair return" to the original homebuyer. The period of affordability is based upon the total HOME assistance in the project which includes any direct assistance and any development assistance to an owner, developer, or sponsor. With resale, the PJ has the option to develop a marketing study, called a presumption of affordability, to demonstrate that an area is likely to remain affordable in the future.

Regulatory Basis: 24 CFR 92.254

/=L	
	Documentation:

- Consolidated Plan or annual action plan with description of resale or recapture guidelines adopted by the PJ
- Policies/procedures that describe the recapture/resale provisions
- Written agreement between the PJ and State recipient, subrecipient, or contractor
- Sample written agreement between the program administrator and developer and/or homebuyer
- Policies/procedures that describe presumption of affordability, if applicable (for resale provisions only)

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
24. Are the terms of the loans, including recapture or resale provisions, described in information provided to, and written agreements executed by, homebuyers? Obtain a copy of the written agreement and any written guidance provided to homebuyers. ☐ Yes ☐ No	Program materials should clearly state the terms of the HOME assistance. Written agreement with developer and/or homebuyer must clearly state the terms of HOME assistance. Program materials should describe the resale or recapture provisions in userfriendly language. Written agreement must clearly describe the resale or recapture provisions.	

25. What provisions does the PJ use to ensure ongoing affordability (recapture, resale, or both)? If resale provisions are used, is there a HUD-approved presumption of affordability? Review the recapture or resale provisions in the annual action plan for compliance with the resale and/or recapture provisions of 24 CFR 92.254(a)(5) (i) and/or (ii), as applicable. [24 CFR 92.254]

Presumption of Affordability

In certain neighborhoods, the PJ may be able to use a presumption of affordability, based on a market analysis that documents that it is likely that housing in the neighborhood will remain affordable to a reasonable range of low-income homebuyers, without any additional enforcement measures imposed by the PJ. The market study must include an evaluation of the location and characteristics of the housing and residents. The specific required elements of the market analysis are described in 24 CFR 92.254(a)(b)(i)(B).

Upon transfer of the HOME-assisted property during the affordability period:

A. Resale provisions must state:

- · Subsequent owner must be low-income
- Sales price must be affordable, as defined by PJ
- Initial buyer must get fair return on investment, as defined by PJ.

In certain neighborhoods, a PJ can use a presumption of affordability to satisfy these requirements.

B. Recapture provisions must specify amount of HOME funds the PJ chooses to recapture:

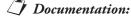
- · Recapture entire amount
- Reduce amount, based on length of occupancy during affordability period
- · Share net proceeds
- · Return owner investment first.

Recapture provisions must state that PJ cannot recapture an amount greater than the net proceeds.

J. Contractor Listing

Background: Construction contractors working under HOME-funded homebuyer programs may be selected by any of the following entities, depending upon the program design: a subrecipient or State recipient, owner/developer/sponsor, the homebuyer, or the PJ. Depending on who hires the contractor, different procurement rules apply.

Regulatory Basis: 24 CFR 92.505 and 92.350, and 24 CFR 85.36



- Policies/procedures (and/or written agreement) that explain how contractors are chosen
- Policies/procedures that outline how contractors qualify for a pre-qualified list, if applicable
- List of participating contractors and documentation of qualifications

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
26. Who selects the contractor? ☐ PJ ☐ Owner/developer/sponsor ☐ Homebuyer	If the PJ, State recipient, or subrecipient selects the contractor, then the selection process must comply with Federal procurement rules regarding competitive bidding. Policies should reflect these requirements:	
	Must issue public invitation for bids	
	Must make efforts to solicit more than one bid	
	Must retain list of who was solicited	
	 Must retain copies and dates of advertising 	
	Must use clear and consistent criteria to review bids	
27. Is there a written procurement process?	Must adopt written guidelines for processing and reviewing bids	
□ Yes □ No	 Must provide written notice to contractors that are not selected and cite reason(s). 	
Determine Contractor Eligibility To verify that a contractor	If homebuyer or owner/developer/ sponsor selects contractor, competitive bidding procedures are not required. Policies should state:	
is eligible to work on a federally-funded project, the program administrator must document that the	That the selected bid must be reviewed by the program administrator for cost reasonableness prior to commitment of funds	
contractor is not on the excluded parties list at	 What criteria will be used to review for cost reasonableness. 	
http://www.epls.gov/ index.html. A print-out of	Regardless of who selects the contractor, the program administrator must verify	
the search must be retained in the file.	that the contractor is eligible to work on federally-funded projects (i.e., is not on the excluded parties list).	
28. Does the program administrator maintain a list of qualified contractors? ☐ Yes ☐ No	If the program administrator maintains a list of qualified contractors, the program administrator should have: Fair and open process to identify potential contractors (such as Request	
	for Qualifications) • Specific criteria to select what contractors are on the list	
	Ongoing opportunities for new contractors to be added to the list.	

K. Client Complaints and Dispute Resolution

Background: PJs should have complaint/conflict resolution policies and procedures in case of disputes between parties involved in homebuyer projects. In addition, PJs should have policies and procedures in place that establish what happens when a contractor does not demonstrate satisfactory performance and meet contractual obligations.

Regulatory Basis: Recommended



- Log of complaints received by the PJ, if any
- Complaint/conflict resolution policies and procedures
- Documentation that any complaints were handled in accordance with such policies/procedures

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
29. Has [the PJ, program administrator, or HUD] received an unusually high number of complaints regarding the PJ's homebuyer program during the past 12-24 months? ☐ Yes ☐ No		
30. Does the PJ or program administrator have policies and procedures for resolving disputes between contractors and homebuyers? ☐ Yes ☐ No	Complaint procedures and policies should: Define who is responsible for referring disputes, how notifications will be handled, and who will monitor through to resolution Advise staff to monitor relations between the various parties, and to intervene early in disagreements to provide for informal resolution Codify that when disputes cannot be handled informally by staff, they should be resolved in a manner that is prompt and includes an equitable investigation and resolution.	
31. Does program administrator have policies and procedures for taking action against poor performing contractors? ☐ Yes ☐ No	Policies and/or procedures should: Define poor performance and determine the process by which poor performance will be identified and communicated to involved parties Identify who will determine whether, and when, to take disciplinary action Identify actions that would be cause for referral to the PJ or HUD for suspension or debarment.	

Summary of Pre-monitoring Review

Homebuyer Program

Instructions: Using the completed checklists from the pre-monitoring review, complete the following chart to summarize the pre-monitoring results. The written documentation that should have been examined includes: written agreement between PJ and State recipient, subrecipient, or contractor, if applicable; written agreement with homebuyer; and program policies and procedures.

	No Apparent Problems with written documentation	Follow-Up Needed
A. Participant selection and marketing		
B. Program design		
C. Program administrator		
D. Income definition		
E. Maximum property value limit		
F. Property type		
G. Property standards		
H. Loan and/or grant terms		
Resale and recapture provisions		
J. Contractor listings		
K. Client complaints and dispute resolution		

Section 2. Project (Case File) Monitoring

Overview of the Project Monitoring Review

During project monitoring, the PJ monitor:

- Reviews individual project files for the homebuyer program
- Determines whether the program administrator complies with the HOME requirements in the implementation of the program.

The program administrator should have a project file (also known as a "case file") for each homebuyer and/or developer that receives HOME assistance. The PJ monitor must review a sufficient sample of project files to determine that the program administrator is complying with all applicable HOME requirements. Generally, the PJ monitor should randomly select at least ten percent of the files, or a minimum three project files if the program is small. In addition, it should select the files of any project that it has concerns may be at risk for noncompliance or performance difficulties.

When the PJ uncovers instances of noncompliance in the project review, it must take steps to see that the noncompliance is corrected in each instance.

Note, the results of project monitoring can be aggregated and looked at in their entirety, in order to draw conclusions about the overall performance of the program administrator. This process can be done at the conclusion of the project monitoring review, or it can be done as part of the PJ's program monitoring, which is discussed in Section 3 of this chapter.

Organization of this Section

This section is organized into the following sections, to correspond generally to the organization of HUD Checklist Exhibit 7-5:

- A. Participant eligibility
- B. Property eligibility
- C. Resale and recapture provisions
- D. Eligible and reasonable costs
- E. Property standards
- F. Onsite inspection
- G. Contractor selection
- H. Construction management
- I. Loan processing and servicing
- J. Long-term monitoring for occupancy

Instructions

The PJ monitor should copy and use the checklists in this section of this chapter to conduct its project monitoring review. For each project being reviewed, the PJ monitor should review relevant documents and answer each checklist question. A separate checklist should be completed for each project file reviewed.

The first column, "HUD Checklist Exhibit 7-5 Selected Excerpts," provides the HUD checklist questions, as adapted (indicated by the use of [brackets]) for use by PJs.

The second column, "Identified Problems," lists potential compliance issues. The PJ monitor should check off any of the "Identified Problems" that he or she encounters while reviewing project files.

At the end of each subsection is a "Notes" form for the PJ to make notes on findings and recommended actions.

Documentation to Bring

The PJ monitor should bring, or have access to, the following documents at the onsite project monitoring review:

- Pre-monitoring review results, if available
- Copy of the HOME regulations found at 24 CFR Part 92
- HOME income limits in effect for the years under review
- Applicable property standards, if project will be inspected

A. Participant Eligibility

The requirements related to participant eligibility describe who is eligible to receive homebuyer assistance. Participant eligibility covers the following topics:

- 1. Income-eligibility
- 2. Occupancy
- 3. Ownership
- 4. Written agreement with homebuyer

1. Income-eligibility

Background: Income-eligibility refers to the requirement that every homebuyer that is assisted with HOME funds must be low-income. A low-income household has an annual gross income that is at or below 80 percent of the area median income.

Regulatory Basis: HOME: 24 CFR 92.203(b), 92.203(a)(2), 92.254(b), and 92.508(a)(3)(v); ADDI: 24 CFR 92.610(c)

Documentation:

- Policies/procedures that specify which definition of income should be used for the homebuyer program (collected during pre-monitoring review)
- Source documentation of income for all household members—pay stubs, bank statements, and documents from third parties (e.g., Social Security Administration, verification of employment)
- Copy of HUD's income limits that were in effect on the date the income verification was determined
- Worksheet or form that shows how the household's income was determined, and compares it to the HUD income limit for the applicable household size

HUD Checklist 7-5 Selected Excerpts	Identified Problems
Was the applicable definition of income used (e.g., the definition selected for this homebuyer program)?	☐ PJ's definition of income not used to make income-eligibility determination
☐ Yes ☐ No	

2. Did the PJ correctly apply income inclusions and exclusions for the chosen income definition and was the calculation performed correctly? [24 CFR 92.203(b)] Yes No Resources for Calculating Household Income HUD provides two key resources to assist with making income-eligibility determinations: 1. Online income calculator at http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/calculator.cfm 2. Technical Guide for Determining Income and Allowances for the HOME Program (HUD 1780-CPD, January 2005), available from Community Connections, 1-800-998-9999.	 ☐ Household size not verified through application and personal interview ☐ All applicable income not "counted" per the definition in use ☐ Income "counted" that should have been excluded ☐ Household's income not based on anticipated income (expected in the next twelve months) ☐ Household's income did not include income for all family members ☐ Documentation for household's income determination was not in file or was insufficient
 Letters of verification of en Wage statements Letters from providers of o 	□ Reported income not verified with source documentation □ No or insufficient source documentation purce Documentation inployment and salary where sources of income (such as the tion or other governmental agencies)
4. Was the household's annual income less than or equal to 80% of the area median income? [HOME: 24 CFR 92.254(b); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	 □ No worksheet comparing HUD income limits in effect at the time of application to the household's determined income □ Wrong income limits used (e.g., wrong year) □ Household was over-income, but program administrator provided HOME funds
 5. Was the household's income determined not more than 6 months before the HOME or ADDI funds were committed to this homebuyer? [HOME: 24 CFR 92.203(d)(2); ADDI: 24 CFR 92.610(c)] Or, for lease-purchase, not more than 6 months before the lease-purchase agreement was signed? [24 CFR 92.254(a) (7)] Or, for housing that will be constructed, not more than 6 months before the contract was signed? □ Yes □ No 	 ☐ Homebuyer income-eligibility not determined prior to providing HOME assistance ☐ HOME assistance was not provided within six months of the income-eligibility determination

2. Occupancy

Background: There are two key requirements related to occupancy:

- 1. The homebuyer must occupy the home as its principal residence; properties used as second homes or temporary residences cannot be assisted.
- 2. For ADDI funds, applicants must meet the definition of first-time homebuyer.

Monitoring for principal residence during the period of affordability is a HOME and ADDI recommended practice.

Regulatory Basis: 24 CFR 92.254(b)(2) and 92.508(a)(3)(xi)

Documentation:

- Self-certification (signed) from participant or alternative documentation of first-time homebuyer status (see Tip Box below)
- Written agreement with the homebuyer
- Self-certification (signed) from participant stating that the HOME-assisted unit will be the buyer's principal residence

HUD Checklist 7-5 Selected Excerpts	Identified Problems
6. If the household is assisted with ADDI funds, does the household meet the first-time homebuyer definition in 24 CFR 92.2? [24 CFR 92.602(a)(1)] Solution Sufficient documentation of First-time Homebuyer Status	 ☐ Homebuyer did not meet one of these three criteria for a first-time homebuyer: ☐ Ownership. Applicant has not owned a house in the last three years. ☐ Displaced Homemaker. Applicant (adult) has not worked full-time or for a full-year in the labor force for a number of years, but has, during such years, worked primarily without remuneration to care for the home or family, is unemployed or underemployed, and is experiencing difficulty in obtaining or upgrading employment. ☐ Single Parent. Applicant is a single parent, which means unmarried or legally separated from a spouse and has one or more minor children of whom the individual has custody or joint custody, or is pregnant. ☐ No or insufficient documentation to show that first-time homebuyer status was verified
7. Does the written agreement with the homebuyer specify that the buyer must use the property as a principal residence throughout the period of affordability? [HOME: 24 CFR 92.254(a)(3) and 92.504(c)(5)(i); ADDI: 24 CFR 92.612(c) and 92.616(e)] □ Yes □ No	 □ Written agreement with homebuyer does not include principal residency requirement □ Written agreement between PJ and State recipient, subrecipient, or contractor does not specify that it is the the funded entity's obligation to convey principal residency requirement to the homebuyer
8. Was the written agreement executed by the PJ and the homebuyer before the project was funded in IDIS? (Compare the dated signatures on the written agreement to the Initial Funding Date on the View Activity Screen in IDIS). [24 CFR 92.502(b)]	☐ Project was funded prior to execution of a written agreement
9. Does the written agreement specify remedies or actions the PJ must take if the principal residence requirement is not met for the affordability period? [HOME: 24 CFR 92.254(a) (5) and 24 CFR 92.254(c)(5)(i); ADDI: 24CFR 92.612(c) and 616(e)]	The written agreement does not (check all that apply): Specify that the PJ will monitor principal residency throughout the affordability period Include any terms of enforcement for the PJ, in the event that the principal residency requirement is not met

Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the following HOME requirements:	 □ No evidence that principal residency is periodically verified □ Insufficient documentation for principal residence verification
Principal residence? [HOME: 24 CFR 254(a)(3); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	Principal Residency Verification It is recommended that the program administrator verify principal residency on an annual basis. Principal residency can be verified with an onsite inspection, a review of utility bills, or insurance documentation that shows the applicant is listed as owner.

3. Ownership

Background: A homebuyer must have one of these forms of ownership in the HOME-assisted property: fee simple title, 99-year leasehold, 50-year leasehold on Indian lands, condominium, cooperative, or other form with HUD approval.

Regulatory Basis: 24 CFR 92.254(c) and 92.508(a)(3)(xi)



- Fee simple title, deed, or other documentation of ownership
- Long-term lease

HUD Checklist 7-5 Selected Excerpts	Identified Problems
11. Check the form of ownership: ☐ Fee simple title ☐ A 99-year leasehold interest ☐ 50-year leasehold on trust or restricted Indian lands ☐ Ownership or membership in a cooperative or mutual housing project (where this is an ownership interest under State law) ☐ Another form of ownership approved by HUD Specify: ☐ Does file contain HUD approval letter? ☐ Yes ☐ No	 □ Applicant's ownership interest is not free and clear □ Unable to determine ownership interest because no title report in file
12. Was the form of ownership eligible under the HOME or ADDI programs (i.e., fee simple title; 99-year lease; 50-year lease on Indian lands; condominium or cooperative; or other equivalent form of homeownership approved by HUD? [HOME: 24 CFR 92.2 and 92.254(c); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	☐ No verification of form of ownership☐ Homebuyer has a form of ownership that is not acceptable☐

4. Written Agreement with Homebuyer

Background: The PJ must enter into a written agreement with any other entity that administers its HOME program activities in whole or in part before disbursing HOME funds. In turn, that funded entity must also execute a written agreement with the developer and/or homebuyer prior to disbursing HOME funds.

Regulatory Basis: 24 CFR 92.504(c)(5), 92.504(b)(5), and 92.508(a)(3)(ii)



• All written agreements that convey HOME funds and requirements, including the following, as applicable:

- Written agreement between program administrator and developer
- Written agreement between PJ and homebuyer, or three-party agreement between PJ, State recipient/subrecipient/contractor, and homebuyer
- Written agreement between the State recipient/subrecipient/contractor and the homebuyer (must be assignable to the PJ)
- Documentation of IDIS initial draw down

HUD Checklist 7-5 Selected Excerpts	Identified Problems
13. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the following HOME requirements: Written agreement? [HOME: 24 CFR 92.504; ADDI: 24 CFR 92.616(e)] ☐ Yes ☐ No	 □ No written agreement between each entity that conveys funds to another entity, such as: • Between PJ and developer • Between PJ and homebuyer • Between developer and homebuyer • Between PJ, developer, and homebuyer
14. Does the written agreement with the homebuyer include all of the following required provisions [specified at 24 CFR 92.254(c)(5)(i)]? ☐ The estimated value of the property ☐ Requirement that principal residence must be maintained throughout the period of affordability ☐ Resale or recapture provision ☐ Amount and form of HOME/ADDI assistance ☐ Use of funds ☐ Time by which housing must be acquired ☐ Yes ☐ No	☐ Missing provisions:
15. Has the PJ retained the legal right to enforce the written agreement with the homebuyer?	☐ The PJ does not have the means to enforce the agreement with the homebuyer directly
☐ Yes ☐ No PJ's Right to Er	oforce Written Agreements with Homebuyers
can retain its legal right to enforce Enter into an agreement with the surre that the agreement and the homebuyer. If HOME funds are provided to the	ent, or contractor administers the homebuyer program, the PJ enthe homebuyer agreement in one of these ways: the homebuyer directly the homebuyer is assignable to the PJ between the State recipient/subrecipient/contractor, the PJ, developer for new construction or rehabilitation, the PJ agreement with the homebuyer directly, or use a three-party

16. Does the written agreement with the owner, developer, or sponsor include all of the following required provisions [specified at 24 CFR 92.254(c)(3)]? □	☐ Missing provisions:
☐ Use of funds	
☐ Affordability	
☐ Project requirements (under Subpart F)	
☐ Property standards (24 CFR 92.251)	
Other program requirements (e.g., affirmative marketing, lead-based paint, etc.)	
☐ Records and reports	
\square Requests for disbursement of funds	
☐ Enforcement	
\square CHDO requirements (24 CFR 92.300 and 92.301, as applicable)	
\square Duration of the agreement.	
17. Was the written agreement executed before HOME funds were disbursed? (Compare the initial draw down date with the written agreement date.) ☐ Yes ☐ No	☐ Agreement executed after the initial drawdown date
18. Was the written agreement properly executed? ☐ Yes ☐ No	☐ Agreement not signed by authorized personnel of both parties
19. Is the written agreement in effect for the applicable	☐ Affordability period not specified in the agreement
affordability period?	☐ Affordability period is specified, but written agreement
☐ Yes ☐ No	expires prior to its completion
NOTES on Participant Eligibility	

B. Property Eligibility

A number of HOME requirements pertain to the eligibility of the property or site selection, including:

- 1. Property types
- 2. Minimum and maximum HOME investment
- 3. Maximum property value
- 4. Environmental review
- 5. Uniform Relocation Act and Section 104(d) requirements

1. Property Types

Background: A number of types of property are eligible for homebuyer housing under the HOME Program, including:

- Single family properties of one to four units
- Manufactured or mobile homes
- Condominiums
- Cooperative units or units in a mutual housing project (if State law recognizes these as forms of homeownership).

Note: HOME rental requirements apply if HOME funds are used to assist the rental units in a structure of two to four units, including HOME provisions regarding tenant occupancy, initial rent levels, and long-term affordability. See Chapter 6 for guidance on monitoring these rental units.

Regulatory Basis: HOME: 24 CFR 92.254(a); ADDI: 24 CFR 92.602

Documentation:

- Inspection report, tax assessment, photo, or other document that provides identification of property type
- Map, inspection report, or tax information that indicates location of property

HUD Checklist 7-5 Selected Excerpts	Identified Problems
20. Check property type (eligible types): ☐ Single family property of one to four units ☐ Manufactured or mobile homes ☐ Condominium ☐ A cooperative unit or unit in a mutual housing project (if State law recognizes these as forms of homeownership)	□ No evidence of property type in the file
21. Does the file list the property as a single family home (1-4 units)? [HOME: 24 CFR 92.254(a)(1); ADDI: 24 CFR 92.602(a)(1)]	 □ Property assisted is not eligible property type □ No verification of property type (inspection report, photo, or tax assessment information)
22. Was the property within the PJ's boundaries? ☐ Yes ☐ No	☐ Property not within the PJ boundaries☐ No documentation that property is within PJ boundaries

2. Minimum and Maximum HOME Investment

Background: HOME and ADDI impose maximum and minimum investment amounts, as follows:

• The minimum amount of HOME and ADDI funds in combination that can be invested in a project is \$1,000 per unit.

- The maximum per unit subsidy amount (HOME and ADDI funds combined) is based on the PJ's Section 221(d)(3) program limits for the metropolitan area in effect at time of funding commitment.
- The maximum amount of ADDI funds that can be provided to any family is not more than either: (1) Six percent of the purchase price of the single family housing, or (2) \$10,000, whichever is greater. This limitation does not apply to FY2003 ADDI funds.

Note: The total HOME and/or ADDI investment includes direct assistance to the buyer (downpayment, closing cost, and/or mortgage assistance) as well as funds used for construction and/or acquisition and rehabilitation. (ADDI FY2004-2007 funds can be used for rehabilitation.)

Regulatory Basis: HOME: 24 CFR 92. 205(c) and 92.250; ADDI: 24 CFR 92.612(a) and 92.602(e)

Documentation:

- Written agreement between PJ and State recipient, subrecipient, or contractor, and/or developer, and/or homebuyer; or grant/loan document that shows amount of HOME/ADDI assistance provided
- Worksheet or form that shows the subsidy amount, and how it was determined, and HUD or other settlement statement
- Copy of the 221(d)(3) limits for the year the project was funded
- Worksheet or form that compares the HOME subsidy amount and the applicable 221(d)(3) limit

HUD Checklist 7-5 Selected Excerpts	Identified Problems	
23. Did the HOME and/or ADDI investment total at least \$1,000 per HOME-assisted unit? [HOME: 24 CFR 92.205(c); ADDI: 24 CFR 92.602(c)]	 ☐ HOME and/or ADDI assistance is less than \$1,000 per unit ☐ No worksheet that shows how the HOME and/or ADDI per unit subsidy was calculated ☐ Per unit subsidy calculated incorrectly; however, the minimum investment is \$1,000 or more 	
24. Was the amount of HOME and/or ADDI investment no greater than the maximum per unit subsidy limit established by HUD? [HOME: 24 CFR 92.250(a); ADDI: 24 CFR 92.612(a)]	 □ Assistance in the project is greater than the maximum 221(d)(3) limit □ No worksheet or form that shows that the HOME/ADDI subsidy was within the 221(d)(3) limits □ Wrong subsidy limit used (e.g., wrong year) □ Per unit subsidy calculated incorrectly; however, the project meets the per unit subsidy limit requirement 	
Maximum Per Unit Subsidy [221(d)(3) Limits] The HOME maximum per unit subsidy limits are updated annually and are available from the local HUD Field Office or online at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/subsidylimits.cfm. The limits are 100% of the dollar limits for a Section 221(d)(3) nonprofit sponsor, elevator-type development, indexe for base city high cost areas, and adjusted for the number of bedrooms. For some PJs, the 221(d)(3) limit has already been increased to 210% of the base limit. For these PJs, HUD will allow, upon request, an increase in the per unit subsidy amount on a program-wide basis. However, the maximum subsidy limit allowable under the HOME statute is 240% of the base 221(d)(3) limits. For more information on the 221(d)(3) limits, see HOMEfires, Vol. 9, No. 4, issued August 2008.		
25. If ADDI funds were used in the project, was the ADDI investment less than the greater of either: a) \$10,000; or b) 6% of the sales price of the property? (Note: This requirement does not apply to FY 2003 ADDI funds.) [24 CFR 92.602(e)] ☐ Yes ☐ No	 □ Assistance in project is greater than both \$10,000 and 6% of the sales prices of the property □ No worksheet or form that shows that the ADDI subsidy was within the ADDI limits □ Per unit subsidy determined incorrectly; however, the ADDI investment was less than either \$10,000 or 6% of the sales price of the property 	

3. Maximum Property Value

Background: For acquisition or new construction activities, the purchase price of a HOME-assisted property cannot exceed 95 percent of the median purchase price limits for the area. For rehabilitation activities, the after-rehabilitation value cannot exceed 95 percent of the median purchase price limits for the area.

At this writing, the Section 203(b) mortgage limits exceed the 95 percent of the median purchase price limits imposed by the HOME Program statute. HUD authorizes PJs to determine their own limits in accordance with procedures described in the HOME regulations at 24 CFR 92.254, or to use the greater of either:

- Section 203(b) mortgage limits established as of February, 2008; or
- Actual 95 percent of median sales price limits for their areas. HUD has published and periodically updates a *Value Limits Spreadsheet* with current limits for each county in the U.S. This is found at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/maxprice.cfm.

For more information on the property value/sales price limits, see HUD's *HOMEfires*, Vol. 10 No. 1, issued January, 2009, available online at http://www.hud.gov/offices/cpd/affordablehousing/library/homefires/index.cfm#2009.

Regulatory Basis: HOME: 24 CFR 92.254(a)(2); ADDI: 24 CFR 92.612(c)

Documentation:

- 203(b) limits or 95 percent of area median purchase price for the area, for the year project was funded
- For acquisition or new construction projects: Sales contract and/or settlement statement
- For projects involving rehabilitation: Appraisal, tax assessment, or in-house estimate by qualified staff documenting after-rehabilitation value

HUD Checklist 7-3 Selected Excerpts		Identified Problems
26. What does the program administrator use to represent the 95% of median purchase price limit? ☐ FHA 203(b) limit in effect in February 2008 ☐ HUD/HOME-determined 95% of median purchase price limit from Value Limits Spreadsheet ☐ PJ-determined limit		 □ Program administrator not using a HUD-approved limit □ PJ determines the median purchase price limits through a market survey; however there is no documentation in the file that HUD has approved it □ PJ's market survey not updated in the annual action plan every year
27. Applicable limit in effect at tin price determination: [24 CFR	If the homebuyer program ushould verify that the market is updated annually in the Fibeen approved by HUD.	nined Median Purchase Price uses a PJ-determined limit, the PJ monitor et study that forms the basis of that limit PJ's annual action plan, and that it has
28. Was the sales price or, if applicable, the after-rehabilitation property value less than 95% of the median single family purchase price? [HOME: 24 CFR 92.254(a)(2); ADDI: 24 CFR 92.612(c)]		 □ Sales price or after-rehabilitation value greater than the sales price/property value limit □ No or insufficient documentation of sales price or after-rehabilitation value □ Wrong limits used to determine 95% of median purchase price for the area (e.g., wrong year) □ No worksheet/form to show comparison of sales price/after-rehabilitation value to the applicable limit; however, the property's sales price/value met the limit

29. For projects involving rehabilitation, was the after-rehabilitation value of the property determined using appropriate methods (e.g., appraisal, tax assessments or assessments by qualified staff)? [HOME: 24 CFR 92.254(a) (2); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No		 □ After-rehabilitation value established with a method that is not HUD-approved □ No evidence that program administrator established the after-rehabilitation value prior to making the HOME investment □ Documentation of value is insufficient 	
	Documenting After-Rehabilitation Value		
	The following documentation is required to substantiate the determination of value:		
2	• For an in-house estimate of value, project files must contain the estimate of value and a justification for the value estimates.		
Ę	For an appraised value, the appraisal must be prepared by a licensed fee appraiser or by a PJ's staff appraiser; the appraisal must include the statement of value and the appraisal approach used.		
	• For value based on the tax assessment, the file must contain documentation of an assessment for a comparable property located in the same neighborhood. The assessment must be current and must accurately reflect market value after rehabilitation. Assessments based on a percentage of market value may be used, if adjusted to reflect actual market value.		

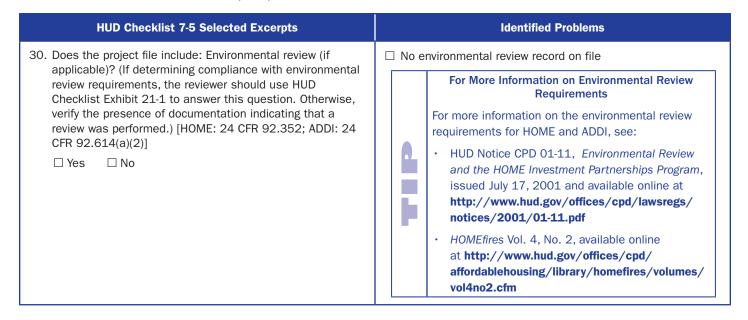
4. Environmental Review

Background: HOME- and ADDI-funded activities are subject to the environmental review requirements at 24 CFR Part 58. This review requires the PJ, before making any action-limiting decisions, to assess the environmental impact of a proposed project.

Regulatory Basis: 24 CFR Part 58 and HOME: 24 CFR 92.352; ADDI: 24 CFR 92.614(a)(2)



• Environmental Review Record (ERR)



5. Uniform Relocation Act and Section 104(d) Requirements

Background: The Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) applies to HOME-funded projects and projects funded with ADDI 2003 funds. The URA requires that the seller in a voluntary, for-sale transaction funded with HOME and ADDI 2003 monies be provided a *Guideform Notice—Disclosures to Seller with Voluntary, Arm's Length Purchase Offer*.

Tenants living in for-sale housing that may be purchased with HOME funds (and ADDI 2003 funds) are covered by the Uniform Relocation Act (URA) and may also be covered by the relocation requirements of Section 104(d) of the Housing and Community Development Act of 1974, as amended. Both laws require certain notices be provided to tenants along with relocation assistance.

Regulatory Basis: HOME and ADDI 2003 funds: 49 CFR Part 24, and HOME: 24 CFR 92.353; ADDI: 24 CFR 92.614(b)(2)

Documentation:

- Guideform Notice Disclosures to Seller with Voluntary, Arm's Length Purchase Offer
- General Information Notice
- Other relocation notices, as applicable

31. Does the project file include: Relocation notice to seller (if applicable)? (Note: For ADDI, the Uniform Relocation Act requirements apply only to FY 2003 funds.) [HOME: 24 CFR 92.353; ADDI: 24 CFR 92.614(b)(2)] ☐ Yes ☐ No	n notice to the seller
☐ 165 ☐ 170	
32. Does the project file include: Notice to tenant (if applicable)? (Note: For ADDI, the Uniform Relocation Act requirements apply only to FY 2003 funds.) [HOME: 24 CFR 92.353; ADDI: 24 CFR 92.614(b)(2)]	n notice to the seller
Monitoring Tenant Relocation See HUD Checklist Exhibits 25-1 through 25- 13 and Chapter 6, Rental Housing Programs for more detailed guidance on monitoring relocation requirements for tenants.	
NOTES on Property Eligibility	

C. Resale and Recapture Provisions

Background: HOME requires that the PJ ensure long-term affordability in homebuyer housing in one of two ways:

- 1. Restrict the resale of the HOME-assisted unit to low-income households during the affordability period. In the event of transfer of property during the period of affordability, a resale provision restricts occupancy in the HOME-assisted unit to another low-income buyer at an affordable price, and ensures a fair return on the original homebuyer's investment.
- 2. Recapture HOME funds to create affordability in another unit. In the event of transfer of property during the affordability period, the PJ recaptures the HOME investment. These recaptured funds must then be used for HOME-eligible housing. Recapture provisions in the written agreement between the PJ and the homebuyer specify the amount of HOME funds that are subject to recapture.

Regulatory Basis: 24 CFR 92.254 and 92.504

Documentation:

- PJ's Consolidated Plan and/or annual action plan
- Written agreement between the PJ and the State recipient, subrecipient, or contractor, or developer, as applicable
- Written agreement with the homebuyer
- · Deed restriction or covenant running with the land
- Note or mortgage (for property with recapture provision)
- Worksheet or form that shows how the affordability period was determined
- For resale, worksheet or form with calculation of total HOME assistance in the unit
- For resale, if property was transferred during affordability period, documentation that home was re-sold to a low-income homebuyer at an affordable sales price (e.g., income verification, sales price calculation, etc.) and provided a fair return to the original purchaser (as defined in the PJ's Consolidated Plan or annual action plan and policies/procedures)
- For recapture, worksheet or form that shows how the direct assistance to the buyer and recapture amounts were determined
- For recapture, if property was transferred during affordability period, documentation that recapture provisions were followed, including the receipt of recaptured funds in the PJ's/subrecipient's/State recipient's HOME account and information entered into IDIS

HUD Checklist 7-5 Selected Excerpts	Identified Problems
33. Does the written agreement with the homebuyer include required recapture or resale provisions? (Complete Exhibit 7-14, Guide for Review of Beneficiary Written Agreements, if the PJ's standard agreement has not already been reviewed.) [HOME: 24 CFR 92.504(c)(5); ADDI: 24 CFR 92.616(e)] □ Yes □ No	 □ Agreement does not specify if recapture or resale provision is used □ Guidance on resale or recapture provision in the written agreement is insufficient
34. Is the resale or recapture provision applied to the project consistent with the approved resale or recapture provision in the PJ's annual action plan for the year in which the assistance was provided? [HOME: 24 CFR 92.254(a)(5)(i) or (ii); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	 □ Resale/recapture provisions not described in annual action plan □ Resale/recapture provisions not described in written agreement □ Resale/recapture provisions in use differ from those described in annual action plan

35. Does the resale or recapture provision comply with the requirements established for such provisions in the HOME regulations? [HOME: 24 CFR 92.254(a)(5)(i) or (ii); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	 □ No resale/recapture provision □ Resale or recapture provision not described in adequate detail to comply with HOME □ Resale or recapture provision does not comply with requirements 	
36. If the property is under resale provisions, was a deed restriction or covenant running with the land recorded? [HOME: 24 CFR 92.254(a)(5)(i)(A); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	 □ No deed restriction or covenant executed □ Deed restriction/covenant not recorded 	
37. If the property is under recapture provisions, how are the provisions conveyed and enforced? ☐ Deed restriction ☐ Covenant running with the land ☐ Note or mortgage ☐ Other (Specify:) ☐ Yes ☐ No	 □ No deed restriction or covenant running with the land executed (recommended, but not required) □ No legal enforcement instrument 	
38. If the property was sold before the end of the affordability period, were the recapture or resale requirements met? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	 □ Property sold, but PJ not notified or involved in transaction For recapture: □ Funds were not recaptured in accordance with provisions □ Recapture amount not determined correctly For resale, resale conditions not met because: □ Subsequent buyer not low-income □ Initial homebuyer did not receive fair return on investment, as defined by PJ □ Home not sold at affordable price 	
39. Was the correct period of affordability established for the project, based upon the total amount of HOME and ADDI assistance [used for the project] if under a resale provision or the [total HOME or ADDI assistance to the homebuyer], if under a recapture provision? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)] ☐ Yes ☐ No	 □ No documentation to show how the period of affordability was determined □ Period of affordability not specified in written agreement □ Period of affordability not determined correctly □ Affordability period is correct; however, there is no worksheet or other documentation to show how the affordability period was determined 	
Determining	Affordability Period	
For resale, the affordability period is based on the total amount of HOME/ADDI funds drawn down from IDIS or expended from program income for the project, including funds for development and direct assistance to the homebuyer (downpayment, closing cost and/or mortgage assistance).		
For recapture, the affordability period is based on the direct subsidy to the homebuyer (downpayment, closing cost and/or mortgage assistance) and any write down in the purchase price below fair market value that is attributable to a HOME development subsidy.		
NOTES on Resale and Recapture Provisions		

D. Eligible and Reasonable Costs

The PJ monitor's review of costs should include a review of:

- 1. HOME eligible costs
- 2. Cost reasonableness and subsidy layering
- 3. Form of assistance

1. Eligible HOME Costs

Background: When HOME and ADDI funds are used for development activities, they can be used to pay acquisition or rehabilitation of income-eligible housing, and related eligible hard and soft costs. In addition, HOME funds can be used for new construction costs; ADDI funds cannot. The eligible costs are summarized in Figure 5-1. Note, ADDI 2003 funds may not be used for rehabilitation.

Figure 5-1. Eligible Homebuyer Project Costs

Hard Costs	Soft Costs	Relocation Costs
Acquisition of land and existing structures	Financing feesCredit reports	Replacement housing, moving costs, and out-of-pocket expenses
 Site preparation or improvement, including demolition Securing buildings Construction materials and labor 	 Title binders and insurance Surety fees Recordation fees, transactions taxes Legal and accounting fees, including cost certification Appraisals Architectural/engineering fees, including specifications and job 	 Advisory services Staff and overhead related to relocation assistance and services
	progress inspections • Environmental investigations • Builders' or developers' fees • Affirmative marketing and marketing costs attributable to a specific HOME-assisted project	
	 Homebuyer counseling provided to purchasers of HOME-assisted housing Management fees 	
	Project costs incurred by the PJ that are directly related to a specific project	

Regulatory Basis: HOME: 24 CFR 92.206; ADDI: 24 CFR 92.602(b)

Documentation:

- Owner, developer, or sponsor application for funding, including any development budgets
- HUD or other settlement sheet that shows all costs
- Project budget, cost estimates, work write-ups, draw requests, or written agreement that specifies anticipated costs
- IDIS Activity Set-up sheet and draw record
- Cost allocation worksheet, if applicable

HUD Checklist 7-5 Selected Excerpts	Identified Problems
40. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the following HOME requirement: Eligible costs? [HOME: 24 CFR 92.206; ADDI: 24 CFR 92.602(b)] ☐ Yes ☐ No	 □ No or insufficient documentation of costs □ No evidence that program administrator evaluated cost eligibility

41. Are all costs detailed on the cost estimate and in the construction contract eligible under the HOME or ADDI Program? [HOME: 24 CFR 92.206; ADDI: 92.602(b)]		☐ Ineligible costs paid with☐ Ineligible costs included contract	HOME funds in cost estimate or construction	
□ Yes	When Ineligible Cost		s Are Paid with HOME Funds een used to pay ineligible ast be repaid.	
42. In projects with a mix of assisted and non-assisted units, did HOME funds pay only for costs associated with the assisted units? ☐ Yes ☐ No		 □ No documentation of what costs were paid by HOME □ Costs associated with HOME units were calculated wrong and HOME paid for non-assisted units □ Proration used for projects with non-comparable units □ Ineligible costs not subtracted before costs or common costs were prorated 		
	Cost Allocation in Projects with a Mix of Assisted and Non-assisted Units HOME funds can only be invested in HOME-assisted units. When a project includes a mix of assisted and non-assisted units and all the units are comparable, costs can be pro-rated to determine the HOME share. If the units are not comparable, the actual costs of the HOME-assisted units must be tracked, unit-by-unit. HUD Notice CPD 98-02, Allocating Costs and Identifying HOME-Assisted Units in Multifamily Projects, issued March 18, 1998, provides detailed guidance on how to allocate HOME costs in projects that have a mix of assisted and non-assisted units. This Notice is available online at http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/#1997.			

2. Cost Reasonableness and Subsidy Layering

Background: All costs paid with HOME or ADDI funds must be reasonable and customary, in accordance with OMB Circular A-87. Additionally, when HOME or ADDI funds are combined in a project with other public funds, the PJ must conduct a subsidy layering review to ensure that the PJ does not invest any more HOME or ADDI funds than are necessary to provide affordable housing.

Regulatory Basis: OMB Circular A-87; HOME: 24 CFR 92.505(a) and 92.250(b); ADDI: 24 CFR 92.616(a)

Documentation:

- HUD or other settlement sheet
- Work write-up and draw requests
- Subsidy layering policies/procedures
- Worksheet or form to show the subsidy layering analysis

HUD Checklist 7-5 Selected Excerpts	Identified Problems
43. Was the amount of assistance provided to the homebuyer reasonable (i.e., based upon a review of individual financial circumstances) [OMB A-87, Attachment A, Section C.2)] ☐ Yes ☐ No	 □ No worksheet or other documentation that identifies costs □ No worksheet to show determination that only the amount of HOME and/or ADDI funds necessary to make a unit affordable are provided

44. If unit was rehabilitated or newly constructed, do the costs appear to be reasonable? [OMB A-87, Attachment A, Section C.2)] ☐ Yes ☐ No	 □ No in-house cost estimate prepared □ No evidence that bids were compared to the in-house cost estimate and determined to be within a reasonable range. □ Bid accepted was more than 10% higher than the in-house cost estimate, and the files did not contain an adequate justification
45. If more than one source of public funds (Federal, State, and local) was provided, did the PJ perform a subsidy layering review to ensure that excessive subsidy was not provided? [HOME: 24 CFR 92.250(b); ADDI: 24 CFR 92.612(a)]	 □ No documentation of a subsidy layering review □ Subsidy layering review was not conducted in a manner consistent with the PJ's subsidy layering policy □ Subsidy layering review reflected that the project did not need the amount of HOME/ADDI funds provided to the project

3. Form of Assistance

Background: HOME and ADDI funds may be provided in a variety of forms, including:

- Grants
- Deferred-payment loans
- Non-interest-bearing loans
- Interest-bearing loans
- Interest subsidies
- Loan guarantees.

If the PJ uses a different form of assistance, it must be specified in its Consolidated Plan or annual action plan and must be approved by HUD.

See Attachment 3-D, found at the end of Chapter 3, for a description of each form of eligible assistance.

Regulatory Basis: HOME: 24 CFR 92.205(b); ADDI: 24 CFR 92.602(c)

Documentation:

- Written agreement and, if applicable, loan or grant documents
- Annual action plan that specifies other forms of assistance, if applicable, and evidence of HUD approval

HUD Checklist 7-5 Selected Excerpts	Identified Problems
46. Was the subsidy provided in an eligible form of investment (i.e., equity investments, interest bearing or non-interest bearing loans or advances, interest subsidies, deferred payment loans, grants or loan guarantees)? [HOME: 24 CFR 92.205(b)(1); ADDI: 24 CFR 92.602(c)] ☐ Yes ☐ No	☐ Ineligible forms of assistance provided
47. If the subsidy was provided in a form not listed above, was that form approved by HUD? [HOME: 24 CFR 92.205(b)(1); ADDI: 24 CFR 92.602(b)] ☐ Yes ☐ No	☐ "Other" form of assistance not in annual action plan or not approved by HUD

IOTES on Eligible and Reasonable Costs	

E. Property Standards

The program administrator must have a system in place to ensure that HOME property-related requirements are met, including:

- 1. Property standards
- 2. Work write-ups
- 3. Inspections
- 4. Lead-based paint requirements
- 5. Onsite inspections for rehabilitation or construction quality

1. Property Standards

Background: Properties that are acquired, rehabilitated, or newly constructed with HOME funds must meet certain property standards; if ADDI funds are used for acquisition and rehabilitation, these properties must also meet certain standards. Requirements for lead-based paint are covered later in this chapter.

Properties that are rehabilitated (HOME and ADDI) or newly constructed (HOME) must meet:

- State and local codes; or, in their absence, one of three national model codes (ICBO, BOCA, SBCCI) or the CABO one- or two-family code, or the Minimum Property Standards (MPS) at 24 CFR 200.925 or 200.926¹
- PJ's written rehabilitation standard, for rehabilitation only

Since the promulgation of the HOME Program regulations, these code issuing agencies have merged to form the International Code Council (ICC). The model codes used for the HOME Program are no longer being updated. In their stead, the ICC has issued the International Building Code. HUD will consider whether changes to the HOME regulations incorporating the International Building Code are appropriate. The HOME Program web page provides updated information on all HOME requirements. (See http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.) For more information about the International Building Code, see http://www.iccsafe.org.

- International Energy Conservation Code (formerly known as the Model Energy Code), for new construction only
- Accessibility requirements of 24 CFR Part 8 (also known as "Section 504") and 24 CFR 100.205 (Fair Housing Act accessibility standards).

Properties that are acquired without construction or rehabilitation (HOME and ADDI) must meet:

• Applicable State and local housing quality standards and codes; or, in their absence, the Housing Quality Standards (HQS) in 24 CFR 982.401.

Manufactured housing must meet:

- Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280
- State or local laws or codes; or, in their absence, the manufactured housing unit must be installed in accordance with the manufacturer's written instructions.

Regulatory Basis: HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)

Documentation:

- Inspection forms
- Work write-ups and/or project plans and specifications
- Program policies and procedures that describe: (1) The applicable PJ property standards and codes for acquisition, new construction, rehabilitation; (2) The written rehabilitation standard (for rehabilitation); and (3) The standards for health and safety violations
- Written agreement with homebuyer, if homebuyer conducts rehabilitation work on property

HUD Checklist 7-5 Selected Excerpts	Identified Problems	
48. If direct homebuyer assistance only was provided (no construction), did the property meet applicable property standards at time of transfer to the homebuyer? [HOME: 24 CFR 92.251(a)(2); ADDI: 24 CFR 92.612(b)] ☐ Yes ☐ No ☐ N/A	 □ No inspection report or other evidence that the property was inspected for compliance with applicable codes and standards (or HQS) prior to transfer to the homebuyer □ Applicable standard not met □ Property inspected for compliance with the wrong codes standards 	
49. If the project involved rehabilitation, was the work performed in accordance with the PJ's written rehabilitation standards? [HOME: 24 CFR 92.251(a)(1); ADDI: 24 CFR 92.612(b)] ☐ Yes ☐ No ☐ N/A	 □ PJ's written rehabilitation standard not met □ No work write-ups or specifications □ No evidence that work write-up/specifications were reviewed and approved for compliance with the PJ's written rehabilitation standard □ No inspection to verify that completed work complies with PJ's written rehabilitation standard 	
50. If only direct homebuyer assistance was provided and the homebuyer was to perform necessary rehabilitation: Was the property free of health and safety violations before occupancy? [HOME: 24 CFR 92.251(b)(3); ADDI: 24 CFR 92.612(b)] ☐ Yes ☐ No ☐ N/A	 □ Property failed health and safety inspection but was transferred to the homebuyer □ No inspection form to show that property was free of health and safety violations prior to transfer to the homebuyer □ Property was not free of health and safety violations within six months of transfer 	

51. If only direct homebuyer assistance was provided and the homebuyer was to perform necessary rehabilitation: Does the agreement require completion of rehabilitation within 24 months or, if ADDI funds are used for rehabilitation, within one year? [HOME: 24 CFR 92.251(b)(3); ADDI: 24 CFR 92.612(b)] ☐ Yes ☐ No ☐ N/A	 □ No agreement with the homebuyer □ No deadline for work to be completed in agreement with the homebuyer
52. If direct homebuyer assistance was provided and the homebuyer was to perform necessary rehabilitation: Was the required rehabilitation work completed within 24 months, or if ADDI funds are used for rehabilitation, within one year? [HOME: 24 CFR 92.251(b)(3); ADDI: 24 CFR 92.612(b)] □ Yes □ No □ N/A	 □ Property rehabilitation not completed within 24 months (HOME) or 12 months (ADDI) □ No inspection report to show the property complies with applicable standards upon completion, and within 24 months of transfer
53. If the homebuyer project involved rehabilitation or new construction, did the unit meet the applicable property standards upon completion? ☐ Yes ☐ No ☐ N/A	 □ Property did not meet the applicable codes and standards upon completion □ No work write-ups or specifications □ No review and approval of work write-ups and specifications to show compliance with applicable codes and standards □ No inspection forms to show that completed work complied with applicable codes and standards upon completion

2. Work Write-ups

Background: All projects that involve construction activities must have work write-ups or cost estimates. A good work write-up/cost estimate should include:

- A detailed description of the work to be performed and of construction items necessary to: (1) Bring a unit up to code (rehabilitation), or (2) Build to specifications (new construction)
- Specifications of the type of repairs, their location and scope, the method and quality of materials to be used, and any special requirements
- Accurate cost estimates that can be used to evaluate bids from contractors and determine whether the bids are reasonable.

Regulatory Basis: Recommended

Documentation:

- Work write-up or cost estimate
- Initial inspection
- PJ written property standards

HUD Checklist 7-5 Selected Excerpts	Identified Problems
54. If the project involved rehabilitation [and/or new construction], does the project file include the following: Work write-up/cost estimate? ☐ Yes ☐ No	☐ No work write-up or cost estimate

55. If the project involved rehabilitation [and/or new construction], does the work write-up: Include all work noted on the initial inspection report? ☐ Yes ☐ No	 □ No work write-up or an initial inspection report □ Work write-up or cost estimate does not include all the work noted on the initial inspection report
56. If the project involved rehabilitation, does the work write-up reflect the PJ's written rehabilitation standards? [24 CFR 92.251(a)(1)] ☐ Yes ☐ No	 □ No work write-up or cost estimate □ Work write-up or cost estimate does not reflect the PJ's written rehabilitation standard
57. If the project involved rehabilitation, was the work write-up written with enough detail to enable a contractor to provide a reliable bid? [24 CFR 92.505(a) and 24 CFR 85.36(c)(3) (i) and 85.36(d)(2)(i)(A)] ☐ Yes ☐ No	 □ Work write-up or cost estimate not sufficiently detailed to enable a contractor to provide a reliable bid. Evidence of this deficiency in the work write up includes: □ Too many change orders on the project □ Submitted bids varied widely, with more than 10% variance from the PJ's cost estimate □ Other (Specify:

3. Inspections

Background: For acquisition only projects, there should be at least one inspection form that demonstrates that the unit meets the PJ's written property standards. However, if the inspection identifies items that need to be addressed, there should be a follow-up inspection that confirms the work was completed and the unit meets property standards.

For projects that involve construction (rehabilitation or new construction), three types of inspections are necessary:

- **Initial inspections** to identify conditions within the unit that do not meet applicable property standards or codes and must be addressed in rehabilitation.
- Payment/Progress inspections to verify that work requested for payment is completed according to the PJ's property standards. It is a good business practice to retain a small amount (typically 10 percent) with each progress payment until all work is completed and all contract close-out documentation has been received.
- Final inspections to verify that all work specified in the write-up and/or construction contract is performed properly and that the applicable property standards and codes are met. If an inspection reveals that additional work is required, a detailed list of the remaining work (a "punch list") must be prepared. The PJ must conduct a final re-inspection to verify that punch list items are completed. Where building code inspections are required, the building code inspectors' reports or other documentation from the jurisdiction indicating that the work meets codes/standards should also be included in the project file.

Regulatory Basis: 24 CFR 92.505(a) and 24 CFR 85.36

Documentation:

- Initial inspection report
- Progress inspection report(s)
- Final inspection report
- Work write-up and/or construction contract with final approved bid

HUD Checklist 7-5 Selected Excerpts	Identified Problems
58. If the project involved rehabilitation, does the project file include the following: Documentation of initial inspection? [24 CFR 92.505(a) and 24 CFR 85.36(f)] ☐ Yes ☐ No ☐ N/A	 □ No initial inspection report □ Unsatisfactory initial inspection report —fails to identify work that must be done to bring unit up to applicable property standards and codes

59. If the project involved rehabilitation [or new construction], does the project file include the following: Documentation of progress inspections? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No ☐ N/A	 □ No progress inspection report(s) that corresponds to each payment request □ No retainage held (recommended) □ Unsatisfactory progress inspection report(s)—unable to verify that billed work complies with applicable codes and standards
60. If the project included rehabilitation [or new construction], does the final inspection confirm that: All contracted work was completed? [24 CFR 92.205(a) and 24 CFR 85.36(b) (2)]	 □ No final inspection report □ Unsatisfactory final inspection report(s)– unable to verify that all contracted work was completed satisfactorily □ No evidence of a re-inspection to verify completion of punch list □ Punch list items not completed and final payment was made to contractor
61. If the project included rehabilitation [or new construction], does the final inspection confirm that: The property met all applicable property standards at completion? [HOME: 24 CFR 92.251(a); ADDI: 24 CFR 92.612(b)] ☐ Yes ☐ No	 □ No final inspection report □ Unsatisfactory final inspection report(s)—fails to confirm that work was completed up to the PJ's property codes and standards
62. Were inspections conducted by trained inspection staff that is familiar with applicable codes and property standards? ☐ Yes ☐ No	☐ Unqualified staff conducted inspections

4. Lead-based Paint Requirements

Background: Projects involving acquisition and/or acquisition and rehabilitation of units built prior to 1978 are subject to certain requirements related to lead-based paint.

For rehabilitation, the "level of assistance" dictates the required type of lead hazard evaluation and reduction. This number is determined by calculating the lesser of the Federal funds per unit or the rehabilitation hard costs per unit (exclusive of the lead hazard evaluation and reduction costs). Depending on the level of assistance, the monitor needs to ensure the correct level of lead hazard evaluation and reduction was conducted.

The monitor should ensure the following is in the file:

- If the level of assistance was under \$5,000, documentation of a paint test of disturbed surfaces, notice of lead hazard evaluation, evidence of paint repaired by qualified workers who followed safe work practices, clearance, and notice of lead hazard reduction activities before reoccupancy.
- If the level of assistance was between \$5,000–\$25,000, documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of interim controls or standard treatments by qualified workers who followed safe work practices, clearance, and notice of lead hazard reduction activities before reoccupancy.
- If the level of assistance over \$25,000, documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of abatement activities by qualified workers who followed abatement practices, clearance, and notice of lead hazard reduction activities before reoccupancy.

If lead hazard reduction activities occurred, the file must contain the results of a clearance test as well as a lead hazard reduction notice.

• The clearance examination report must indicate that the home passed clearance. If not, the unit should have been cleaned and clearance performed again until the unit passed.

• The PJ monitor should check the date of the notice to ensure it was distributed to the homebuyer within 15 days of the PJ receiving the clearance results.

Regulatory Basis: 24 CFR Part 35 and HOME: 24 CFR 92.355; ADDI: 24 CFR 92.614(a)(4)

If the project is a new construction project, or if the property being rehabilitated was constructed in 1978 or after, the PJ monitor can skip this section and proceed to Subsection 5, *Onsite Inspections for Rehabilitation and Construction Quality*.

For properties constructed before 1978, this checklist identifies the key lead-based paint requirements and documentation required. For a complete review of compliance with the lead-based paint requirements, monitors must complete the *Lead Hazards Monitoring Guidance for Rehabilitation* (HUD Checklist Exhibits 24-1, 24-2, or 24-3).

Documentation:

- Guideform Notice Disclosures to Seller with Voluntary, Arm's Length Purchase Offer
- Signed Lead-based Paint Pamphlet and/or lead-based paint notice
- Signed Notice of Lead Hazard Evaluation or Notice of Presumption
- Risk assessment, if applicable
- Evidence of contractor qualifications
- Clearance test, if applicable
- Documentation that Notice of Lead Hazard Reduction Activities has been provided (if applicable)
- Abatement report, if applicable

HUD Checklist 7-5 Selected Excerpts	Identified Problems	
63. If the project was constructed before 1978, did the PJ comply with lead-safe housing requirements at 24 CFR Part 35? (Complete Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist Exhibits 24-1, 24-2 or 24-3 to answer this question.) [HOME: 24 CFR 92.355; ADDI: 24 CFR 92.614(a)(4)]		
64. Does the project file include: Lead-based Paint notice (if pre-1978 property)? [24 CFR 92.508.(a)(3)(iv)]	$\hfill \square$ No documentation that notices were provided	

5. Onsite Inspections for Rehabilitation and Construction Quality

Background: Inspecting construction work for quality and for compliance with property standards requires skills in those areas, but the PJ monitor can use a common sense approach to make some basic determinations:

- Are the work items mentioned in the file present on the job? Do they appear to have been completed in a way the monitor would accept in her or his own home?
- Do costs seem reasonable? Are they allowable under HOME?
- What is the homebuyer's evaluation of the work? (Expect that some homebuyers will have continuing expectations that are not realistic.)

When PJ monitors encounter work or costs about which they have questions, they should seek the advice of an experienced

construction inspector. When visiting homes, PJ monitors should be careful not to create or add to problems between home-buyers, owners/sponsors/developers (if applicable), or contractors.

Regulatory Basis: HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)

Documentation:

- Homebuyer satisfaction survey
- Inspection forms that evidence that the unit meets the PJ's property and written rehabilitation standards

HUD Checklist 7-5 Selected Excerpts	Identified Problems
65. If the project has been selected for an onsite inspection to examine the quality of the rehabilitation [and/or new construction work, the PJ monitor or inspector] should perform a walk-through of the property with the initial inspection, the work write-up, and the final inspection report.	
66. Based upon the observable conditions, have the deficiencies identified in the initial inspection report been corrected? [HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)] ☐ Yes ☐ No	 □ No deficiencies corrected □ Some, but not all, deficiencies corrected □ Deficiencies corrected, but new deficiencies noted
67. Is the homebuyer satisfied with the rehabilitation? ☐ Yes ☐ No	
68. Is the property free of all obvious property standards violations? [HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)] ☐ Yes ☐ No	☐ These violations remain:
NOTES on Property Standards	

F. Contractor Selection

Background: HOME-funded construction work should be performed by qualified contractors at a reasonable cost. Depending on the program design, the contractor that carries out HOME-funded construction or rehabilitation work may be selected by either: (1) the program administrator (PJ, subrecipient, State recipient, or contractor); (2) the developer; or (3) the homebuyer.

When a PJ, State recipient, or subrecipient selects the contractor, then that entity must comply with Federal procurement rules regarding competitive bidding:

- For bids estimated at over \$100,000, it must follow requirements for solicitation by sealed bid, including the issuance of a public invitation for bids and making an effort to solicit more than one bid.
- For bids estimated below \$100,000, it must follow informal procurement for small purchase procedures with solicitation of several price quotes, if possible.
- It must document the reasons each contractor is not selected and retain the documentation in the files.

When a contractor, developer, or homebuyer selects the contractor, the Federal competitive bidding requirements do not apply. However, a cost reasonableness test must be applied. A staff member of the program administrator who is familiar with the property and with local construction costs and methods should review the prospective bids before a contractor is selected.

Some PJs maintain a list of "pre-qualified" contractors. The PJ should have written standards that specify the minimum qualifications and experience a contractor needs in order to be included on the list. Opportunities for contractors to be added to the list should be available on an ongoing basis.

The requirements for State PJs may vary, as the State procurement rules apply.

Regulatory Basis: 24 CFR 92.505 and 24 CFR 85.36

Documentation:

- Evidence the contractor is not on the excluded parties list at time of project commitment
- Bidding policies and procedures
- Documentation that selected contractor(s) has met eligibility requirements of the program administrator
- Documentation of the contractor selection process, including copies of bids collected and reviewed and worksheets/ notes of bid review
- Worksheet or notes showing that costs were determined to be reasonable and eligible

HUD Checklist 7-5 Selected Excerpts	Identified Problems		
69. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for Federal procurement or nonprocurement programs? [HOME: 24 CFR 92.350(a); ADDI: 24 CFR 92.614(a)(1)] ☐ Yes ☐ No	□ No documentation that excluded parties list was checked □ Excluded parties list checked after issuance/approval of contract □ Contractor is excluded but selected anyway Verifying Contractor Eligibility The program administrator must verify that contractors are eligible to participate in Federal contracts by checking the excluded parties listing at the website http://www.epls.gov/index.html. A copy of the printout from this website should be retained in the file.		

70. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)]	 □ No justification of contractor selection □ Winning and rejected bids not in file 		
71. If the PJ [or State recipient or subrecipient] selected the contractor, was a competitive bid process used? [24 CFR 85.36(c) and (d); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]	☐ No documentation of the contractor selection process ☐ Competitive bidding not used		
72. If the homebuyer solicited bids, was more than one bid solicited?	☐ No documentation of other bids retained☐ Only one bid solicited		
Assess The PJ monitor should informal appropriate number of contract	Ily assess whether the program involves an tors given its volume. A disproportionately small in the program can impact program performance cern for further investigation.		
73. Was the accepted bid within 10% of the program administrator's cost estimate? ☐ Yes ☐ No ☐ No cost estimate done ☐ No comparison of the bid amount to the cost estimate			
74. Does the file contain evidence the program admin-istrator verified the quality of work, references, licenses, and insurance coverage of the selected contractor? ☐ Yes ☐ No	 □ No evidence that contractor qualifications were reviewed □ Review of contractor qualifications was cursory and insufficient □ Insufficient justification for contractor selection 		
Reviewing Contractor Qualifications Prior to selection, the PJ should review contractor qualifications: Proof of bonding and insurance (typically required by PJ) Applicable certifications, licenses, and other documentation of qualifications (e.g., Lead-safe Work Practices, Lead-based Paint Abatement Supervisor, etc.) Photos of past jobs Names and contact information of references and past customers, and notes about reference checks Documentation or notes about past experience with PJ.			
NOTES on Contractor Selection			

G. Construction Management

The program administrator must monitor and document its oversight of the construction process to ensure that the following construction management requirements are met:

- 1. Pre-construction conference
- 2. Construction contract
- 3. Progress inspections
- 4. Appropriate approvals
- 5. Change orders
- 6. Lien releases and warranty information

1. Pre-construction Conference

Background: The pre-construction conference is a recommended step to ensure that the owner and the contractor have shared expectations about the work to be completed, roles and responsibilities, and the rehabilitation or construction process. The conference should be conducted onsite with the owner and the contractor before the execution of any construction contract.

Regulatory Basis: 24 CFR 92.505(a), and 24 CFR 85.36(b)(2)



• Pre-construction attendance sheet and notes/minutes

HUD Checklist 7-5 Selected Excerpts	Identified Problems
75. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No	 □ No pre-construction conference held □ No minutes/notes from conference

2. Construction Contract

Background: Prior to the start of construction, the owner and contractor must execute a construction or rehabilitation contract and the program administrator should subsequently issue a notice to proceed.

Regulatory Basis: 24 CFR 92.505(a), 92.508(a)(3)(ii) and 24 CFR 85.20(b)(6)

Documentation:

- Construction contract
- Notice to proceed

HUD Checklist 7-5 Selected Excerpts	Identified Problems	
76. Did the homebuyer and contractor execute a construction or rehabilitation contract? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6)] ☐ Yes ☐ No	 □ No contract on file □ Contract not properly executed 	
77. Did the program administrator issue a notice to proceed prior to construction start? ☐ Yes ☐ No	 □ No notice to proceed issued □ No evidence of review that project is ready to go prior to issuance of notice to proceed □ Notice to proceed was issued before construction or rehabilitation contract was executed and before project was ready-to-go 	

3. Progress Inspections

Background: Progress inspections document that the work being done adheres to the construction or rehabilitation contract and all applicable codes and standards are met prior to contractor payment.

Regulatory Basis: 24 CFR 92.505(a) and 24 CFR 85.36(b)(2)



• Progress/payment inspection reports (log or notes)

HUD Checklist 7-5 Selected Excerpts	Identified Problems
78. Were progress inspections of the project performed prior to approving the contractor's request for payment? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No	 □ Inspections not conducted prior to payment □ Approval for payments not signed by all involved parties (contractor, PJ, and/or developer and homebuyer)
79. Were inspection reports on file for these project milestones? ☐ Payment requests ☐ Change orders ☐ Client complaints ☐ Indications of project delays ☐ Critical milestones in the rehabilitation/construction process (e.g., before drywall covers the electrical, plumbing, framing rough-in; or before concrete covers the foundation trench and reinforcing bar)	 □ No inspection reports on file □ Insufficient number of inspection reports □ Inspection reports missing for these areas:

4. Appropriate Approvals

Background: Prior to the final payment to the contractor and the release of liens, the program administrator should verify that the owner found that the work was completed satisfactorily, if applicable.

Regulatory Basis: Recommended



• Documentation of owner approval (signature) on final payment request/draw or similar documentation

HUD Checklist 7-5 Selected Excerpts	Identified Problems
80. Did the owner approve final payment to the contractor? $\hfill\Box$ Yes $\hfill\Box$ No	☐ Final payment was made, but owner did not sign final payment request

5. Change Orders

Background: Any change in the scope of work or budget for a project must be documented and approved by the PJ or program administrator as a change order before the work is initiated. When the program is administered by a State recipient or subrecipient, it is recommended that the PJ retain the right to approve change orders that have a budgetary impact on the project.

Regulatory Basis: 24 CFR 92.505(a), 92.508(a)(3)(ii), and 24 CFR 85.20(b)(6) and 85.36(f)(1)



- Change order policies and procedures
- Change orders with backup documentation
- Documentation that costs were reviewed for eligibility and reasonableness prior to approval of change order

HUD Checklist 7-5 Selected Excerpts	Identified Problems	
81. Did the program administrator and the applicable parties review and approve change orders for any changes in the scope of work? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6) and 85.36(f)(1)] ☐ Yes ☐ No	 □ No change order on file for each change in scope of work that occurred □ Insufficient backup documentation or justification for change orders □ Revised scope of work does not meet applicable codes 	
Prior to approval, the program administrator should review change order requests to determine that: (1) The costs are reasonable and eligible (2) The work is needed to meet property codes and standards (3) With the additional costs the project is still within HOME's per unit subsidy limits [221(d)(3) limits].	☐ Program administrator did not review and approve change order(s) prior to work being done	
82. Is there a change order on file for any work that was (1) Completed but not in the original contract, or (2) Paid for (to the contractor) above the original contract amount? ☐ Yes ☐ No ☐ N/A	 □ Contractor paid more than the original contract amount, but no change orders or justification on file □ No change order for work elements completed by contractor that were not in original contract 	
For any costs above the contract, if the expendit	or ADDI funds, HUD may	

6. Lien Releases and Warranty Information

Background: A release of liens signed by all parties must be executed upon completion of the construction/rehabilitation work. The contractor should provide all warranties or affidavits to the property owner/homebuyer. Original warranty documents should be provided to the homebuyer and the program administrator should maintain copies in the project files.

Regulatory Basis: 24 CFR 92.505(a) and 24 CFR 85.36(b)(2)

Documentation:

- Lien release form signed by the PJ and/or property owner/homebuyer
- Copies of warranty information and documentation that warranties were provided to the homebuyer (e.g., signature on form indicating receipt)

HUD Checklist 7-5 Selected Excerpts	Identified Problems
83. Does the file contain: Final lien release? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]	 □ No release of liens □ Release of liens not signed by PJ and owner/homebuyer
84. Does the file contain: Contractor warranty or equipment warranty? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]	☐ No documentation about the contractor warranty and/or equipment warranty(ies)
☐ Yes ☐ No	☐ Warranties not provided to the homebuyer
NOTES on Construction Management	

H. Loan Processing and Servicing

Program administrators have a great deal of flexibility in the loan processing and servicing functions of homebuyer programs. However, there are several HOME requirements concerning loan documentation, repayment, and use of loan funds, including:

- 1. Underwriting procedures
- 2. Loan approval

If the HOME funds were not provided in the form of a loan, then the PJ monitor can skip this section and proceed to Subsection I, *Long-Term Monitoring for Occupancy*.

1. Underwriting Procedures

Background: The HOME Program does not establish specific underwriting practices or criteria. However, the HOME Program requires the PJ to ensure that all costs are necessary and reasonable.

Regulatory Basis: 24 CFR 92.505 and OMB Circular A-87

Documentation:

- PJ's or program administrator's program policies/procedures regarding loan underwriting
- · Worksheet or form that shows how the loan amount was calculated
- Letters of acceptance/rejection of loan request

HUD Checklist 7-5 Selected Excerpts	Identified Problems	
85. Does the PJ/State recipient/subrecipient/contractor have program policies and procedures in regards to underwriting? ☐ Yes ☐ No	 □ No underwriting procedures □ Underwriting procedures are not comprehensive or do not ensure that all projects are evaluated in a consistent manner 	
86. Has program administrator followed the program's underwriting policies and procedures? ☐ Yes ☐ No	 □ PJ did not give State recipient, subrecipient, or contractor underwriting guidance □ Program administrator did not follow underwriting guidance 	
87. Does the file contain a worksheet or form that shows how the loan amount was calculated? ☐ Yes ☐ No	 □ No documentation on how loan amount was determined □ Errors made in loan amount calculations □ Underwriting policy not followed 	

2. Loan Approval

Background: The PJ monitor should review the program administrator's loan approval process to determine if it provides adequate information to the homebuyer. When a loan is approved or rejected, homebuyers should receive full information about their status (i.e., approved or not approved) and, if applicable, the terms of the assistance and their payment obligations. At the time the loan documents are executed, the PJ must provide truth-in-lending materials to the borrower and fully explain the borrower's rights to cancel the assistance. Loan documents signed by the homebuyer should also be in project/case files.

Regulatory Basis: 24 CFR 92.205(b)(1), 92.505(a), 92.508(a)(3)(ii), and 24 CFR 85.20(b)

Documentation:

- Approval determination (and date)
- Truth-in-lending notice
- Letter of acceptance or rejection of loan

HUD Checklist 7-5 Selected Excerpts	Identified Problems
88. Is there a date on the approval determination? ☐ Yes ☐ No	☐ No approval determination letter☐ No date on approval determination
89. Was assistance provided within six months of the income determination (or, for lease-purchase, when the lease-purchase agreement was signed; or, for assistance to purchase a home that will be constructed, when the contract was signed)? [HOME: 24 CFR 92.203(d)(2), 92.254(a)(7), 92.254(a)(8); ADDI: 24 CFR 92.610(c)]	□ Income-eligibility determination was not current
90. Are there acceptance and rejection letters in regards to the loan in the file? ☐ Yes ☐ No	 □ No acceptance and/or rejection letters on file □ Acceptance letters not clear about terms of loan □ Rejection letters do not state reason for rejection
91. Is there a copy of the loan agreement on file and are the terms clear? ☐ Yes ☐ No	 □ No loan agreement on file □ Loan agreement not satisfactory [does not contain required provisions per 24 CRF 92.504(c)(5)] □ Loan terms unclear
92. Is there a copy of the truth-in-lending notice in the file? ☐ Yes ☐ No	□ Truth-in-lending notice not on file

3. Loan Documentation

Background: Loan documents must be consistent, complete, properly executed, properly recorded, and reflect all applicable HOME and other Federal requirements. In addition, HOME Program rules require that the homebuyer signs a written agreement with the PJ, State recipient, or subrecipient that includes the required provisions. The written agreement must be executed before any HOME funds may be dispersed.

Regulatory Basis: 24 CFR 92.205(b)(1), 92.505(a), 92.508(a)(3)(ii), and 24 CFR 85.20(b)



- Signed loan agreement
- Deed of trust or note and mortgage and evidence documents were recorded with the local government
- Documentation of additional funding sources (such copy of application, budget documents, financial records indicating the HOME portion of payments)
- Executed written agreement
- Deed restriction (required when using resale provisions; recommended when using recapture provisions)
- Truth-in-Lending Disclosure Statement
- Notice of right to cancel or right of rescission

HUD Checklist 7-5 Selected Excerpts	Identified Problems
93. Did the homebuyer sign the loan agreement? [24 CFR 92.205(b)(1); 92.505(a); and 24 CFR 85.20(b)(2) and 85.20(b)(6)] ☐ Yes ☐ No	□ No loan agreement on file□ Homebuyer did not sign loan agreement

94. Were loan documents recorded? [24 CFR 92.505(a) and 24 CFR 85.20(b)(3)] ☐ Yes ☐ No	☐ No evidence that documents were recorded
95. If funding sources in addition to HOME and/or ADDI were used, do project records include documentation of the source and application of funds for the project? [24 CFR 92.508(a)(3)(ii); 92.505(a); and 24 CFR 85.20(b)]	☐ No documentation about other sources
96. Regarding legal documents, are closing documents in the file? [24 CFR 92.508(a)(3)(ii)] ☐ Yes ☐ No	Missing documents: Written agreement Deed of trust or promissory note Signed and notarized mortgage Truth-in-Lending Disclosure Statement Right to cancel (right to rescission)
NOTES on Loan Processing and Servicing	

I. Monitoring for Long-term Occupancy

Background: The PJ is required to ensure that the resale or recapture provisions are met, if the housing is sold during the period of affordability. Long-term or ongoing monitoring for principal residency is recommended for homebuyer programs.

Regulatory Basis: Recommended



• Written agreement with the homebuyer

• Documentation of residency status (e.g., utility bills, copy of annual insurance policy statement, or other)

HUD Checklist 7-5 S	Selected Excerpts	Identified Problems	
principal residency?	ncy, is there evidence in the trator verified the homebuyer's	☐ No documentation☐ Initial buyer no longer resides at property	
□ Yes □ No	Monitoring Principal Residency A PJ monitor can verify the homebuyer's principal residency by reviewing: • Utility bills. Verify name and address of record for certain utilities. • Insurance policies. PJs can be listed on an insurance policy as a "loss payee" or additional parties. This way, the PJ will be notified every time a claim is made or the policy is renewed or expired. Most insurance declaration pages state whether the property is the principal residence of the owner, rental property, or not otherwise occupied by the owner. • Mail service. Ascertain from the post office whether mail is delivered to the address or if a forwarding address has been filed.		
	Tax records. Check the add	ress to which the bill for the property taxes is mailed. ection to ensure the homebuyer resides at the property.	
NOTES on Monitoring for L	ong-term occupancy		

Summary of Results: Project Monitoring

Homebuyer Programs

Instructions: Using the completed checklists, complete the following chart to assist with summarizing the monitoring results.

	No Apparent Problems	Problems Identified	Follow-Up Needed
A. Participant Eligibility 1. Income-eligibility			
2. Occupancy			
3. Ownership			
Written agreement with homebuyer			
B. Property Eligibility			
1. Property types			
Minimum and maximum per unit investment			
3. Maximum property value			
Environmental review			
5. Uniform Relocation Act requirements			
C. Resale and Recapture Provisions			
D. Eligible and Reasonable Costs			
HOME eligible costs			
Cost reasonableness and subsidy layering			
3. Form of assistance			
E. Property Standards 1. Property standards			
2. Work write-ups			
3. Inspections			
Lead-based paint requirements			

5. Onsite inspections for rehabilitation/construction quality		
F. Contractor Selection		
G. Construction Management		
Pre-construction conference		
Construction contract		
3. Progress inspections		
4. Appropriate approvals		
5. Change orders		
6. Lien releases and warranty information		
H. Loan Processing and Servicing		
Underwriting procedures		
2. Loan approval		
3. Loan documentation		
I. Long-term Monitoring for Occupancy		

Section 3. Review of the Homebuyer Program

Purpose of the Program Review

The program review helps the PJ assess how well the homebuyer program is operating. Ideally, it is done in conjunction with the pre-monitoring review of policies and procedures (Section 1 of this chapter) and the project file review (Section 2 of this chapter). It helps the PJ answer:

- Does the program administrator comply with HOME requirements in all cases? By looking at the results of the project file review, the PJ monitor can identify areas where the program administrator performs consistently and where there are recurring problems.
- Does the program administrator have effective written documentation to support the program? This includes the written agreement with the PJ; and policies, procedures, and other program materials that clearly states HOME requirements and expectations. By evaluating the program's written documentation, the PJ monitor can determine if the program administrator has adequate systems in place to promote compliance and performance.

How this Section Is Organized

The checklist in this section summarizes the HOME requirements that are reviewed in detail in Section 1 (pre-monitoring review) and Section 2 (project review). This section does not use HUD Checklist questions verbatim, as do the other sections of this chapter. However, this section covers the same HOME requirements and is organized in the same manner as HUD Checklist Exhibit 7-6, *Guide for Review of Homebuyer Programs*. It includes following sections:

- A. Participant eligibility
- B. Property eligibility
- C. Property standards
- D. Eligible and reasonable costs
- E. Other requirements
- F. Contractor selection
- G. Construction management
- H. Resale and recapture options
- I. Written agreements
- J. Recordkeeping

Instructions

The PJ monitor should use one copy of the Section 3 checklist to conduct a program review of the homebuyer program administrator (funded entity or PJ).

Column 1, "HOME Requirement," identifies the HOME requirement under review.

In columns 2a, 2b, and 2c, "Program Implementation," the PJ monitor summarizes its findings of the project monitoring review and indicates how often the program administrator effectively met the requirement (always, sometimes, or never).

In columns 3a, 3b, and 3c, "Effectiveness of Documentation," the PJ monitor documents the findings of the pre-monitoring review, if it was done, or reviews the program's written documentation. The PJ monitor checks whether the requirement was: (1) Stated

How to Use the Program Review

The PJ monitor can use the program review in a few different ways:

- To consolidate the results of a pre-monitoring and project monitoring review. To do this, complete the questions in Column 2. For any area where there is a potential problem, also complete Column 3.
- To conduct a cursory review of the program's operations. To do this, complete the questions in Column 3 only. This results in a review of the written documentation and program policies and procedures that constitute the foundation of the program's operation.
- To interview staff. To do this, ask the interviewee how the requirement specified in Column 1 is implemented. Take notes in Column 3(c), to the extent possible and on additional paper as needed. Use interview results in conjunction with desk and project file reviews to draw conclusions about the program's operations.

in the written agreement between the PJ and the State recipient, subrecipient, or contractor (as applicable) in column 3a; (2) Adequately reflected in the program administrator's policies and procedures in column 3b, or (3) Documented in other written documentation (such as program application or materials) in column 3c.

A "Notes" section is provided at the end of each area of review for the PJ monitor to elaborate on any of its findings, as needed.



Documentation

The following documents are needed for a program review:

- Copy of the HOME regulations found at 24 CFR Part 92
- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Written agreement with the homebuyer
- Pre-monitoring file(s) or checklist results, if available
- Project case file monitoring file(s) or checklist results, if available

1. HOME Requirement	2. Effecti	2. Effectiveness of Implementation			3. Effectiveness of Documentation			
	1 *	Project monitoring shows that program administrator complied with this requirement			This requirement is clearly stated in.			
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)		
PARTICIPANT ELIGIBILITY – Income								
Comply with all participant eligibility requirements – income, ownership, and principal residence?								
[24 CFR 92.203 and 24 CFR 92.254 (a)]								
Use the appropriate HOME income limits for all applicants								
[HOME: 24 CFR 92.254(b)(3); ADDI: 24 CFR 92.602(a)(1)]								
3. Correctly determine income-eligibility								
[24 CFR 92.203(B)]								
Use the same definition of income for all applicants								
[24 CFR 92.203(d)]								
Project income consistently for all applicants								
Use source documentation to verify income								
[24 CFR 92.203(a)(2)]								

Project monitoring shows that program administrator or developer 20	1. HOME Requirement	2. Effectiv	eness of Imple	mentation	3. Effective	ness of Document	ation
Always Sometimes Never Never Agreement with Administrator's Other (Specify)	Door the program administrator or		rator complied		This requirem	ent is clearly state	ed in
months of funds commitment [24 CFR 92.203(a)(2)] Or, within is ki months of signing lease- purchase agreement [24 CFR 92.254(a)(7)] Or, within six months of signing contract when assistance is provided for a home that is to be constructed [24 CFR 92.254(a)(8)] Notes: PARTICIPANT ELIGIBILITY – Ownership and Occupancy Status 1. Determine that homebuyers have acceptable forms of ownership (fee simple tittle, 99-year lease or 50-year lease on Indian lands, or other HUD- approved form) [24 CFR 92.2, "homeownership"; HOME: 92.203(a)(2); ADDI: 24 CFR 92.612(c)] 24 Cerr 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.604(a)(5); ADDI: 24 CFR 92.612(c)] Notes:		1 1	1 1		Written Agreement with	Administrator's Policies &	Other
Or, within six months of signing lease- purchase agreement [24 CFR 92.254(a)(7)] Or, within six months of signing contract when assistance is provided for a home that is to be constructed [24 CFR 92.254(a)(8)] Notes: PARTICIPANT ELIGIBILITY – Ownership and Occupancy Status 1. Determine that homebuyers have acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD- approved form) [24 CFR 92.2, "homeownership"; HOME: 92.203(a)(2); ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties							
purchase agreement [24 CFR 92.254(a)(7)] Or, within six months of signing contract when assistance is provided for a home that is to be constructed [24 CFR 92.254(a)(8)] Notes: PARTICIPANT ELIGIBILITY – Ownership and Occupancy Status 1. Determine that homebuyers have acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD-approved form) [24 CFR 92.2 "homeownership": HOME: 92.203(a)(2): ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	[24 CFR 92.203(d)(2)]						
Or, within six months of signing contract when assistance is provided for a home that is to be constructed [24 CFR 92.254(a)(8)] Notes: PARTICIPANT ELIGIBILITY – Ownership and Occupancy Status 1. Determine that homebuyers have acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD-approved form) [24 CFR 92.2, "homeownership"; HOME: 92.203(a)(2); ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	= =						
when assistance is provided for a home that is to be constructed [24 CFR 92.254(a)(8)] Notes: PARTICIPANT ELIGIBILITY – Ownership and Occupancy Status 1. Determine that homebuyers have acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD-approved form) [24 CFR 92.2, "homeownership"; HOME: 92.203(a)(2); ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	[24 CFR 92.254(a)(7)]						
Notes: PARTICIPANT ELIGIBILITY – Ownership and Occupancy Status 1. Determine that homebuyers have acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD-approved form) [24 CFR 92.2, "homeownership"; HOME: 92.203(a)(2); ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	when assistance is provided for a home						
PARTICIPANT ELIGIBILITY – Ownership and Occupancy Status 1. Determine that homebuyers have acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD-approved form) [24 CFR 92.2, "homeownership"; HOME: 92.203(a)(2); ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	[24 CFR 92.254(a)(8)]						
acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD-approved form) [24 CFR 92.2, "homeownership"; HOME: 92.203(a)(2); ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	_	ccupancy St	atus				
92.203(a)(2); ADDI: 24 CFR 92.612(c)] 2. Verify that assisted homebuyers occupy their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	acceptable forms of ownership (fee simple title, 99-year lease or 50-year lease on Indian lands, or other HUD-						
their properties as a principal residence [24 CFR 92.254(a)(3)] 3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties							
3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] Notes: PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	their properties as a principal residence						
PROPERTY ELIGIBILITY 1. Confirm that assisted units qualify as HOME-eligible single family properties	3. Take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements [HOME: 24 CFR 92.504(a)(5); ADDI: 24						
1. Confirm that assisted units qualify as HOME-eligible single family properties	Notes:						
HOME-eligible single family properties	PROPERTY ELIGIBILITY						
1:10.1:514.1:1:16.010.1/3.1/							

1. HOME Requirement	2. Effecti	veness of Imple	mentation	3. Effective	ness of Document	tation
Door the marginary odministrator or		nitoring shows the strator complied requirement		This requirem	ent is clearly state	ed in
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
2. Invest at least \$1,000 of funds per unit, but not more than the maximum HOME per unit subsidy amount [221(d)(3) limits]						
[24 CFR 92.205(c) and 24 CFR 92.250(a) and <i>HOMEfires</i> , Vol. 9, No. 4, issued August 2008]						
3. For properties involving acquisition or new construction, verify that the value of assisted properties assisted does not exceed 95% of area median purchase price for single family housing						
[24 CFR 92.254(a)(2) and 92.612(c)]						
4. For projects involving rehabilitation, verify that the after-rehabilitation value does not exceed 95% of area median purchas price for single family housing						
[24 CFR 92.254(a)(2) and 92.612(c)]						
5. Determine 95% of area median purchase price by using one of the following:	е					
HUD-determined value limits						
203(b) limits in effect in February 200						
 PJ-determined and HUD-approved limit [24 CFR 92.254(b)(1) and HOMEFires 	S					
Vol. 10, No.1, issued January 2009]						
6. For projects involving rehabilitation, use appropriate methods (appraisal, tax records, estimate by qualified staff) to determine after-rehabilitation value						
[HOME: 24 CFR 92.254(b); ADDI: 24 CF 92.612(c)]	R					
7. For projects involving rehabilitation, base value estimates on after-rehabilitation value	:					
[HOME: 24 CFR 92.254(a)(2)(ii); ADDI: 24 CFR 92.612(c)]						

	1. HOME Requirement	2. Effectiv	eness of Imple	mentation	3. Effective	ness of Document	tation
	Door the margane administrator or	administ	itoring shows th rator complied requirement		This requirem	ent is clearly state	ed in
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
8.	If the program administrator is the PJ, secure an environmental review for the program and specific sites prior to committing HOME funds						
	If program administrator is not the PJ, secure environmental clearance from the PJ prior to committing funds to a specific site.						
	[HOME: 24 CFR 92.352; ADDI: 24 CFR 92.614(a)(2)]						
	*Environmental review is the PJ's responsibility.						
9.	Follow the PJ-adopted affirmative marketing procedures for projects with five or more HOME-assisted units						
	[HOME: 24 CFR 92.351(a); This requirement does not apply to ADDI funds pursuant to 24 CFR 92.614(b)(2)]						
No	tes:						
PR	OPERTY STANDARDS						
1.	Inspect all properties to ensure that applicable property standards are met						
2.	[24 CFR 92.251] Comply with PJ's written rehabilitation standards for rehabilitation work						
	[HOME: 24 CFR 92.251(a)(1); ADDI: 24 CFR 92.612(b)]						
	*PJ responsibility to adopt written rehabilitation standard						
3.	When HOME funds are used for acquisition and rehabilitation, develop work write-ups or plans with sufficient detail to enable contractors to provide a reliable bid, if applicable						
	[24 CFR 85.36(c)(3)(i) and 85.26(d)(2)(i) (A); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						

	1. HOME Requirement	2. Effectiv	eness of Imple	mentation	3. Effective	ness of Document	ation
	Door the program admiristrative	1 1	nitoring shows the trator complied requirement		This requirem	ent is clearly state	ed in
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
4.	When HOME funds are used for acquisition and rehabilitation, perform routine inspections						
	[24 CFR 85.36(c)(3)(i) and 85.26(d)(2)(i) (A); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						
5.	When HOME funds are used for acquisition and rehabilitation, conduct final inspections to confirm that all contract work was completed						
	[24 CFR 85.36(c)(3)(i) and 85.26(d)(2)(i) (A); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						
6.	When HOME funds are used for acquisition and rehabilitation, conduct onsite visits to show that properties meet applicable property standards						
	[24 CFR 85.36(c)(3)(i) and 85.26(d)(2)(i) (A); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						
7.	If projects involve rehabilitation that will occur after purchase, determine that the property is free of health and safety defects before occupancy						
	[24 CFR 92.254(b)(1) and (2)]						
8.	If projects involve rehabilitation that will occur after purchase, verify that all property standards are met within 24 months of occupancy						
	[24 CFR 92.254(b)(1) and (2)]						
9.	Meet labor standards requirements for projects involving construction of 12 or more HOME-assisted units						
	Complete HUD Checklist Exhibit 23-1 Guide for Review of Labor Standards Administration						
	[24 CFR 92.354]						
10	Meet the lead safety regulations of Part 35 (See <i>Lead Hazard Monitoring</i> <i>Guidance</i> , HUD Checklist Exhibits 24-1, 24-2, 24-3, or 24-4)						
	[24 CFR 92.355]						
No	tes:						

	1. HOME Requirement	2. Effectiveness of Implementation 3. Effect		3. Effective	3. Effectiveness of Documentation		
	Dono the avergroup administrator or		itoring shows th rator complied v requirement		This requirem	ent is clearly state	ed in
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
EL	IGIBLE AND REASONABLE COSTS						
1.	Use HOME/[ADDI] funds only for eligible costs						
	[24 CFR 92.205]						
2.	Conduct a subsidy layering review when HOME [or ADDI] are combined with other public subsidies						
	[HOME: 24 CFR 92.250(b); ADDI: 24 CFR 92.612(b)]						
3.	If the program involves construction, review cost estimates and evaluate whether they are cost reasonable						
	[24 CFR 85.36(f); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						
4.	Ensure that cost estimates are reviewed by a party other than the originator of the estimate (e.g., another PJ staff person)						
5.	Document the actual cost of the work						
	[24 CFR 85.20(b)(6); HOME: 24 CFR 92.505(a) and 92.508(a)(3); ADDI: 24 CFR 92.616(f) and 92.616(i)]						
6.	Provide subsidy only in the eligible forms of investment (i.e., interest bearing or non-interest bearing loans or advances, interest subsidies, deferred payment loans, grants, or loan guarantees)						
7.	[24 CFR 92.205(b)] If subsidy is provided in a form not listed above, describe other forms used in Consolidated Plan and secure HUD approval						
	[24 CFR 92.205(b)(1)]						
No	rtes:						
CC	ONTRACTOR SELECTION						
1.	If the PJ, State recipient, or subrecipient selects contractors, use a competitive bidding process (i.e., public invitation for bids; solicitation of multiple bids, apply a cost reasonableness test)						
	[24 CFR 85.36(c); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						

	1. HOME Requirement	2. Effectiveness of Implementation		3. Effective	ness of Document	ation	
	Door the program administrator or		nitoring shows the crator complied variation requirement		This requirem	ent is clearly state	ed in
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
2.	Verify that contractors are not excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for Federal procurement and nonprocurement programs at the time of contract execution or during the period of project work [24 CFR 85.35; HOME: 24 CFR 92.350(a) and 92.505(a); ADDI: 24 CFR 92.614(a) and 92.616(f)]						
3.	If a list of pre-qualified contractors is maintained, allow for regular reviews of the firms to check that these firms are licensed, perform quality work, and maintain insurance coverage [24 CFR 92.505(a) and 24 CFR 85.36(c)						
4.	Verify that contractors on a pre-qualified list are not suspended or debarred from work on projects receiving Federal funds, if applicable [24 CFR 92.350(a)]						
	ONSTRUCTION MANAGEMENT						
-	Inspect projects regularly to assess						
	rehabilitation progress [24 CFR 85.36(b)(2); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						
2.	Prior to processing a payment request, inspect projects to confirm that the contractor has performed all the work specified in the request						
	[24 CFR 85.36(b)(2); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						
3.	Review and approve requests for change orders [24 CFR 85.36(b)(2); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						
4.	Follow policies/procedures to resolve disputes between the contractor and the homebuyers						
	[24 CFR 85.36(b)(2); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]						

1. HOME Requirement	2. Effectiveness of Implementation			3. Effectiveness of Documentation			
		nitoring shows th trator complied v requirement		This requirem	This requirement is clearly stated in		
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)	
Ensure that contractors comply with the terms of their contracts							
[24 CFR 85.36(b)(2); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]							
Notes:							
RESALE/RECAPTURE OPTIONS							
Impose recapture or resale options on all assisted properties							
[HOME: 24 CFR 92.254(a)(5); ADDI 24 CFR 92.612(c)]							
If recapture provisions are used, incorporate requirements into a deed (and record) or trust and/or promissory							
[HOME: 24 CFR 92.254(a)(5)(ii); ADDI 24 CFR 92.612(c)]							
If resale options have been imposed, record deed restrictions or covenants running with the land on each property for the period of affordability							
[HOME: 24 CFR 92.254(a)(5)(i); ADDI 24 CFR 92.612(c)]							
4. Impose adequate procedures and controls to ensure that PJ or program administrator is made aware when a homebuyer is reselling the property during the period of affordability							
[24 CFR 85.20(b)(3); HOME: 24 CFR 92.505(a); ADDI: 24 CFR 92.616(f)]							
Notes:							
WRITTEN AGREEMENT							
Execute written agreements with the homebuyer							
[HOME: 24 CFR 92.504(c)(5); ADDI: 24 CFR 92.616(e)]							

1. HOME Requirement	2. Effectiveness of Implementation 3. Effectiveness of Document			ation		
Does the program administrator or		nitoring shows th trator complied requirement		This requirem	ent is clearly state	ed in
developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
If State recipient, subrecipient, or contractor enters into written agreements with homebuyers, ensure that the written agreement is assignable to the PJ						
Include all required provisions in written agreement (See HUD Checklist Exhibit 7-14, Guide for Review of Beneficiary Written Agreements.						
[HOME: 24 CFR 92.504(c)(5); ADDI: 24 CFR 92.616(e)]						
*PJ responsibility						
4. Execute and record all loan instruments						
[24 CFR 92.505(a) and 24 CFR 85.20(b) (3)]						
*This may be PJ responsibility, depending on program design						
Notes:						
RECORDKEEPING	I			<u> </u>		
Document compliance with applicable HOME requirements						
[24 CFR 92.508(a)(3)]						
Maintain records for five years after project completion						
[HOME: 24 CFR 92.508(c)(2); ADDI: 24 CFR 92.616(1)]						
Maintain documents that impose resale/ recapture provisions for five years after the termination of the affordability period						
[HOME: 24 CFR 92.508(c)(2); ADDI: 24 CFR 92.616(i)]						
Notes:						

Attachment 5-A

Client File Form – Homebuyer Programs

	Are Items in Project Case File?	Answer		
Und	derwriting and Applicant Processing			
1.	Application form; authorization to release information	☐ Yes	□No	
2.	Source documentation and calculation of income	☐ Yes	□No	
3.	Documentation of principal residence	☐ Yes	□No	
4.	Designation of property type and location	☐ Yes	□No	
5.	Applicant file checklist	☐ Yes	□No	
Leg	al and Financial Documents			
6.	Documentation of all costs and compliance with subsidy limits	☐ Yes	□No	
7.	Documentation of how assistance amount was determined	☐ Yes	□No	
8.	Mortgage agreement, note, lien, or deed of trust with recapture provisions	☐ Yes	□No	
9.	Deed restriction or covenant enforcing resale provisions	☐ Yes	□ No	
10.	Implementation of provisions upon subsequent sale	☐ Yes	□ No	
11.	Sales prices (or for rehabilitation, after-rehabilitation property value)	☐ Yes	□ No	
12.	Title search and other closing documents	☐ Yes	□ No	
13.	Lead-based paint disclosure notice from seller (if pre-1978 home)	☐ Yes	□ No	
14.	Flood insurance (if required)	☐ Yes	□ No	
15.	Property hazard insurance	☐ Yes	□ No	
16.	Evidence of ongoing monitoring of affordability requirements (i.e., resale/recapture provisions)	□ Yes	□ No	
17.	Program income records	☐ Yes	□No	
Cor	nstruction Management			
18.	Lead-based paint notification pamphlet receipt	☐ Yes	□No	
19.	Lead-based paint visual assessment (if acquisition only)	☐ Yes	□ No	
20.	Lead hazard risk assessment or other lead hazard evaluation to occupant and owner within 15 days of evaluation, if applicable	□ Yes	□No	
21.	Property inspection checklists or reports to determine compliance with local codes and written rehabilitation standards	□ Yes	□No	
22.	Environmental review documentation	☐ Yes	□No	
23.	Tenant relocation notices; documentation of financial assistance	☐ Yes	□ No	
24.	Disclosure to Seller with Voluntary, Arm's Length Purchase Offer forms (Acquisition notice/ info provided to existing homeowner that voluntarily selling home and not eligible for relocation funds)	□ Yes	□ No	
25.	Work specifications and program-generated cost estimate	□ Yes	□ No	
26.	Documentation that after-rehabilitation property value is within 95% of area median purchase price limits	☐ Yes	□No	
27.	Bid documents; bid analysis	☐ Yes	□ No	
28.	Verification of contractor eligibility	☐ Yes	□ No	
29.	Pre-construction conference report	□ Yes	□ No	
30.	Contract for construction work	□ Yes	□ No	
31.	Notice to proceed	☐ Yes	□ No	
32.	Change orders	☐ Yes	□ No	
33.	Verification of proper lead hazard reduction work performed (safe work practices performed for paint stabilization, or interim controls, standard treatments, if applicable)	□ Yes	□ No	

34. Ongoing and final inspection reports; building code compliance inspections	□ Yes	□ No
35. Verification that unit passed lead-based paint clearance test before occupancy	□ Yes	□ No
36. Verification that owner received notice of lead hazard reduction activities within 15 days of clearance test results, if applicable	□ Yes	□ No
37. Payment records and lien releases	☐ Yes	□ No
38. Warranties and guarantee	□ Yes	□ No

Attachment 5-B

Summary of Lead-based Paint Requirements for Homebuyer Programs

	Rehabilitation (Subpart J)			A,L,SS,0 (Subpart K)
	<\$5,000	\$5,000 - \$25,000	>\$25,000	Homebuyer Acquisition Only
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards	Identify and stabilize deteriorated paint
Notification	Notice of Lead Hazard Reduction	Notice of Lead Hazard Evaluation and Notice of Lead Hazard Reduction	Notice of Lead Hazard Evaluation and Notice of Lead Hazard Reduction	Notice of Lead Hazard Reduction
Lead Hazard Evaluation	Paint Testing (of surfaces to be disturbed)	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment	Visual Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation	Interim Controls	Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation)	Paint Stabilization
	Safe work practicesClearance	Safe work practicesClearance	Safe work practicesClearance	Safe work practicesClearance
Ongoing Maintenance	For HOME rental only	For HOME rental only	For HOME rental only	Yes (if ongoing relationship)
EIBLL Requirements	No	No	No	No
Options	Presume lead-based paint Use safe work practices on all surfaces	Presume lead-based paint and/or hazards Use standard treatments	Presume lead-based paint and/or hazards Abate all applicable surfaces	Test deteriorated paint Use safe work practices only on lead- based paint surfaces

Attachment 5-C

Summary of Key HOME Homebuyer Rules and How to Document

	Key HOME Requirement	Documentation (See checklists for details)
Eligible Participants		
Owner Income	Gross income <80% of area median income based on the upcoming 12 months Income is defined by one of three options: Part 5 (Section 8) annual income; annual income under U.S. Census long form; or adjusted gross income under IRS Form 1040	Completed application Source documentation (wage statements, interest statements)
Owner Occupancy	Applicant must purchase property and maintain it as his/her principal residence	Client must sign and certify that the property is principal residence
Ownership of Property	Applicant must obtain ownership of the property through: Fee simple title 99-year leasehold interest (50 year leasehold on trust or restricted Indian land) Ownership/membership in a cooperative or mutual housing	Title search documentation Copy of deed or other ownership document
	project (if recognized by State law)	
Eligible Properties		
Property Type	Eligible property types include: One-to-four-unit property Condominium unit Cooperative or mutual housing unit, if recognized by State law Manufactured or mobile home	 If 2-4 units, indicate status of non-owner-occupied units in the application. If non-owner units are assisted with HOME funds, agreement with homebuyer that specifies applicability of HOME rental requirements to the rental units
Property Location	Property must be located within geographic area of the PJ	Application with property address
HOME Minimum and Maximum Thresholds	 An average of a minimum of \$1,000 in HOME funds must be invested in each assisted unit The maximum HOME assistance per unit is determined by HUD [based on 221(d) (3) limits] 	Worksheet or form that shows that the average per unit HOME investment exceeds \$1,000 Worksheet or form that shows that total HOME subsidy did not exceed per unit maximum provided by HUD
Property Value	Sales price must not exceed 95% of the area median purchase price If rehabilitating property, afterrehabilitation value must not exceed 95% of the area median purchase price Use 203(b) limits in effect Feb.2008, or HUD-determined purchase price limits, or Establish local limits and obtain HUD approval	 If using local purchase price limits, documentation of data used to determine limits and evidence of HUD approval Documentation of method for determining value Copy of sales price or value estimate

Property Standards	If acquisition only, property must meet either local codes/standards or Section 8 Housing Quality Standards (HQS)	Documentation of which property standard is used and copy of the property standard
	 If rehabilitation, property must be free of safety and health hazards prior to occupancy or within 6 months of property transfer, whichever is sooner If rehabilitation, property must also meet applicable codes (local codes/standards or one of 3 nationally accepted codes) within 2 years of transfer 	 Copy of written rehabilitation standards Inspection report or certification by inspector Inspection checklist and work write-up Checklist that demonstrates compliance with International Energy Conservation Code for new construction projects
	New construction must meet local codes/standards or one of the nationally accepted codes and the International Energy Conservation Code (IECC)	
Eligible Activities	Acquisition, acquisition and rehabilitation, and new construction	Documentation of all expenditures
Long-term Affordability		
Affordability Period Resale/Recapture	Property must be subject to either resale or recapture provisions for the period of affordability Resale: future sale of property must	Resale: mortgage and/or note and recorded deed restriction or covenant restricting future sales; evidence that documents were recorded
	be affordable to low-income buyer and provide initial buyer with fair return	Recapture: Mortgage or note showing formula by which funds will be recaptured
	Recapture: portion or all of assistance to buyer must be recaptured at time of sale and used for other HOME-eligible activity(ies)	

Attachment 5-D

Summary of Other Federal Requirements for Homebuyer Projects

Other Federal Requirements	Apply to Homebuyer Programs?	Special Issues/Considerations	Regulatory Citations
Nondiscrimination and Equal Ac	·		
Fair Housing and Equal Opportunity	Yes	PJs must affirmatively further fair housing in the jurisdiction Particular attention should be paid to signs of discrimination in sale of properties	 24 CFR 92.202 and 92.250 Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) Fair Housing Act (42 U.S.C. 3601-3620) (implemented at 24 CFR Part 100) Executive Order 11063 (amended by Executive Order 12259) Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) 24 CFR 5.105(a)
Affirmative Marketing	Yes, for all projects of five or more HOME-assisted units	PJ must adopt affirmative marketing requirements and procedures	· 24 CFR 92.351
Accessibility for Persons with Disabilities	Yes	New construction with 5+ units and substantial alteration projects with 15+ units must have accessible units (5% for mobility-impaired and 2% for sensory-impaired; at least one of each type) Other rehabilitated properties may require modifications	Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8) For multifamily buildings only, 24 CFR 100.205 (implements the Fair Housing Act)
		Program must be accessible to persons with disabilities	
Employment and Contracting R	ules		
Equal Opportunity Employment	Yes	Contracts and subcontracts for more than \$10,000 must include language prohibiting discrimination	• Executive Order 11246 (implemented at 41 CFR Part 60)
Section 3 Economic Opportunity	Yes, if amount of assistance to recipient exceeds \$200,000 or contract or subcontract exceeds \$100,000	 Include Section 3 clause in contracts and subcontracts Employment and contracting goals to hire low-income business concerns and low-income residents 	Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)
Minority/Women Employment	Yes	PJ must develop procedures and include in all contracts and subcontracts	Executive Orders 11625, 12432, and 1213824 CFR 85.36(e)

Davis Bacon Conflict of Interest	Yes, if construction contract includes 12 or more units that are HOME-assisted	If applicable, requirements apply to the whole project, not just the HOME-assisted units Include language in contracts and subcontracts Requirements do not apply to volunteers or sweat equity PJs should ensure compliance in-house and when using subrecipients	 24 CFR 92.354 Davis-Bacon Act (40 U.S.C. 276a - 276a-5) 24 CFR Part 70 (volunteers) Copeland Anti-Kickback Act (40 U.S.C. 276c) 24 CFR 92.356 24 CFR 85.36
Debarred Contractors	Yes	PJs should check HUD list of debarred contractors	• 24 CFR 84.42 • 24 CFR Part 5
Environmental Requirements			
Environmental Reviews	Yes	 Categorically excluded not subject to 24 CFR 58.5 Buildings to be constructed in the future require a compliance review 	24 CFR 92.35224 CFR Part 58.35 b(5)National Environmental Policy Act (NEPA) of 1969
Flood Insurance	Yes, if city or county and No, if State program	 Must obtain flood insurance if located in a FEMA designated 100-year flood plain Community must be participating in FEMA's flood insurance program 	 Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106) 24 CFR 893.6(b)
Site and Neighborhood Standards	No		· 24 CFR 893.6(b)
Lead-based Paint	Yes, for rehabilitation of pre-1978 units EPA's Renovation, Repair, and Painting Rule applies	 Provide notices to purchasers and tenants Perform visual assessments Complete paint stabilization, if applicable Use safe work practices and clearance Include required provisions in all contracts and subcontracts 	 24 CFR 92.355 Lead-based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.) 24 CFR Part 35 24 CFR 982.401(j) (except paragraph 982.401(j)(1)(i)) 40 CFR Part 745
Relocation	Yes	 Required notifications to tenants Required language in offers and contracts for acquisition of property 	 24 CFR 92.353 Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) 49 CFR Part 24 24 CFR Part 42 (subpart B) Section 104(d) "Barney Frank Amendments"

Chapter 6: Rental Housing Programs

This chapter describes how to monitor HOME-funded rental programs. It is organized into sections that correlate to the three key stages of monitoring:

- Section 1. Pre-monitoring (program design and operations). Pre-monitoring is a systematic way for the PJ to gather background information on the program's administration. It helps the PJ assess if the program administrator has policies and procedures in place to facilitate HOME compliance and helps the PJ prepare for a monitoring site visit.
- Section 2. Project (or case file) monitoring. The core of the PJ's monitoring, project monitoring is a systematic way to review specific projects to assess whether the program administrator follows its procedures in a consistent way while implementing the rental program, and whether each project is in compliance with the HOME requirements.
- Section 3. Program monitoring. Program monitoring is a systematic way to review the overall performance and compliance of the program. It helps the PJ identify patterns and trends in the program and draw conclusions about the program administrator's policies, procedures, practices, and outcomes.

A rental program can be administered by the PJ itself, or by a subrecipient, State recipient, or contractor. This chapter uses the term "program administrator" to refer to any of these entities. In addition, rental activities are often carried out by an owner, developer, or sponsor of the rental housing project. This guide uses the term "developer" or "owner" to refer to these entities. Depending on the rental program design, the responsibility for compliance may lie with one or more of these entities. Where possible, the checklist identifies the likely responsible party.

Basis of this Chapter

This chapter addresses monitoring of the key HOME Program requirements of a rental program. The checklists in this chapter are based on HUD Checklist Exhibits 7-0 (HOME Pre-monitoring Preparation for Rental Programs), 7-7 (Guide for Review of Rental Projects), and 7-8 (Guide for Review of Rental Programs). The checklists in this chapter can be used instead of the referenced HUD checklists. The HUD checklist questions cited in this chapter have been revised slightly for use by the PJ, rather than HUD. The numbering is sequential for all questions; the original HUD checklist numbering has **not** been retained. Questions that are denoted with the icon \Box have been added to facilitate a PJ's review; these questions are not on the HUD checklists.

Complete copies of the HUD checklists are found in the *CPD Grantee Monitoring Handbook*, available online at **http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm**#7. Chapter 7 of this handbook covers the HOME Program.

Framework for the Monitoring Review

In addition to the key HOME rental requirements covered in this chapter, there are a number of additional requirements that the PJ monitor needs to review to conduct a comprehensive monitoring review of a rental program.

- **Program and Project Administration.** To monitor requirements related to the administration and management of the program, refer to other chapters of this guidebook, depending on what entity administers the program:
 - Use Chapter 2, Section 1 of this guidebook when funding CHDOs to undertake rental projects with CHDO setaside funds. This chapter helps the PJ assess whether the CHDO meets HOME eligibility criteria, and how well the PJ is managing its CHDOs.
 - Use Chapter 2, Section 2 of this guidebook when the PJ uses a State recipient or subrecipient to administer the

- rental program. This chapter helps the PJ monitor assess the funded entity's compliance with applicable uniform administrative requirements, and the PJ's management and oversight of these funded entities.
- Use Chapter 3 of this guidebook to monitor the PJ's own administrative and management systems. This should be done regardless of what entity administers the rental program.
- Written Agreements. To monitor whether the HOME written agreement adequately conveys HOME requirements and whether it is enforceable, use one of the following HUD checklists, depending on what type of entity administers the program or if funds are provided directly for project development:
 - Exhibit 7-15, Guide for Review of Contractor Written Agreements, when a contractor administers the program
 - Exhibit 7-16, *Guide for Review of Owner, Developer, Sponsor Written Agreements*, when providing HOME funds for project development activities
 - Exhibit 7-17, Guide for Review of State Recipient Written Agreements, when a State recipient administers the program
 - Exhibit 7-18, *Guide for Review of Subrecipient Written Agreements*, when a subrecipient administers the program.
- Other Federal Requirements. There are several cross-cutting Federal requirements that apply to rental activities, and the PJ monitor should use the following HUD checklists to monitor those aspects of compliance:
 - Exhibit 21-1, Guide for Environmental Review of the Community Development Block Grant, HOME Investment Partnerships, Emergency Shelter Grants, and Housing for Persons With AIDS Programs by the Community Planning and Development (CPD) Representative
 - Exhibit 22-3, Guide for Review of Civil Rights-Related Program Requirements for the HOME Investment Partnerships Program
 - Exhibit 23-1 Guide for Review of Labor Standards Administration, for projects with 12 or more HOME-assisted units
 - Exhibit 24-1, Guide for Review of Lead-based Paint Compliance in Properties Receiving Federal Rehabilitation Assistance
 - Chapter 24 and related exhibits, for review of relocation and real property acquisition policies and procedures, if applicable
 - Exhibit 27-1, Guide for Review of Flood Insurance Protection.

This guidebook has adapted the HUD monitoring checklists for key HOME Program requirements for use by the PJ when it monitors itself and its funded entities. For a review of these HOME requirements, the PJ monitor is directed to other chapters of this guidebook. For some areas of review (such as other Federal requirements, procurement, and written agreements), the HUD checklists have not been adapted for PJ use. For these areas of review, the PJ monitor is directed to the HUD checklists in the CPD Grantee Monitoring Handbook. The PJ monitor should be able to use these HUD checklists in their existing form.

Resources

The following attachments are provided at the end of this chapter to facilitate the monitoring review:

- Attachment 6-A: Client File Form Rental Programs
- Attachment 6-B: Summary of Key HOME Rental Program Rules and How to Document
- Attachment 6-C: Summary of Other Federal Requirements that Apply to Rental Programs
- Attachment 6-D: Summary of Lead-based Paint Requirements for Rental Programs
- Attachment 6-E: HOME Rental Compliance Form
- Attachment 6-F: Maintaining Unit Mix Flow Chart

Section 1. Pre-monitoring Review: Design and Operation of the Rental Program

Overview of the Pre-monitoring Review

Pre-monitoring helps the PJ:

- Gather background information about how the program administrator has designed its rental program
- Prepare for an onsite monitoring visit
- Assess whether the program administrator has the necessary policies and procedures in place to administer the program in compliance with the HOME requirements.

Pre-monitoring is not required before every onsite monitoring visit. It is recommended when:

- The program administrator is new
- The PJ monitor is reviewing the program administrator for the first time
- The subject under review appears to pose a high risk.

To monitor a single rental project, skip this section and proceed to Section 2 to monitor specific project files.

Organization of this Section

This section reviews key program design and operational requirements of a rental program, including:

- A. Program procedures and marketing
- B. Project application and/or Request for Proposal (RFP) processes
- C. Program administrator
- D. Income definition
- E. Property and activity eligibility
- F. Forms of assistance
- G. Refinancing
- H. Documentation and communication of procedures
- I. Loan servicing

Instructions

The PJ monitor should copy and use one copy of the checklists in this section of the chapter to conduct its pre-monitoring review. For each area of review, the PJ monitor should review relevant documents and answer each checklist question.

The first column, "HUD Checklist Exhibit 7-0 Selected Excerpts," provides the HUD checklist question which may have been adapted somewhat (indicated by the use of [brackets]) for use by PJs.

The second column, "What to Analyze," provides guidance to help the PJ monitor assess compliance.

The third column, "Follow-up Needed at Site Visit," provides space for the PJ monitor to make notes that will facilitate the onsite review. This might be a record of items where a determination of compliance could not be made during pre-monitoring, or a list of questions the PJ monitor will want to ask of the program administrator when on site.

Documentation

The following documents are needed for a pre-monitoring review:

• Copy of the HOME regulations found at 24 CFR Part 92

- HOME income limits in effect for the years under review
- Desk review monitoring file and results of previous monitoring visit(s), if available
- Written agreement between the PJ and the State recipient, subrecipient, or contractor, if applicable
- Written agreement between the program administrator and the developer, if applicable
- Rental program policies and procedures
- Rental program guide, application form/package, and related materials for developer applicants
- Criterion for making project/developer selections
- Marketing procedures or plan and marketing materials (such as advertisements and flyers)
- Guidance on how to make income determinations (established by the PJ)
- State, local, or national property codes and standards used for rental projects
- Written rehabilitation standards, if applicable
- List of contractors and documentation of qualifications, if available
- Conflict resolution procedures and documentation that any complaints were handled in accordance with such procedures
- Disciplinary procedures for poor performing contractors

A. Program Procedures and Marketing

Background: The HOME Program requires that rental programs be administered in an equitable manner that ensures the participation is available to all qualified entities.

Regulatory Basis: 24 CFR 92.350

Documentation:

- Marketing procedures or plan
- Marketing advertisements and flyers
- Application form or package
- Rental program policies and procedures

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
1. Are there written marketing or informational materials about the program for developers, property owners, or private lenders? If yes, obtain copies. Yes No		

B. Project Application and/or Request for Proposal (RFP) Process

The PJ monitor should request any documents that it does not have from the PJ staff or the State recipient, subrecipient, or contractor (as applicable) prior to conducting the pre-monitoring review.

Background: It is recommended that the program administrator have policies and procedures for taking and screening applications and selecting potential projects for participation in the program. Rolling (also known as "open") applications and Requests for Proposals (RFPs) are the two most common acceptable practices used by PJs for selecting rental projects.

Regulatory Basis: Recommended

Documentation:

- Description of project application process
- Ranking criteria for RFP, if applicable
- Scoring sheets for RFP, if applicable

HUD Checklist Exhibit 7-0 Selected Excerpts		What to Analyze	Follow-up Needed at Site Visit
adı apı Pro	at method does the [program ministrator] use to solicit polications (e.g., Request for apposals, open application access)?	Rolling/open application. PJ monitors should confirm that a date and time were stamped on each application package upon receipt. Request for Proposals (RFP). Program administrator should maintain list of RFP respondents (funding applicants), records	
	Project Evaluation Criteria Projects should be evaluated on objective criteria, such as:	on evaluation rankings, and letters to applicants indicating the outcome of the proposal review– both those accepted and rejected.	
H	 Development experience Financial feasibility Location Types of units Marketability Property management. 	Evaluation criteria. Program administrators should have preestablished evaluation criteria and must document application rankings and project selection justifications. Criteria must be applied in a manner that is consistent with fair housing laws.	

C. Program Administrator

Background: The PJ monitor needs to identify who is primarily responsible for the administration of the rental program and whether any other entities play a key role in the program's administration.

Regulatory Basis: Recommended



• Written agreement(s) between the PJ and the State recipient, subrecipient, or contractor, as applicable

	HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
3.	Does the PJ directly administer rental programs or use a subrecipient [or other entity] for this purpose? If a subrecipient is used, obtain a copy of the HOME written agreement for this activity.	The PJ must have a written agreement with the entity carrying out the program administration.	
4.	Does the program administrator contract with any other entity for services related to the administration of the rental program (such as a nonprofit organization that might carry out marketing and intake procedures)? Who? For what services?	The program administrator must have a written agreement with any other entity to which it provides HOME funding to administer a portion of the program, if applicable.	

D. Income Definition

Background: All HOME funds must benefit low-income households. A low-income household is defined as a household with an annual gross income at or below 80 percent of the area median income, as determined by HUD and adjusted for household size. For rental housing, HOME also mandates that for each annual HOME allocation that the PJ receives, at least 90 percent of the households initially assisted through all the PJ's rental housing programs combined (rental acquisition/development and tenant-based rental assistance) must have incomes at or below 60 percent of area median income ("the program rule"). Further, for rental properties with five or more HOME-assisted units, at least 20 percent of the units must be occupied by very low-income households ("the project rule"). A very low-income household has an annual gross income at or below 50 percent of the area median income, as determined by HUD and adjusted for household size.

In order to meet these requirements, the PJ must specify what income targeting is required at each specific rental project and the program administrator or developer must determine the income-eligibility of applicants and tenant households assisted with HOME funds. Income-eligibility is based on the anticipated annual income of all family members using one of the following definitions:

- Part 5 (Section 8) definition of annual income
- Internal Revenue Service (IRS) adjusted gross income definition from IRS Form 1040 Long Form
- U.S. Census Bureau Long Form definition of annual income.

Regulatory Basis: 24 CFR 92.203

Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Guidance on how to make income determinations (established by the PJ)
- Program administrator's policies and procedures identifying the definition of income used for the activity

• Copies of the HUD income limits in effect for the year(s) under review

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
5. Has the PJ specified the income targeting required at the project?	Income targeting must ensure that the PJ can meet the "program rule" and the "project rule."	
□ Yes □ No	At every project, all assisted households must be low-income.	
	At projects with five or more assisted units, at least 20% of the units must be occupied by very low-income households.	
	At most projects, initially, most assisted units must be occupied by households with an annual gross income that is at	
	or below 60% of area median income. Specific income targeting for a project should be specified in the written agreement.	
What definition of income is being used for the tenants residing in units assisted under the rental program? Obtain the HUD	The PJ must instruct the State recipient, subrecipient, contractor, or developer about which definition must be used (ideally, in the written agreement). The program administrator must instruct	
income limits for the years being monitored. [24 CFR 92.203(b)]		
☐ Part 5 (Section 8) definition of annual income	the developer, as applicable, about which definition must be used (ideally in its written agreement).	
☐ Internal Revenue Service (IRS) definition of adjusted gross income from IRS Form 1040 Long Form	The PJ must provide the State recipient, subrecipient, contractor, or developer with guidance on how to use the income definition.	
☐ U.S. Census Bureau Long Form definition of annual income	The program policies and procedures should require staff to use the	
☐ Obtain the HUD income limits for year(s) being monitored [24 CFR 92.203(b)]	PJ-adopted definition of income in its income-eligibility determinations for tenants.	
Applicable years:		

E. Property and Activity Eligibility

Background: There are many different eligible property types for rental housing: single family units, high-rise and garden apartments, or condominium units. The structures may be publicly or privately owned; however, HOME funds cannot be used for public housing projects assisted under the Federal Housing Act of 1937.

Regulatory Basis: 24 CFR 92.2

Documentation:

- Program procedures and/or application materials that outline the eligible property types specified for the program
- Program descriptions, procedures, and/or application materials
- Consolidated Plan or annual action plan

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
7. What property types are eligible for, or generally funded with, HOME assistance (e.g., large multifamily, medium multifamily, 1-4 units, scattered site single family)? (This information may be obtained from the annual action plan, IDIS reports, or other sources.)		
8. Does the PJ's rental program consist primarily of rehabilitation or new construction? □ Rehabilitation □ New construction		

F. Form of Assistance

Background: Typically, the PJ determines what form of assistance is provided to the developer, and communicates this to its State recipient, subrecipient, or contractor (as applicable). HOME allows virtually any form of financial assistance, or subsidy, to be provided for eligible projects and to eligible beneficiaries, including:

- Interest bearing loans or advances. These loans are amortizing loans. Repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal and interest is repaid.
- Non-Interest bearing loans or advances. The principal amount of such loans is paid back on a regular basis over time, but no interest is charged.
- **Deferred loans (forgivable or repayable).** These loans are not fully amortized. Instead, some, or even all, principal and interest payments are deferred to some point in the future.
- **Grants.** Grants are provided with no requirement or expectation of repayment.
- **Interest subsidies.** This is usually an up-front discounted payment to a private lender in exchange for a lower interest rate on a loan. An interest subsidy may also be a deposit in an interest-bearing account from which monthly subsidies are drawn and paid to a lender along with the owner's monthly payment.
- Loan guarantees and loan guarantee accounts. HOME funds may be pledged to guarantee loans or to capitalize a loan guarantee account. A loan guarantee or a loan guarantee account ensures payment of a loan in case of default.
- Other forms approved by HUD. If the PJ intends to use a form of assistance not listed above, the PJ's Consolidated Plan or annual action plan should describe the proposed form of assistance. Once approved by HUD as part of the plan, no other HUD approval is required.

Regulatory Basis: 24 CFR 92.205(b)



• Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable

- Procedures that identify the type of assistance provided to owners/developers/sponsors
- If applicable, Consolidated Plan or annual action plan that describes any other form of assistance used, and evidence of **HUD** approval

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
9. Is a standard HOME assistance package (e.g., interest rate, term of loan) provided to all successful applicants, or do the form and terms of assistance vary by project?		
☐ Loan terms and/or form of assistance vary by project		
10. Is the form of assistance permitted by the HOME Program (check applicable form)?	The program administrator must provide HOME funds in the form of assistance that is specified by the PJ.	
☐ Interest bearing loans or advances	If "other form of assistance" is used, the PJ must have documentation of this form of assistance in the PJ's Consolidated Plan or annual action plan and must have	
☐ Non-interest bearing loans or advances		
☐ Deferred payment loans	evidence of HUD approval.	
☐ Grant		
☐ Interest subsidies		
□ Loan guarantee		
☐ Other form of assistance		
(Specify:		
11. If funds are loaned, what are the loan terms?		

G. Refinancing

Background: Refinancing is an eligible HOME activity only when it is done in combination with rehabilitation and the refinancing is necessary to permit or continue affordability. Rehabilitation must be the primary use of the HOME funds.

Regulatory Basis: 24 CFR 92.206(b)(2)



Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, as applicable
- Procedures that outline the conditions required to qualify for refinancing
- Notes or justification of refinancing decision, and verification that the conditions for refinancing that are outlined in the HOME rule were met

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
12. Does the PJ permit HOME funds to be used for refinancing of existing debt? If yes, review the refinancing guidelines in its annual action plan. [24 CFR 92.206(b)(2) and 24 CFR 91.220(g)(2)(iii), 24 CFR 91.320(g)(2)(iii) or 24 CFR 91.420] ☐ Yes ☐ No	The written agreement must specify that refinancing can only be undertaken in conjunction with rehabilitation when it is necessary to permit or continue affordability. Application materials should clearly state the program administrator's policy to undertake refinancing only in conjunction with rehabilitation, when it allows continuation of affordability. Procedures should describe the program administrator's underwriting guidelines to determine when refinancing is eligible.	
Conditions for Refinancing The PJ can use HOME funds for refinancing multifamily projects when loaning HOME funds, provided the conditions at 24 CFR 92.206(b) are met. These include: Rehabilitation must be the primary activity. PJ must determine that management did not practice disinvestment. PJ must do financial feasibility analysis to show long-term affordability is sustainable. New investment must be needed to maintain or create affordable units. Affordability period must be at least 15 years, regardless of amount of HOME investment. PJ must specify if HOME funds can be jurisdiction-wide or must be targeted to specific neighborhood. PJ must describe refinancing guidelines in its Consolidated Plan. No HOME funds can be used to refinance multifamily loans made or insured by any other Federal program.		

H. Documentation and Communication of Procedures

Background: It is recommended that program administrators have policies and procedures that explain HOME requirements and program operations for their rental program.

Regulatory Basis: Recommended



• Policies and procedures manual

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
13. Does the [program administrator] have a procedures manual that covers: (If the answer to any of the questions below is "yes," obtain a copy.)		
a) Rents? □ Yes □ No	Maximum rents that can be charged do not exceed high or low HOME rents (for 20% of units in projects with 5 or more units) minus tenant paid utilities.	
b) Income targeting? □ Yes □ No	All assisted units must be occupied by low-income households. Households residing in low HOME units must be very low-income.	
c) Property standards? □ Yes □ No	Properties are built to, and maintained at, applicable property standards. Standards vary for acquisition, rehabilitation, new construction. (See Attachment 3-5, found at the end of Chapter 3.)	
d) Subsidy layering? □ Yes □ No	Guidelines must ensure that no more public funds are invested in project than are needed.	
e) Long-term affordability? □ Yes □ No	Affordability of unit(s) must be ensured for some period of time, based on amount of HOME investment.	
f) Other Federal requirements?	Procedures should explain the applicability of requirements related to: Environmental Labor Fair housing and affirmative marketing Displacement, relocation, and acquisition Lead-based paint.	
14. How does the [program administrator] communicate detailed information on HOME requirements to project owners? Obtain any information provided to owners, including written agreements.		

I. Loan Servicing

Background: The PJ may choose either to service its own direct loan programs or to contract with a lender or third party contractor to take on loan servicing responsibilities.

Regulatory Basis: Recommended



- Procedures that outline loan servicing process and responsibilities
- Contract between the program administrator and the loan servicer, if applicable
- Loan servicing reports, such as monthly payment and delinquency aging report

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
15. Who services the HOME loans? If servicing is contracted out, obtain a copy of the contract.	If servicing activities are contracted out, the PJ must follow applicable Federal competitive procurement requirements for contractor selection, in accordance with 24 CFR 85.36.	
	Loan servicer should submit complete, accurate, and timely reports. At a minimum, these reports should include a monthly payment report and delinquency aging reports with borrower level data regarding the status of loans.	

Summary of Pre-monitoring Review

Rental Program

Instructions: Using the completed checklists from the pre-monitoring review, complete the following chart to summarize the monitoring results. The written documentation that should have been examined includes: written agreement between the PJ and the State recipient, subrecipient, or contractor, if applicable; program policies and procedures; and other written materials.

	No Apparent Problems with written documentation	Follow-Up Needed
A. Program procedures and marketing		
B. Project application and/ or RFP		
C. Program administrator		
D. Income definition		
E. Property and activity eligibility		
F. Form of assistance		
G. Refinancing		
H. Documentation and communication of procedures		
I. Loan servicing		

Section 2: Project (Case File) Monitoring

Overview of the Project Monitoring Review

During project monitoring, the PJ monitor:

- Reviews individual project files for the rental program
- Determines whether the program administrator complies with the HOME requirements in the implementation of the program.

The program administrator should have a project file (also known as a "case file") for each rental project that receives HOME assistance. The PJ monitor must review a sufficient sample of project files to determine that the program administrator is complying with all applicable HOME requirements. Generally, the PJ monitor should randomly select at least ten percent of the files, or a minimum three project files for small programs. In addition, it should select the files of any project that it has concerns may be at risk for noncompliance or performance difficulties.

When the PJ uncovers instances of noncompliance in the project review, it must take steps to see that the noncompliance is corrected in each instance.

Note, the results of project monitoring can be aggregated and looked at in their entirety, in order to draw conclusions about the overall performance of the program administrator. This process can be done at the conclusion of the project monitoring review, or it can be done as part of the PJ's program monitoring, which is discussed in Section 3 of this chapter.

Organization of this Section

This section is organized into the following sections:

- A. Project descriptions
- B. Subsidy
- C. Cost allocation
- D. Eligible and reasonable costs
- E. Property standards
- F. Other project requirements
- G. Construction management
- H. Initial and ongoing rent and occupancy requirements

Instructions

The PJ monitor should copy and use the checklists in this chapter to conduct its project monitoring review. A separate checklist should be completed for each project file reviewed.

The first column, "HUD Checklist Exhibit 7-7 Selected Excerpts," provides the HUD checklist questions. It may be adapted somewhat (indicated by the use of [brackets]) for use by PJs.

The second column, "Identified Problems," lists potential compliance issues. The PJ monitor should check off any of the "Identified Problems" that he or she encounters while reviewing project files.

At the end of each subsection is a "Notes" section for the PJ to make notes on observations and recommended actions.

Documentation to Bring

The following documents are needed for an onsite project monitoring review:

- Results of pre-monitoring review, if available
- Copy of the HOME regulations found at 24 CFR Part 92
- HOME income limits in effect for the years under review

• HOME rent limits in effect for the years under review

A. Project Descriptions

Project descriptions assist the PJ monitor when multiple projects are under review. Project descriptions cover the following topics:

- 1. Project information
- 2. Financial information

1. Project Information

Background: To determine whether a rental program is in compliance with the HOME Program, a sufficient number of individual project files must be reviewed.

Regulatory Basis: Recommended



- Project file
- Written agreement between the PJ and the State recipient, subrecipient, contractor, and/or developer, as applicable

HUD Checklist 7-7 Selected Excerpts	
1a. Project Information:	
1. Project Owner:	
2. Project commitment date:	
3. Completion date:	
4. Total number of units:	
5. Number of HOME-assisted units:	
6. HOME-assisted units are: $\ \square$ Fixed $\ \square$ Floating	
1b. Financial Information:	
1. Unit costs were determined by: $\ \square$ Proration $\ \square$ Actual cost	
2. List sources and amounts of funding in project:	
3. Terms of HOME assistance (e.g. loan/grant; interest rate; maturity):	
4. Per Unit Cost:	
5. Period of Affordability:	

2. Financing

Background: It is important for the PJ to assess the project's financial and physical health, and overall management, to ensure that the project will be able to comply with the HOME requirements throughout the affordability period. This should be done prior to making a funding commitment and periodically throughout the affordability period.

Regulatory Basis: Recommended



Documentation:

- · Operating budget
- Ledgers of rent receipts and project rent roll

- Ledgers of expenses
- Evidence of contributions to/expenditures from replacement and other reserve accounts
- Annual audit
- Balance sheet
- Staff resumes
- Notes from discussions concerning efforts to address high vacancy rates or other issues such as complaints or crime, which could affect future marketability of the units
- Notes from interviews of key staff

HUD Checklist 7-7 Selected Excerpts	Identified Problems
2. At the time of monitoring, does the project appear to be financially viable during the affordability period?☐ Yes☐ No	 □ Lack of evidence of contributions to replacement and other reserve accounts □ Property not well-maintained □ High vacancy rates □ Low rent collection rate □ Low cash reserves or replacement reserves
3. Was a project audit obtained and reviewed? ☐ Yes ☐ No	 □ No audit □ Audit submitted, but not reviewed □ Audit findings or recommendations not addressed
4. Was the capacity of the management team reviewed? ☐ Yes ☐ No	 □ Staff qualifications not available for review □ Inexperienced staff, in need of training and/or technical assistance □ Staff not qualified to carry out work
NOTES on Project Descriptions	

B. Subsidy

A number of HOME requirements pertain to the subsidy of the project, including:

- 1. Minimum and maximum HOME investment
- 2. Subsidy layering
- 3. Forms of assistance

1. Minimum and Maximum HOME Investment

Background: The HOME Program sets both a minimum and maximum amount of HOME funds that can be invested in a project.

- The minimum amount of HOME funds that can be invested in a project is an average of \$1000, multiplied by the number of HOME-assisted units in the project.
- The maximum per unit subsidy limit varies by PJ and is determined by HUD based on the PJ's Section 221(d)(3) program limits.

Regulatory Basis: 24 CFR 92.205(c) and 92.250(a)

Documentation:

- PJ's Section 221(d)(3) program limits for the year the project was funded
- Evidence that the program administrator determined that the per unit subsidy amount provided was less than the applicable 221(d)(3) limit
- Written agreement between the PJ and the State recipient, subrecipient, contractor, and/or developer, as applicable
- Grant/loan document between the program administrator and developer

	HUD Checklist 7-7 Selected Excerpts	Identified Problems
 5. Is the HOME subsidy to the project at least \$1000 per unit? [24 CFR 92.205(c)] ☐ Yes ☐ No 6. Is the HOME per unit subsidy to the project less than [or equal to] the maximum per unit subsidy? [24 CFR 92.250(a)] ☐ Yes ☐ No 		 □ No record that program administrator determined the per unit subsidy □ HOME investment is less than \$1000 □ No record that the program administrator determined the per unit HOME investment □ No record that a comparison was made of per unit HOME investment and the 221(d)(3) limit □ HOME investment is greater than the maximum 221(d)(3)
	Maximum Per Unit Subsidy [221(d)(3) Limits] The maximum per unit subsidy limits are based on the 221(d)(3) limits and are available from the HUD Field Office or online at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/subsidylimits.cfm.	limit ☐ Wrong subsidy limit used (such as, wrong year) ☐ Using limit in excess of actual approved limit or 240% of the base 221(d)(3) limits
	For some PJs, the 221(d)(3) limits have been increased to 210% of the base limit. For these PJs, HUD allows an increase in the per unit subsidy amount on a program-wide basis, upon request, up to no more than 240% of the base 221(d)(3) limits. For more information, see HOMEfires, Vol. 9, No. 4, issued August 2008 and available online at http://www.hud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol9no4.cfm.	

2. Subsidy Layering

Backgrounds: When more than one public subsidy is provided to a project, the HOME Program requires the program administrator to conduct a layering analysis or underwriting review to ensure that no more than the amount necessary is invested in the project and that the developer does not receive an excessive return on investment. The PJ must adopt a subsidy layering policy to ensure that all projects are evaluated based on the same criteria.

Regulatory Basis: 24 CFR 92.250(b)

Documentation:

- CPD Notice 98-01, Layering Guidance for HOME Participating Jurisdictions When Combining HOME Funds With Other Government Subsidies, issued January 22, 1998 and available at http://www.hud.gov/offices/cpd/affordable-housing/lawsandregs/notices/index.cfm#2001.
- PJ's subsidy layering guidelines and procedures
- PJ's underwriting policy and procedures
- Project development budget
- Project operating budget
- Sources and uses statement
- Evidence that a subsidy layering review was conducted and a determination that the project was not over subsidized. (See Figure 6-1 for subsidy layering and cost reasonable analysis questions.)

HUD Checklist 7-7 Selected Excerpts	Identified Problems
 7. If HOME was combined with other public funds, did the [program administrator] perform a subsidy layering review? [24 CFR 92.250(b) and 92.508(a)(3)(iii)] ☐ Yes ☐ No ☐ N/A 	 □ PJ has not adopted subsidy layering policy □ PJ did not convey subsidy layering policy and guidance to the program administrator □ Subsidy layering review did not follow PJ policy □ No record that subsidy layering review was conducted □ Project was over or under subsidized

Figure 6-1. Subsidy Layering and Cost Reasonableness Questions and Criteria

Note 1: The subsidy layering analysis must be based on formal statements submitted by the developer in the form of financial spreadsheets, ideally in both electronic and hard copy form. These documents, once finalized during the review process, should then be made part of the written development agreement.

Note 2: Cost reasonableness determinations must be supported by market information determined or verified independently by the PJ.

Sources and Uses Statement

- · Are all sources of funding identified? What is their funding status—committed, requested, "we can get it"?
- How many HOME units are in the project? Are there at least a number of units that is proportional to the share of costs covered by HOME or that equal the actual costs of the HOME units?
- What is the requested level of subsidy per unit? Is this amount within the program limit (based on the FHA 221(d)(3) limit for the community)? Are there any costs that are ineligible under the HOME Program? If so, are there other sources of funds, other than HOME, to cover these costs?

Development Budget

- · Are development costs reasonable? Are all line items clearly explained? Are there development items that have been neglected?
- What are the per unit costs? Are these within the program limits? How do these costs compare to what it would cost to build/rehab/acquire a comparable unit on the market?
- · Have construction staff/cost estimators reviewed plans, specifications and cost estimates?
- · Does the development cash flow budget show that funds will be available when they are needed?
- · Is the developer fee reasonable and payment tied to milestones and/or completion?

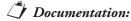
Operating Budget

- · Do income and expense line items appear reasonable? Are there any items that appear to be missing?
- What is the rent structure? Will the population that this project is designed for be able to/be willing to pay these rents? Do rents comply with the HOME rent limits?
- Is income sufficient to cover expenses and debt service? Is the DCR less than 1.15 or greater than 1.3?
- · Are project expenses inflated at a higher level than project income over the life of the project?
- Does the pro forma show project operations for at least 15 years or the HOME affordability period/term of the loan?
- · What is the annual amount (per unit) being deposited into replacement reserves?
- How will the property be managed (in-house, property management firm)?

3. Forms of Assistance

Background: The HOME Program allows virtually any form of financial assistance, or subsidy, to be provided for eligible projects.

Regulatory Basis: 24 CFR 92.205(b)



- Procedures that identify the type of assistance provided to rental projects
- Written agreement between the program administrator and the developer, as applicable
- Consolidated Plan or annual action plan and evidence of HUD approval, if "other form of assistance" is used

HUD Checklist 7-7 Selected Excerpts	Identified Problems
8. Was the subsidy provided in an eligible form of investment (i.e., equity investments, interest or non-interest bearing loans or advances, interest subsidies, deferred payment loans, grants or loan guarantees)? [24 CFR 92.205(b)]	 □ Not clear what form of assistance was provided □ Ineligible form of assistance provided

9. If the subsidy was provided in a form not listed above, was that form approved by HUD? [24 CFR 92.205(b)(1)] ☐ Yes ☐ No	 □ No documentation available showing prior approval by HUD □ No description identified in the Consolidated Plan
NOTES on Subsidy	

C. Cost Allocation

Background: If HOME does not finance 100 percent of the units, not all the units are necessarily HOME-assisted. A minimum number of HOME-assisted units is based on the amount of the HOME investment. The PJ can designate a greater number if it chooses.

See HUD Notice CPD 98-02, *Allocating Costs and Identifying HOME-Assisted Units in Multifamily Projects*, issued March 18, 1998 and available at http://www.hud.gov/offices/cpd/lawsregs/notices/1998/98-2.pdf for more information.

Regulatory Basis: 24 CFR 92.205 and 92.208

Documentation:

- Project budget and cost analysis
- Project information to document types of units (such as plans, blueprints, or bid documents)

HUD Checklist 7-7 Selected Excerpts	Identified Problems
10. If a proration method of cost allocation was used, were any HOME-ineligible costs subtracted from the total development cost (TDC) to determine the total HOME-eligible development costs? [24 CFR 92.205(d)] □ Yes □ No □ N/A	 □ Ineligible costs were not subtracted from TDC □ Luxury items paid for with HOME funds
11. If units are not comparable, was a unit-by-unit cost allocation system used? [24 CFR 92.205(d)] ☐ Yes ☐ No ☐ N/A	☐ Costs were pro-rated and not calculated unit-by-unit, even though the units are not comparable
12. Was the cost allocation calculation documented? [24 CFR 92.508(a)(3)(ii)] ☐ Yes ☐ No	☐ No documentation in the file☐ Errors in the pro-ration calculation

 13. Did the PJ designate the correct number of HOME-assisted units, based on the proportion of HOME funds invested, or based on which units received HOME funds? □ Yes □ No 	☐ Insufficient number of HOME-assisted units designated
NOTES on Cost Allocation	

D. Eligible and Reasonable Costs

The PJ monitor's review of costs should include a review of:

- 1. Eligibility of HOME costs
- 2. Cost reasonableness
- 3. Refinancing

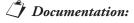
1. Eligibility of HOME Costs

Background: HOME funds can be used to pay hard new construction or rehabilitation costs necessary to meet required property standards; associated soft costs (e.g., fees, insurance, or appraisals); and general property improvements that are considered standard or customary for the area. Figure 6-2 summarizes eligible hard and soft development costs under the HOME Program.

Within certain requirements, HOME funds may be used to cover the cost of funding an initial operating deficit reserve for new construction and rehabilitation projects in order to meet any shortfall in project income during the project rent-up period.

Site improvements located on the project site, such as onsite roads and sewer and water lines necessary to the development of the project, are HOME-eligible. The project site is the property, owned by the project owner, where the project is located.

Regulatory Basis: 24 CFR 92.206(a)(3)(iii)



- Sources and uses statement
- Written agreement between the program administrator and the developer
- Project financial statements for the period covering the initial 18-month start-up period
- Financial records indicating use of funds

- Map showing location of site improvements
- List of site improvements and notes indicating a determination of eligibility

HUD Checklist 7-7 Selected Excerpts	Identified Problems
14. If HOME funds paid for site improvements were they eligible improvements located on the project site? [24 CFR 92.206(a)(3)(iii)] ☐ Yes ☐ No ☐ N/A	 □ Costs were not eligible □ Documentation not sufficient to determine if costs were eligible □ Site improvements were not located on project site

Figure 6-2. HOME-Eligible Rental Housing Costs

Hard Costs	Soft Costs
 Acquisition of land (for a specific project) and existing structures Site preparations or improvements, including demolition Securing of buildings Construction materials and labor 	 Financing fees Credit reports Title binders and insurance Surety fees Recordation fees, transaction taxes Legal and accounting fees, including cost certification Appraisals Architectural/engineering fees, including specifications and job progress inspections Environmental reviews Builders' or developers' fees Affirmative marketing, initial leasing, and marketing costs Staff and overhead costs incurred by the PJ that are directly related to a specific project
Relocation Costs	Operating deficit reserves (up to 18 months) Loan Guarantee Accounts
 Payment for replacement housing, moving costs, and out-of-pocket expenses Advisory services Staff and overhead related to relocation assistance and services 	 Amount based upon 20% of total outstanding principal balance of guaranteed loans A loan in default can be repaid in full

HUD Checklist 7-7 Selected Excerpts	Identified Problems
15. Does the "Sources and Uses Statement" or other documentation indicate that there were sufficient HOME-eligible costs associated with the project to support the amount of HOME funds provided? [24 CFR 92.205(d)] ☐ Yes ☐ No	 □ Documentation in the file or knowledge of the project shows other sources used in project that are not identified on the "sources and uses" statement □ Ineligible costs identified under HOME sources and uses
16. Does the "Sources and Uses Statement" or other documentation indicate that there were sufficient HOME-eligible costs associated with the project to support the amount of HOME funds provided? [24 CFR 92.205(d)] ☐ Yes ☐ No	 □ Ineligible costs included on: □ Project budget □ Construction contract □ Project costs not identified in sufficient detail in the project budget and/or construction contract to determine which costs are HOME costs

17. Are all IDIS draw downs supported by invoices, timesheets, or cost allocation plans as applicable? ☐ Yes ☐ No	 ☐ Insufficient documentation of draws ☐ Costs not accurately set up in IDIS ☐ IDIS draw downs not supported by actual expenditures
18. Did the PJ allow an initial operating reserve to be established for this project? ☐ Yes ☐ No ☐ N/A	
19. If the PJ allowed an initial operating reserve, is there documentation supporting that the reserve was used for project operating expenses, scheduled payments to replacement reserves, and/or debt service in the first 18 months of the project only? ☐ Yes ☐ No ☐ N/A	 □ No documentation in the file showing use of operating deficit reserves □ Reserve used for ineligible purposes
20. If yes, were reserves remaining at the end of the 18-month period (retained by the owner/developer for reserves) used in accordance of the written agreement between the developer/owner and the program administrator? ☐ Yes ☐ No ☐ N/A	 □ Eligible use of remaining operating reserve funds not specified in written agreement □ Retained funds not used in accordance with written agreement

2. Cost Reasonableness

Background: Reasonableness of costs should be based on all of the following factors:

- Costs of comparable projects in the same geographical area
- The qualifications of the cost estimators for the various budget line items
- Comparable costs published by recognized industry cost index services.

This review is most often conducted by looking at the project development budget.

Regulatory Basis: 24 CFR 92.505(a), 24 CFR 85.22, and OMB Circular A-87, Attachment A, Section C.2



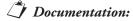
- Project development budget
- Determination of reasonableness and corresponding file documentation

HUD Checklist 7-7 Selected Excerpts	Identified Problems
21. Were costs reasonable (e.g., acquisition costs supported by appraisal, developer's fees, rehabilitation, or construction costs within local norms, etc.)? [24 CFR 92.505(a); 24 CFR 85.22; and OMB Circular A-87, Attachment A, Section C.2]	 □ Costs were not reasonable □ No evidence that program administrator made a cost reasonableness determination □ Documentation not sufficient to determine if costs were reasonable

Refinancing

Background: Refinancing existing debt on rental projects with HOME funds is eligible only when the refinancing increases the supply of affordable units.

Regulatory Basis: 24 CFR 92.206(b)



• Worksheet or documentation that illustrates the increased the supply of affordable units

• Copy of the refinancing loan document(s)

HUD Checklist 7-7 Selected Excerpts	Identified Problems
22. If HOME funds were used for refinancing of existing debt, did the project meet the refinancing guidelines established in the PJ's Consolidated Plan? [24 CFR 92.206(b)] ☐ Yes ☐ No ☐ N/A	 □ No refinancing guidelines in Consolidated Plan □ PJ's refinancing guidelines not followed □ No documentation that refinancing maintained or increased the supply of affordable units □ No financial feasibility analysis to show that affordability is sustainable, and to show that new investment was needed to maintain or create affordable units □ Affordability period was not for 15 years □ HOME funds were used to refinance multifamily loan that was insured by another Federal program
23. Was rehabilitation the primary activity associated with the refinanced project? ☐ Yes ☐ No ☐ N/A	☐ Refinancing was not done with rehabilitation
NOTES on Eligible and Reasonable Costs	

E. Property Standards

The project must meet applicable property standards, which are summarized in Figure 6-3, upon project completion and during the affordability period. The applicable property standards vary, depending on activity. The PJ monitor must review:

- 1. Inspections
- 2. Lead-based paint requirements
- 3. International Energy Conservation Code (IECC)
- 4. Accessibility requirements

Figure 6-3. Applicable Property Standards for HOME-assisted Rental Properties

Acquisition only (no rehabilitation or construction)	Rehabilitation	New Construction	Manufactured Housing
State and local housing quality standards and code requirements; or, if none apply, Section 8 Housing Quality Standards (HQS).	 PJ's written rehabilitation standards State and local code requirements, or if none apply, one of the following national model codes:¹ Uniform Building Code (ICBO) National Building Code (BOCA) Standard Building Code (SBCCI) Council of American Building Officials one-or two-family code (CABO) Minimum Property Standards at 24 CFR 200.925 or 200.926 (FHA) Accessibility requirements, where applicable. 	 Replacement housing, moving costs and out-of-pocket expenses Advisory services Staff and overhead related to relocation assistance and services State and local code requirements, or if none apply, one of the following national model codes: Uniform Building Code (ICBO) National Building Code (BOCA) Standard Building Code (SBCCI) Council of American Building Officials one- or two-family code (CABO) Minimum Property Standards at 24 CFR 200.925 or 200.926 (FHA) Accessibility requirements, where applicable International Energy Conservation Code (IECC). 	 Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280 State or local laws or codes; or, in their absence, manufactured housing must be installed in accordance with the manufacturer's written instructions.

1. Inspections

Background: Upon completion and during the affordability period, projects must be inspected periodically to ensure that they meet or exceed, and continue to meet or exceed, applicable property standards. The applicable codes and standards vary depending upon the type of project (acquisition only, rehabilitation, or new construction), as summarized in Figure 6-3.

Regulatory Basis: 24 CFR 92.251(a) and (c)



Since the promulgation of the HOME Program regulations, these code issuing agencies have merged to form the International Code Council (ICC). The model codes used for the HOME Program are no longer being updated. In their stead, the ICC has issued the International Building Code. HUD will consider whether changes to the HOME regulations incorporating the International Building Code are appropriate. The HOME Program web page provides updated information on all HOME requirements. (See http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.) For more information about the International Building Code, see http://www.iccsafe.org.

- Copy of written rehabilitation standards
- Copy of applicable property standards
- Project plans and specifications or work write-ups
- Inspection report(s), including final inspection report upon project completion
- Letter(s) to property manager/owner with inspection results
- Documentation in project files that shows that deficiencies were resolved in a timely fashion and to the applicable standards

HUD Checklist 7-7 Selected Excerpts	Identified Problems
24. Was work performed in accordance with written rehabilitation standards, if applicable? [24 CFR 92.251(a)] ☐ Yes ☐ No ☐ N/A	 □ No written rehabilitation standards exist □ Work did not meet written rehabilitation standards □ Final inspection found deficiencies but no resolution documented in the file
Rehabilitation standards specify acceptable	abilitation Standards construction methods and materials and the let when the rehabilitation work is completed. rds when inspecting completed work.
25. Do work write-ups and final inspection reports indicate that the project met all applicable property standards at completion? [24 CFR 92.251(a)] ☐ Yes ☐ No	 □ Work write-up is incomplete □ No final inspection report on file □ Property met some but not all of the applicable property standards □ Final inspection found deficiencies but no resolution documented in the file
26. Do subsequent PJ inspection reports indicate that the owner is maintaining the housing in compliance with applicable State and local housing quality standards and code requirements or, in the absence of such standards or code requirements, with Housing Voucher Housing Quality Standards as set out in 24 CFR 982.401? [24 CFR 92.251(c)]	 □ Insufficient documentation for inspections □ Inspections not performed □ Inspections not performed with the frequency required □ Deficiencies were found during inspection but no documentation of resolution or follow up
Remember that the HOME property standards apply as to the HOME-assisted units. Any deficiencies see	to the common areas and the building's exterior, as well

2. Lead-based Paint Requirements

Background: All occupants in units constructed before 1978 must receive a disclosure notice and pamphlet describing lead-based paint hazards.

The "level of assistance" dictates the required type of lead hazard evaluation and reduction. This number is determined by calculating the lesser of the Federal funds per unit or the rehabilitation hard costs per unit (exclusive of the lead hazard evaluation and reduction costs). The PJ monitor should look for the following documentation for these levels of assistance:

- Level of assistance under \$5,000. Documentation of a paint test of disturbed surfaces, notice of lead hazard evaluation, evidence of paint repaired by qualified workers who followed safe work practices, clearance, and notice of lead hazard reduction activities before reoccupancy.
- Level of assistance between \$5,000–\$25,000. Documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of interim controls or standard treatments by qualified workers who followed safe work practices, clearance, and notice of lead hazard reduction activities before reoccupancy.
- Level of assistance over \$25,000. Documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of abatement activities by qualified workers who followed abatement practices, clearance, and notice of lead hazard reduction activities before reoccupancy.

If lead hazard reduction activities occurred, a clearance test must be conducted and the unit must pass clearance.

Regulatory Basis: 24 CFR 92.355 and 24 CFR Part 35

If the project is a new construction project, or if the property being rehabilitated was constructed in 1978 or later, the PJ monitor can skip this section and proceed to *Subsection 3. International Energy Conservation Code*.

For properties constructed prior to 1978, this checklist identifies the key lead-based paint requirements and documentation required. For a complete review of compliance with the lead-based paint requirements, PJ monitors must complete the *Lead Hazards Monitoring Guidance for Rehabilitation* (HUD Checklist Exhibits 24-1, 24-2 or 24-3).

Documentation:

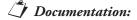
- Inspection report(s)
- Worksheet or form that that shows the cost allocation and determination of the level of assistance
- Documentation that the *Lead-based Paint Pamphlet* was provided to tenants
- Documentation that the *Disclosure Notice* was provided to tenants
- Documentation that the Notice of Lead Hazard Evaluation or Notice of Presumption was provided to tenants
- Risk assessment, if applicable
- Contractor qualifications
- Clearance test, if applicable
- Documentation that the Notice of Lead Hazard Reduction Activities was provided to tenants, if applicable
- Abatement report, if applicable
- Copy of correspondence from owner to tenant requesting that the tenant inform owner of any deteriorating painted surfaces

HUD Checklist 7-7 Selected Excerpts	Identified Problems
27. If the project involved rehabilitation, does it comply with the lead hazard reduction requirements of Part 35, if applicable? (Complete the appropriate sections of <i>Lead Hazard Monitoring</i> Exhibit 24-1.] [24 CFR 92.355]	 □ Level of assistance not determined □ No evaluation method followed □ Work method followed not correct □ Lead Safe Housing Rule not followed
p T	□ No notification provided □ Notification not signed by tenant prior to occupancy Disclosure Forms Init occupants must receive a disclosure form from the owner or property manager noting any known presence of lead-based paint. The owner or property manager must keep a copy of the disclosure protice in each tenant's file. The tenant must sign this notice before the unit is occupied.
29. Does project file document compliance with: Lead safety requirements? [24 CFR 92.355 and 92.508(a)(3)(iv) and (a)(7)(vi)] ☐ Yes ☐ No	 □ Level of assistance not determined □ No evaluation method followed □ Work method followed not correct □ Lead Safe Housing Rule not followed

3. International Energy Conservation Code (IECC)

Background: New construction rental projects must meet the International Energy Conservation Code (IECC).

Regulatory Basis: 24 CFR 92.251(a)



- · Review of plans and specifications
- Final inspection reports

HUD Checklist 7-7 Selected Excerpts	Identified Problems
30. If the project is new construction, does it meet the IECC? [24 CFR 92.251(a)]	☐ Insufficient documentation to show that plans were reviewed for IECC compliance
☐ Yes ☐ No ☐ N/A	☐ No final inspection report
	☐ Project does not meet IECC

4. Accessibility Requirements

Background: Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in Federally-assisted programs on the basis of disability. Section 504 imposes requirements to ensure that qualified individuals with disabilities have access to programs and activities that receive Federal funds, and requires that certain federally-assisted properties be built to be accessible to persons with mobility and sensory impairments. These accessibility standards are summarized in Figure 6-4. See CPD Notice 00-09, *Accessibility Notice: Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act*, issued December 26, 2000 for additional guidance.

Regulatory Basis: 24 CFR 92.251(a)(3)

Documentation:

- Review of plans and specifications
- Final inspection

HUD Checklist 7-7 Selected Excerpts	Identified Problems
31. Does the project meet the applicable Section 504 accessibility requirements? [24 CFR 92.251(a)(3)]	☐ Insufficient documentation to show that plans were reviewed for Section 504 compliance
□ Yes □ No □ N/A	□ No accessible units planned or built in project that was required to make 5% of units accessible for mobility impaired persons and 2% of units accessible for sensory impaired persons (or at least one of each type of unit)
	☐ Accessible units do not conform to Uniform Federal Accessibility Standard☐ No final inspection report

Figure 6-4. Summary of Section 504 Accessibility Requirements

Removal of Physical Barriers

- For **new construction** of multifamily projects with five or more units, a minimum of 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2% of the units (but not less than one unit) must be accessible to individuals with sensory (hearing or vision) impairments.
- The Section 504 definition of **substantial rehabilitation** multifamily projects includes construction in a project with 15 or more units for which the rehabilitation costs will be 75% or more of the replacement cost. In such development, 5% of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional 2% (but not less than one unit) must be accessible to individuals with sensory impairments.
- When **rehabilitation less extensive than substantial rehabilitation** is undertaken, alterations must, to the maximum extent feasible, make the unit accessible to and usable by individuals with disabilities, until 5% of the units are accessible to people with mobility impairments. Alterations to common spaces must, to the maximum extent feasible, make the project accessible.
- Accessible units must, to the maximum extent feasible, be distributed throughout projects and sites and must be
 available in a sufficient range of sizes and amenities so as to not limit choice.
- Owners and managers of projects with accessible units must adopt suitable means to ensure that information regarding the availability of accessible units reaches eligible individuals with disabilities. They also must take reasonable nondiscriminatory steps to maximize use of such units by eligible individuals with disabilities.
- When an accessible unit becomes vacant, before offering the unit to a non-disabled individual, the owner/manager should offer the unit: first, to a current occupant of the project who requires the accessibility feature(s); and second, to an eligible qualified applicant on the waiting list who requires the accessibility feature(s).
- Under Section 504, accessible units must conform to the Uniform Federal Accessibility Standards (UFAS), although deviations are permitted in specific circumstances.

OTES on Property Standards	

F. Other Project Requirements

There are a number of other project requirements that apply to rental housing that the PJ must monitor, including:

- 1. Deed restrictions
- 2. Site and neighborhood standards
- 3. Affirmative marketing
- 4. Environmental review
- 5. Labor and related requirements

1. Deed Restrictions

Background: The PJ must execute and record a deed restriction or covenant running with the land for every HOME-assisted rental project. The deed or covenant must specify the HOME long-term affordability requirements. This legal tool is required in addition to any other legal tools needed to convey HOME funds (such as a written agreement or loan documents).

Regulatory Basis: 24 CFR 92. 252(e)

Documentation:

- Copy of deed restriction (or covenant running with the land)
- Evidence that deed restriction/covenant was recorded

HUD Checklist 7-7 Selected Excerpts	Identified Problems
32. Has the PJ recorded a deed restriction on the property to ensure its continued use as affordable rental housing and adherence to all applicable requirements? [24 CFR 92.252(e)]	 □ No recorded deed restriction or covenant □ Deed restriction or covenant executed, but not recorded □ Deed restriction or covenant does not specify correct HOME requirements (such as incorrect period of affordability)

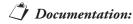
2. Site and Neighborhood Standards

Background: Rental projects that are newly constructed are subject to a site and neighborhood standards review by the PJ to determine that:

- Site is adequate for proposed purpose
- Project and location furthers compliance with fair housing laws
- Site is not in an area of minority concentration or racially mixed area
 - If site is in an area of minority concentration, the PJ must determine that one of the following is true:
 - The project will not increase significantly the proportion of minorities
 - Sufficient comparable housing opportunities exist outside the area for minorities based on analysis of HUDassisted housing
 - Proposed project is necessary to meet overriding housing need that cannot otherwise be met
 - Proposed project is integral to a neighborhood preservation strategy or integral to revitalization area strategy.

- Project promotes greater choice of housing opportunities and avoids undue concentration of assisted persons
- Proposed sites not seriously detrimental to family life
- Proposed site is comparably accessible to broad range of services and facilities
- Travel and access to jobs from proposed site is not excessive.

Regulatory Basis: 24 CFR 92.202(b) and 24 CFR 983.6(b)



• Copy of PJ's site and neighborhood standards review

HUD Checklist 7-7 Selected Excerpts	Identified Problems
33. If the project was new construction, did the PJ perform a site and neighborhood standards review in accordance with 24 CFR 983.6(b)? [24 CFR 92.202(b)] ☐ Yes ☐ No	 □ No evidence of a site and neighborhood review conducted □ Site and neighborhood review was insufficient because:

3. Affirmative Marketing

Background: All HOME funded rental projects with five or more HOME-assisted units must follow an affirmative marketing plan adopted by the PJ to ensure the project is marketed to those persons least likely to apply. Affirmative marketing requirements and procedures must include the following elements:

- Methods for informing the public, owners, and potential tenants about fair housing laws and the PJ's policies (for example, use of the fair housing logo and equal opportunity language)
- A description of what owners and/or the PJ will do to affirmatively market housing assisted with HOME funds, and maintenance of records that document the actions taken in this marketing effort
- A description of what owners and/or the PJ will do to inform persons not likely to apply for housing without special outreach, and maintenance of records that document the actions taken in this marketing effort
- A description of how efforts will be assessed and what corrective actions will be taken where requirements are not met, and maintenance of records that document an assessment of the effectiveness of the marketing effort.

Regulatory Basis: 24 CFR 92.351

Documentation:

- Affirmative marketing policies or procedures, for projects with five or more HOME-assisted units
- Documentation of affirmative marketing efforts (such as marketing materials, documentation of outreach efforts, or copies of advertisements and materials)

HUD Checklist 7-7 Selected Excerpts	Identified Problems
34. Has the PJ adopted affirmative marketing procedures for projects with five or more HOME-assisted units? [24 CFR 92.351] ☐ Yes ☐ No ☐ N/A	☐ PJ has not adopted affirmative marketing procedures ☐ Affirmative marketing procedures are not sufficiently detailed
35. If the project has five or more HOME-assisted units, is it complying with the PJ's affirmative marketing requirements? [24 CFR 92.351] ☐ Yes ☐ No ☐ N/A	 □ PJ has not conveyed affirmative marketing plan to program administrator/owner □ No documentation of compliance with affirmative marketing requirements □ No use of fair housing, equal opportunity logo in marketing or signage

4. Environmental Review

Background: HOME-funded activities are subject to the environmental review requirements at 24 CFR Part 58. PJ monitors need to complete HUD Checklist Exhibit 21-1 to determine if the environmental review requirements were met.

Regulatory Basis: 24 CFR Part 58 and 24 CFR 92.352



Documentation:

- Environmental Review Record (ERR)
- Evidence of flood insurance, if applicable

For more information, see HUD Notice CPD 01-11, Environmental Review and the HOME Investment Partnerships Program, issued July 17, 2001, available at www.hud.gov/offices/cpd/lawsregs/notices/ **2001/01-11.pdf**, and *HOMEfires* Vol. 4, No. 2 available at http://www.hud.gov/offices/cpd/ affordablehousing/library/homefires/volumes/ vol4no2.cfm.

HUD Checklist 7-7 Selected Excerpts	Identified Problems
36. Was an environmental review completed for the project? (Complete Exhibit 21-1 to answer this question.) [24 CFR 92.352] ☐ Yes ☐ No	□ No evidence of an ERR
37. Has the PJ complied with flood insurance protection when assistance was used for acquisition or construction (including rehabilitation) of real property located within the Special Flood Hazard Area (SFHA)? (Use [HUD Checklist] Exhibit 27-1, Guide for Review of Flood Insurance Protection.) [24 CFR 92.352] □ Yes □ No	□ No documentation of flood insurance

5. Labor and Related Requirements

Background: The Davis-Bacon Act applies to HOME rental activities when the construction contract includes 12 or more HOME-assisted units.

Regulatory Basis: 24 CFR 92.354



Documentation:

- Completed interview forms from interviews conducted with workers
- Receipt and review of payroll
- Wage determinations from HUD

HUD Checklist 7-7 Selected Excerpts	Identified Problems	
	 No evidence that Davis-Bacon provisions were followed No interviews of workers were conducted, or no documentation of interviews retained No receipt or notes from reviewing payroll No wage determinations from HUD in file 	
The most important questions for the PJ monitor to address include: Do files document that there are 12 or more HOME-assisted units in the construction contract (that is, that Davis-Bacon applies)? Were all pre-construction requirements met? Did the program administrator document that it convened conferences with contractors and subcontractors inexperienced with labor requirements? Did the program administrator obtain and use proper and current wage decision from the HUD Labor Relations Field Office staff, or other approved source, and include it in the project file? Do all bid documents, contracts, and subcontracts include required language and wage decision? Are onsite visits to interview workers and verify presence of required posters conducted periodically and documented? Are payroll forms submitted and reviewed, problems noted and resolved, and issues documented in the project file?		
NOTES on Other Project Requirements		
G. Construction Management		

The program administrator must monitor and document the construction process to ensure that the following construction management requirements are met:

- 1. Qualified contractors
- 2. Inspections
- 3. Change orders

1. Qualified Contractors

Background: Only qualified contractors may be used for HOME-funded projects.

Regulatory Basis: 24 CFR 92.350(a) and 24 CFR 85.35

Documentation:

- Excluded parties list search results
- Contractor files
- Names and notes from references
- Pictures or project descriptions of past work

HUD Checklist 7-7 Selected Excerpts		Identified Problems	
39. Did the PJ ensure that its contractors are not excluded, disqualified or otherwise ineligible (e.g., suspension, debarment, or limited denial of participation) for Federal procurement and non-procurement programs at the time of contract execution or during the period of project work? [24 CFR 92.350(a) and 24 CFR 85.35]		 □ No documentation to verify that contractor eligibility was verified on excluded parties list □ No evidence of verification of bonding and insurance □ Contractor not eligible to perform on Federal contracts 	
□ Yes [The program administrator must Federal work by checking the extended the program administrator shout Good past performance Strong references		
40. Does the PJ have documentation of both good and strong past performance and references for the contractor?		☐ No documentation of reference or past performance check for selected contractors	
∐ Yes L	☐ Yes ☐ No ☐ Contractors hired in spite of bad references		
	Reviewing Contractor Qualifications		
A	Prior to selection, the PJ should review contractor qualifications:		
 Proof of bonding and insurance (typically required by PJ) Applicable certifications, licenses, and other documentation of qualifications (e.g., lead-safe work practices, lead-based paint abatement supervisor, etc.) Photos of past jobs Names and contact information of references and past customers, and notes about reference checks 			
Documentation or notes about past experiences with PJ.			

2. Inspections

Background: Inspections of rehabilitation or construction work are one of the most critical elements of construction management. For rental projects that involve construction (rehabilitation or new construction), three types of inspections are necessary:

- **Initial inspections** identify conditions within the unit that do not meet applicable property standards or codes and must be addressed in rehabilitation.
- Payment/Progress inspections verify that work requested for payment is completed according to the applicable property standards. It is a good business practice to retain a small amount (typically 10 percent) of each progress payment until all work is completed and all contract close-out documentation has been received.
- **Final inspections** verify that all work specified in the write-up and/or construction contract is performed properly and that the applicable property standards and codes are met. If an inspection reveals that additional work is required, a detailed list of the remaining work (a "punch list") must be prepared. The PJ must conduct a final re-inspection to verify that punch list items are completed. Where building code inspections are required, the building code inspector's

reports or other documentation from the jurisdiction indicating that the work meets codes/standards should be included in the project file.

Regulatory Basis: 24 CFR 92.505(a), 92.251(a), and 24 CFR 85.36(b)(2)

Documentation:

• Inspection reports

HUD Checklist 7-7 Selected Excerpts	Identified Problems
41. Were progress inspections of the project performed prior to approving the developer or contractor's request for payment? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No	 □ No inspection notes in the file □ Requests for payment made without inspection, or prior to inspection
42. Was a final property standards inspection performed? [24 CFR 92.251(a) and 24 CFR 85.36(b)(2)] ☐ Yes ☐ No	 □ No final inspection report in the file □ Final payment made and/or certificate of occupancy issued without final inspection

3. Change Orders

Background: Any change in the scope of work or budget for a project must be documented and approved as a change order before the work is initiated. A change order then becomes a binding part of the construction contract and helps the PJ ensure the quality of the work.

Regulatory Basis: 24 CFR 92.505(a), 24 CFR 85.36(b)(2), and 85.36(f)



- Change orders
- Justification for change order(s)

HUD Checklist 7-7 Selected Excerpts	Identified Problems
43. Did the PJ review and approve change orders for any changes in the scope of work? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2) and 85.36(f)]	 ☐ Insufficient documentation to justify need for change order ☐ Change orders not signed or approved
☐ Yes ☐ No ☐ N/A Prior to approval, the todetermine that: needed to meet prior to me	Justifying Change Orders the program administrator should review change order requests (1) The costs are reasonable and eligible, (2) The work is operty codes and standards, and (3) With the additional cost within HOME's per unit subsidy limits [221(d)(3) limits].
44. Is there a change order on file for any work that was (1) Completed but not in the original contract, and (2) Paid for (to the contractor) above the original contract amount? ☐ Yes ☐ No ☐ N/A	 □ Contractor paid more than the original contract amount, but no change orders or justification on file □ No change order for all work completed by contractor that was not in original contract
Unauthorized Expenditures For any costs above the amount of the construction contract, if the expenditures were unauthorized and paid for with HOME funds, HUD may determine that the PJ must repay those funds.	

NOTES on Construction Management



H. Initial and Ongoing Rent and Occupancy Requirements

Certain requirements apply initially and throughout the affordability period, related to:

- 1. Income eligibility
- 2. Project targeting requirements
- 3, Fixed and floating units
- 4. Rent structure
- 5. PJ approval of rents
- 6. Annual income recertification
- 7. Voucher and project-based assistance
- 8. Utility allowances
- 9. Leases
- 10. Tenant selection policy

1. Income Eligibility

Background: All tenants of HOME-assisted units must qualify as low-income households. A low-income household has an annual gross income that is no greater than 80 percent of area median income. In addition, the PJ generally needs to set deeper income targeting limits for its projects to ensure that it meets the HOME "program rule." The program rule requires that 90 percent of each annual HOME allocation invested in rental housing (including rental development and tenant-based rental assistance activities combined) be occupied initially by tenants with annual gross incomes at or below 60 percent of area median income. The written agreement should specify the PJ's income targeting requirements for each project.

Regulatory Basis: 24 CFR 92.252

Documentation:

- Tenant application
- · Worksheets or form that shows how tenant household income was determined
- Written agreement between PJ and State recipient, subrecipient, contractor, and/or developer that specifies the definition of income for the project
- Source documentation (such as pay stubs or bank statements)

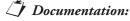
- HOME income limits in effect at time of tenant application
- Worksheet or form that shows comparison of household income and applicable income limits

HUD Checklist 7-7 Selected Excerpts	Identified Problems
45. Are tenants income-eligible at the time of initial occupancy? [24 CFR 92.252] ☐ Yes ☐ No	 □ Incorrect income limits used (e.g., wrong year) □ Insufficient source documentation to determine income of household □ Income not properly calculated □ Tenant household not income-eligible
46. Is the project owner using the correct income limits to determine eligibility of tenants? [24 CFR 92.2, "Low-income family," and 92.252] ☐ Yes ☐ No	 □ Program administrator not clear about which definition of income should be used □ No documentation showing which income limits were used □ Incorrect income limits used (e.g., wrong year)
47. Is the project owner using the same definition of income to qualify all applicants? ☐ Yes ☐ No	☐ Different definitions of income used for different applicants ☐ Incorrect definition of income used
48. Is income being determined in accordance with the Technical Guide to Determining Income and Allowances for the HOME Program (HUD-1780-CPD, issued January 2005)? Yes No Income Determination Guidance The Technical Guide to Determining Income and Allowances for the HOME Program is available from Community Connections at 1-800-998-9999.	 ☐ Household size not verified through application or personal interview ☐ All applicable income not "counted" ☐ Income that should have been excluded was counted ☐ Anticipated income (expected in the next twelve months) not used ☐ Income for all family members not counted ☐ Errors in the calculation
49. Are initial tenant incomes determined based upon source documentation? [24 CFR 92.203(a)(1)] ☐ Yes ☐ No	☐ No source documentation in the file ☐ Insufficient source documentation

2. Project Targeting Requirements

Background: All HOME units must be occupied by low-income tenants (households with annual gross income at or below 80 percent of area median income). In projects with five or more HOME-assisted units, initially and throughout the affordability period, 20 percent of the units must be occupied by very low-income tenants (with annual gross incomes that are at or below 50 percent of the area median income). The balance of the HOME-assisted units may be occupied by low-income tenants.

Regulatory Basis: 24 CFR 92.252(a) and (b)



- Rent and occupancy report submitted to the PJ by the property owner
- Rent rolls or rent/income summary completed by owner or property manager

HUD Checklist 7-7 Selected Excerpts	Identified Problems
50. Were project targeting requirements met at initial occupancy (i.e., all HOME units occupied by low-income tenants and, if 5 or more HOME-assisted units, 20% of HOME units occupied by tenants below 50% of area median income)? [24 CFR 92.252(a) and (b)]	 ☐ Insufficient documentation to verify compliance with project targeting ☐ Fewer than 20% of the units occupied by very low-income households ☐ Units rented to over-income tenants

3. Fixed and Floating Units

Background: For properties with both assisted and non-assisted units, units must be designated as "fixed" or "floating" units in the written agreement at the time of project commitment. When HOME-assisted units are "fixed," the specific units that are HOME-assisted (and, therefore, subject to HOME rent and occupancy requirements) are designated and never change. When HOME-assisted units are "floating," the units that are initially designated as HOME-assisted may change when the occupant's income increases above the income limit for the unit, and a new unit is designated as HOME-assisted. While the specific unit designations may change, the total number of HOME-assisted units in the project remains constant.

Regulatory Basis: 24 CFR 92.252(j)



• Written agreement between PJ or other program administrator and the developer

HUD Checklist 7-7 Selected Excerpts	Identified Problems
51. Does the written agreement specify whether the units are fixed or floating? ☐ Yes ☐ No	☐ Written agreement does not specify fixed or floating designation

4. Rent Structure

Backgrounds: The rents for HOME-assisted units cannot exceed HUD-issued maximum HOME rents. However, to ensure financial soundness of the project, HUD does not require a project owner to reduce rents below the HOME rents in effect at the time of project commitment. With the exception of one- to four-unit rental projects, every rental project has two HOME rent levels: "high HOME rents" and "low HOME rents." Both the high and low HOME rents represent the maximum that tenants can pay for rent and utilities combined.

Regulatory Basis: 24 CFR 92.252(a) and (b)



- Tenant lease
- · Copy of rent rolls or rental compliance worksheet

The high and low HOME rents are available on the HOME Program website at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm.

HUD Checklist 7-7 Selected Excerpts	Identified Problems
52. Did the initial project rent structure meet HOME requirements (i.e., rents no greater than the high HOME rents and, in projects with 5 or more HOME-assisted units, at least 20% of HOME units charging rents not higher than the low HOME rent)? [24 CFR 92.252(a) and (b)] Yes No Using Utility Allowances When the tenant pays for utilities, a utility allowance must be deducted from the HOME rent in order to determine the maximum rent that can be charged by the owner. For example, if the published HOME Rent is \$700/month for a one- bedroom unit and the tenant pays utilities of \$100 (current utility allowance), the maximum rent that can be charged is \$600/month. (HOME rent minus tenant paid utilities equals maximum rent charged to tenant.)	 ☐ Insufficient documentation to determine if rents charged are in compliance ☐ Lease does not specify tenant rent ☐ Program administrator or owner used wrong rent limits (i.e., wrong year) to determine maximum rents ☐ Rents exceed the applicable rent limits ☐ Tenant-paid utilities (utility allowance) not deducted from rents ☐ Incorrect utility allowance used ☐ Error(s) made in determining maximum rents allowable

5. PJ Approval of Rents

Background: The PJ must approve the initial rent structure and any subsequent rent increases, to ensure that rents are reasonable for the area and to ensure that rents minus applicable utility allowances for tenant-paid utilities do not exceed the maximum HOME rents established by HUD.

HUD publishes the high and low HOME rents annually. Owners can increase rents in accordance with tenant leases and PJ approval, as long as the rents do not exceed the maximum allowable current high or low HOME rents, as applicable.

Regulatory Basis: 24 CFR 92.252(c)



- Written agreement between program administrator and developer
- Letter of approval/authorization (or comparable document) from the PJ to the property owner allowing rent increases at lease renewal, if applicable

HUD Checklist 7-7 Selected Excerpts	Identified Problems
53. Did the PJ review and approve the project rents? [24 CFR 92.252(c)] ☐ Yes ☐ No	 □ No evidence that PJ approved initial rent structure □ No evidence that PJ approved subsequent rent increases

6. Annual Income Recertification

Background: Every year, the property owner must determine that the tenants of HOME-assisted units are income-eligible and (that is, low-income tenants reside in high HOME rent units and very low-income tenants reside in low HOME rent units). If the PJ permits, owners can recertify tenant income with a written statement from the household or the administrator of another government program under which the household receives benefits. Every sixth year during the affordability period, however, the owner must re-verify tenant income with source documentation.

Regulatory Basis: 24 CFR 92.252(h)



• Signed certification or worksheet that documents the tenant household income

• Source documentation used to verify household income, as applicable

HUD Checklist 7-7 Selected Excerpts	Identified Problems
54. Is the project owner recertifying tenant income annually? [24 CFR 92.252(h)] ☐ Yes ☐ No	 □ No certification of tenant income on file □ Income certification is not signed by head of household □ No worksheet to show that program administrator compared tenant income with HOME income limits in effect at the time of determination □ Program administrator used wrong HOME income limits when making income-eligibility determination □ Errors in income determination calculation
55. Are tenant incomes being reexamined using source documentation every 6th year? (NOTE: This does not apply to projects less than 6 years old.) [24 CFR 92.252(h)] Yes No N/A If the answer to "a" above is "yes," what is the process used for the tenant income reexamination?	 □ Source documentation not used in sixth year □ Income not reexamined annually □ No documentation of tenant income reexamination

7. Voucher and Project-based Assistance

Background: If a project receives Federal or State project-based assistance (PBA), the PBA rent may be charged only in units occupied by very low-income tenants (with annual gross incomes at or below 50 percent of area median income). Tenants receiving Housing Voucher Choice Program (HVC) assistance cannot be charged more than the maximum allowable HOME rent.

Regulatory Basis: 24 CFR 92.252(a) and (b)

Documentation:

- Tenant lease
- Rental compliance form
- HUD rents limits
- Marketing and application materials
- Interviews with tenant households and applicants
- Documentation of justifications for denying applicants

HUD Checklist 7-7 Selected Excerpts	Identified Problems
56. If the tenants receive Housing Voucher Choice Program (HVC) assistance, is the total rent charged by the owner (to both the HVC and the tenant) not greater than the maximum allowable HOME rent? [24 CFR 92.252(a) or (b)] ☐ Yes ☐ No ☐ N/A	 □ No lease on file □ Lease does not clearly state the tenant's monthly rent □ Tenant is charged more than the applicable low HOME rent □ No worksheet to show that program administrator verified that tenant rent does not exceed the low HOME rent □ Program administrator used wrong HOME rent limits when determining rents □ Errors in maximum rent determination

57. Does the owner refrain from discriminating against tenants with rental assistance subsidies? [24 CFR 92.252(d)] ☐ Yes ☐ No ☐ N/A	 □ No nondiscrimination clauses in marketing and application materials □ Applicants rejected because of rental assistance subsidies without other justification
	☐ Evidence of discrimination complaints from fair housing offices
58. If the project received Federal or State project-based assistance (PBA), is the allowable PBA rent charged only in units occupied by very low-income tenants (i.e., income is below 50% of area median income)? [24 CFR 92.252(b) (2)]	 □ No documentation of tenant income □ No documentation of rent charged to tenant □ Tenant with PBA has income greater than 50% of area median income and is charged the PBA rent (not the HOME rent)
In a project receivin low-income tenant i	HOME and PBA Rents g PBA, the allowable rent for a unit that is occupied by a very so no greater than the PBA rent. If tenant income is greater than income, then the high HOME rent must be charged.

8. Utility Allowances

Background: The fair market rents and high and low HOME rents include all utilities. The PJ adopts and annually adjusts a utility allowance. This can be prepared by the local public housing agency (PHA) or the PJ itself. If the tenant pays utilities, the utility allowance must be deducted from the published HOME rents to determine the maximum allowable HOME rents. Utility adjustments proposed by owners or developers that differ from the PJ's utility allowance must be approved by the PJ and must be supported by documentation.

Regulatory Basis: 24 CFR 92.252(c)



- Utility allowance
- Rental compliance form

HUD Checklist 7-7 Selected Excerpts	Identified Problems
59. Did the project use the established utility allowances to calculate maximum rent levels? [24 CFR 92.252(c)] ☐ Yes ☐ No	 □ PJ has not adopted annual utility allowance □ No evidence that PJ provided annual utility allowance to project owner □ Wrong utility allowance was deducted from the HOME rent □ No deductions made for tenant-paid utilities

9. Over-income Tenants

Background: When an owner recertifies a tenant's income and finds that it has increased over the current applicable HOME income limit, he/she must take steps to restore compliance with the HOME affordability requirements. The steps vary, depending on if the units are fixed or floating; and if the tenant resides in a low HOME rent unit, depending on whether the tenant's income exceeds the very low-income limit or the low-income limit. See Attachment 6-F for a flow chart of how to maintain the proper unit mix.

• If the income of a tenant occupying a low HOME rent unit increases, but does not exceed 80 percent of area median income, that unit becomes a high HOME rent unit when the next available unit (for "floating" unit projects) or next available HOME-assisted unit (for "fixed" unit projects) becomes available and is occupied by a very low-income

tenant (whose annual gross income is at or below 50 percent of area median income). Subject to the terms of the lease, the rent of the initial tenant whose income has increased may be increased to the high HOME rent for the unit. (This can be done only after a replacement low HOME unit is occupied by a very low-income household.) This process should not increase the number of assisted units.

• If a tenant's income increases above 80 percent of the area median income, the unit this tenant occupies is still considered to be a HOME-assisted unit, but the tenant's rent must be adjusted to 30 percent of their adjusted income for rent and utilities as soon as the lease permits. (For floating units, the amount may not exceed the market rent for comparable, unassisted units in the neighborhood.) In projects with floating HOME units, the next available unit in the project that is of comparable or larger size must be rented to a HOME-eligible household. At that point, the unit occupied by the over-income tenant is no longer considered HOME-assisted, and that tenant's rent can be adjusted accordingly. In projects with fixed units, the tenant's rent must be adjusted to 30 percent of their adjusted income for rent and utilities but there is no cap. (Where State or local law imposes rent controls, the rent control applies.)

Note: In units that are financed with both HOME and Low-Income Housing Tax Credits (LIHTCs), the LIHTC rules apply. Under the LIHTC program, the tenant's rent is not adjusted, and the unit does not need to be replaced by another comparable unit until the tenant's income rises above 140 percent of the LIHTC program eligibility threshold.

Regulatory Basis: 24 CFR 92.252(i)

Documentation:

- Written tenant selection plan
- Rental compliance form
- Interview notes with property manager

HUD Checklist 7-7 Selected Excerpts	Identified Problems
60. If any in-place tenant has an income above 80% of the area median income, is the correct rent being charged to the over-income tenant? [24 CFR 92.252(i)] ☐ Yes ☐ No ☐ N/A	 ☐ Unclear what rent is being charged to over-income tenant ☐ Incorrect rents charged and tenant is paying too little
61. As tenants vacate low HOME rent units, are they replaced by other tenants with incomes below 50% of area median income? [24 CFR 92.252(i)] ☐ Yes ☐ No ☐ N/A	□ New tenants are not very low-income
62. If the income of a tenant in a low HOME rent unit rises above 50% of area median income, is the unit designated as a high HOME rent unit and the next available, comparable unit designated as low HOME rent unit? [24 CFR 92.252(b)(1)] ☐ Yes ☐ No ☐ N/A	 □ Change in unit designation is not occurring □ Rent increase (from low to high HOME rent) is implemented when tenant income increases, and not when new low HOME rent unit is designated
63. In projects where the HOME-assisted units float, when an in-place tenant's income increases above 80% of median income, is the next available, comparable unit made available to a HOME-eligible tenant? [24 CFR 92.252(j)] ☐ Yes ☐ No ☐ N/A	☐ Change in unit designation is not occurring

10. Leases

Background: Leases for HOME-assisted units must specify the rent and rents may not exceed the maximum allowable HOME rent for the units' type (high or low HOME rent unit) minus any applicable utility allowance. Lease terms must be for at least one year unless otherwise mutually agreed upon by the tenant and owner. Leases may not contain any of the prohibited provisions outlined in Figure 6-5.

Figure 6-5. Prohibited Lease Clauses for HOME-assisted Rental Properties

The lease between the owner and tenant in a HOME-assisted property can not contain any of the following provisions:

- Agreement to be sued. Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- Treatment of property. Agreement by the tenant that the owner may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This provision does not apply to disposition of personal property left by a tenant who has vacated a property.
- Excusing owner from responsibility. Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent.
- Waiver of notice. Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant.
- Waiver of legal proceedings. Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- Waiver of a jury trial. Agreement by the tenant to waive any right to a trial by jury.
- Waiver of right to appeal court decision. Agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease.
- Tenant chargeable with cost of legal actions regardless of outcome. Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

Regulatory Basis: 24 CFR 92.253



Documentation:

• Tenant leases

HUD Checklist 7-7 Selected Excerpts	Identified Problems
64. Are leases free of all prohibited provisions? [24 CFR 92.253(b)] ☐ Yes ☐ No	☐ No lease with tenant ☐ Lease contains prohibited provisions
65. Are the leases for a minimum of one year (unless otherwise agreed upon by tenant and owner)? [24 CFR 92.253(a)]	☐ No lease with tenant☐ Lease is for less than one year, but no evidence of mutual agreement

11. Tenant Selection Policy

Background: Owners of HOME-assisted rental property must adopt written tenant selection procedures and criteria to ensure that tenants understand the income-eligibility requirements, and to ensure that there is an equitable selection process that is applied consistently to all tenants.

Regulatory Basis: 24 CFR 92.253(d)



- Interview notes with property manager
- Written tenant selection policies and criteria
- Rental compliance form
- Waiting list
- Application

HUD Checklist 7-7 Selected Excerpts	Identified Problems
66. Does the owner have written tenant selection criteria? [24 CFR 92.253(d)]	☐ No tenant selection policy☐ Tenant selection policy is not adequate because:
Tenant Selection Procedures The tenant selection procedures should explain the process for: Taking applications Determining household income and making income-eligibility determinations Selecting tenants and how the PJ's selection preferences are applied (including preference for renting accessible units to persons with disabilities and low HOME rent units to very low-income households) Maintaining waiting lists Notifying applicants of eligibility or rejection Annual income recertifications Maintaining the appropriate HOME unit mix.	
67. Does the owner follow his/her tenant selection policy? [24 CFR 92.253(d)] □ Yes □ No	 □ No tenant selection policy □ Tenant approvals/rejections are inconsistent with the selection policy
NOTES on Initial and Ongoing Rent and Occupancy	Requirements

Summary of Results: Project Monitoring

Rental Programs

Instructions: Using the completed checklists, complete the following chart to assist with summarizing the monitoring results.

	No Apparent Problems	Problems Identified	Follow-Up Needed
A. Project Descriptions			
1. Project information			
2. Financial information			
B. Subsidy			
Minimum and maximum HOME investment			
2. Subsidy layering			
3. Forms of assistance			
C. Cost Allocation			
D. Eligible and Reasonable Costs			
Eligibility of HOME costs			
Cost reasonableness			
3. Refinancing			
E. Property Standards			
1. Inspections			
Lead-based paint requirements			
3. International Energy Conservation Code			
4. Accessibility requirements			
F. Other Project Requirements			
1. Deed restrictions			
Site and neighborhood standards			
3. Affirmative marketing			

4. Environmental review		
5. Labor and related requirements		
G. Construction Management		
Qualified contractors		
2. Inspections		
3. Change orders		
H. Initial and Ongoing Rent and Occupancy Requirements		
1. Income-eligibility		
Project targeting requirements		
Fixed and floating units		
4. Rent structure		
5. PJ approval of rents		
6. Annual income recertification		
7. Voucher and project-based assistance		
8. Utility allowances		
9. Leases		
10. Tenant selection policy		

Section 3. Program Monitoring: Rental Programs

Purpose of the Program Review

The program review helps the PJ assess how well the rental program is operating. Ideally, it is done in conjunction with the pre-monitoring review of policies and procedures (Section 1 of this chapter) and the project file review (Section 2 of this chapter). It helps the PJ answer:

- Does the program administrator comply with HOME requirements in all cases? By looking all of the project file reviews, the PJ monitor can more easily identify areas where the program administrator performs consistently and where there are recurring problems.
- Does the program administrator have effective written documentation supporting the program? This includes the written agreement with the PJ; and policies, procedures, and other program materials that clearly state HOME requirements and expectations. By evaluating the program's written documentation, the PJ monitor can determine if the program administrator has adequate systems in place to promote compliance and performance.

How this Section Is Organized

The checklist in this section summarizes the HOME requirements that are reviewed in detail in Section 1 (pre-monitoring) and Section 2 (project monitoring). This section does not use HUD Checklist questions verbatim, as do the other sections of this chapter. However, this section covers the same HOME requirements and is organized in the same manner as HUD Checklist Exhibit 7-8, *Guide for Review of Rental Programs*. It includes following sections:

- A. Project recordkeeping
- B. HOME provisions
- C. Eligible costs, subsidy layering, and cost allocation
- D. Initial and ongoing rents, incomes, and occupancy
- E. Property standards
- F. Other project requirements
- G. Eligible costs
- H. Construction management
- I. Loan servicing

Instructions

The PJ monitor should use one copy of this checklist to conduct a program review of the rental program administrator (funded entity or PJ).

Column 1, "HOME Requirement," identifies the HOME requirement under review.

In columns 2a, 2b, and 2c, "Program Implementation," the PJ monitor summarizes its findings of the project monitoring review and indicates how often the program administrator effectively met the requirement (always, sometimes, or never).

In columns 3a, 3b, and 3c, "Effectiveness of Documentation," the PJ monitor documents the findings of the pre-monitoring review, if it was done, or reviews the program's written documentation. The PJ monitor checks whether the requirement was: (1) Stated in the written agreement between the PJ and the State recipient, subrecipient, or contractor (as applicable) in column 3a; (2) Adequately reflected

How to Use the Program Review

The PJ monitor can use the program review in a few different ways:

- To consolidate the results of a pre-monitoring and project monitoring review. To do this, complete the questions in Column 2. For any area where there is a potential problem, also complete Column 3.
- To conduct a cursory review of the program's operations. To do this, complete the questions in Column 3 only. This results in a review of the written documentation and the program policies and procedures that constitute the foundation of the program's operation.
- To interview staff. To do this, ask the interviewee how the requirement specified in Column 1 is implemented. Take notes in Column 3(c), to the extent possible, or on other paper as needed. Use interview results in conjunction with desk and project file reviews to draw conclusions about the program's operations.

in the PJ's or program administrator's policies and procedures in column 3b, or (3) Documented in other written materials (such as the program application) in column 3c.

A "Notes" section is provided at the end of each area of review for the PJ monitor to elaborate on any of its findings and recommended actions, as needed.

Documentation:

The following documents are needed for a program review:

- Copy of the HOME regulations found at 24 CFR Part 92
- Written agreement between the program administrator and the developer
- Pre-monitoring file(s) or checklist results, if available
- Project case file monitoring file(s) or checklist results, if available

1. HOME Requirement	2. Effectiv	veness of Imple	mentation	3. Effective	ness of Document	ation
Does the program administrator or	Project monitoring shows that program administrator complied with this requirement			This requirement is clearly stated in		
developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
PROJECT RECORDKEEPING					•	
Document HOME compliance through effective recordkeeping (overall)						
[24 CFR 92.508(a)(2) and (3)]						
Retain records regarding individual tenant income verifications, project rents, and project inspections for five years after the termination of the affordability period						
[24 CFR 92.508(c)(1)]						
Retain other records for five years after project completion						
[24 CFR 92.508(c)(1)]						
HOME PROVISIONS					I	
Have an executed written agreement with the PJ that contains all applicable HOME provisions						
[24 CFR 92.504(c)(3)]						
*PJ responsibility						
2. Perform onsite inspections to determine compliance with property standards, and to verify rent, income, and occupancy information submitted by the owner every 1, 2, or 3 years depending on the total number of units in the project						
[24 CFR 92.251, 92.252, and 92.504(d) (1)]						

	1. HOME Requirement	2. Effectiv	eness of Impler	nentation	3. Effective	ness of Document	ation
	Does the new decree advantage to the		nitoring shows th trator complied v requirement		This requirem	ent is clearly state	d in
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
3.	Review the financial condition of rental projects periodically to ensure that they remain viable						
4.	Take action(s) promptly to correct underlying conditions for troubled projects (financially, physically, or otherwise)						
No	tes:						
EL	IGIBLE COSTS, SUBSIDY LAYERING, AND C	OST ALLOCA	ATION				
1.	Comply with the minimum and maximum per unit investment requirements						
	[24 CFR 92.205(c) and 92.250(a)]						
2.	Adopt subsidy layering review procedures						
	[24 CFR 92.250(b)]						
3.	Use subsidy layering guidelines to review all projects that combine HOME with other public funds						
	[24 CFR 92.250(b)]						
	*PJ responsibility						
4.	Provide HOME subsidy only in a form that is eligible (i.e., equity investments, interest bearing or non-interest bearing loans or advances, interest subsidies, deferred payment loans, grants, or loan guarantees)						
	[24 CFR 92.205(b)]						
5.	Secure HUD approval for providing HOME funds in a form not listed above						
	[24 CFR 92.205(b)(1)]						
6.	Allocate costs and determine the number of HOME-assisted units correctly						
	[24 CFR 92.205(d)]						
	*Determining number of HOME-assisted units is PJ responsibility.						
No	tes:						

	1. HOME Requirement	2. Effectiveness of Implementation		3. Effectiveness of Documentation			
		Project monitoring shows that program administrator complied with this requirement		This requirem	ent is clearly state	ed in	
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
INI	TIAL AND ONGOING RENTS, INCOMES, AN	OCCUPANO	CY				
1.	Provide current HOME rent and income limits to owners						
	[24 CFR 92.2 ("low-income family") and 92.252(c) and (f)]						
	*PJ responsibility						
2.	Approve initial rents and subsequent rent increases for projects						
	[24 CFR 92.252(c)]						
3.	Use correct utility allowances in projects and subtract them from tenant rents when utilities are paid by tenants						
	[24 CFR 92.252(c)]						
4.	Use the same definition of income for all tenants						
5.	Use source documentation to determine tenant's initial income						
	[24 CFR 92.203(a)]						
6.	Recertify tenant income annually						
	[24 CFR 92.252(h)]						
7.	For projects with more than five HOME-assisted units, rent at least 20% of units to households with annual gross incomes at or below 50% of area median income and charge rents no greater than low HOME rents						
	[24 CFR 92.252(b)]						
8.	Make unit substitutions and fill vacancies so that the project remains in compliance with occupancy requirements						
	[24 CFR 92.252(a), and 92.252(i) and (j)]						
No	tes:						
PR	OPERTY STANDARDS						
1.	Ensure that applicable property standards are met upon project completion						
	[24 CFR 92.251(a)]						
2.	Ensure applicable property standards are met during period of affordability						
	[24 CFR 92.251(c)]						

	1. HOME Requirement	2. Effectiv	eness of Impler	mentation	ation 3. Effectiveness of		Effectiveness of Documentation	
			nitoring shows the crator complied v requirement		This requirem	nent is clearly stated in		
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)	
3.	Adopt written rehabilitation standards (i.e., methods and materials standard)							
	[24 CFR 92.251(a)]							
	*PJ responsibility							
4.	Apply written rehabilitation standards to rental rehabilitation projects							
	[24 CFR 92.251(a)]							
5.	Comply with IECC, for new construction projects							
	[24 CFR 92.251(a)]							
6.	Comply with the lead safety requirements of 24 CFR Part 35, as applicable. (This determination may be made based upon use of the <i>Lead Hazards Monitoring</i> Exhibits 24-1, 24-2, or 24-3 for projects sampled; or using staff interviews or other verification methods.)							
	[24 CFR 92.355]							
7.	Meet the applicable Section 504 accessibility requirements							
	[24 CFR 92.251(a)(3)]							
	tes:							
_	HER PROJECT REQUIREMENTS				.	I		
1.	Follow PJ's refinancing guidelines if using HOME funds to refinance existing debt							
	[24 CFR 92.206(b)] *PJ responsibility to establish refinancing guidelines in the Consolidated Plan							
2.	Perform site and neighborhood standards reviews for new construction in accordance with 24 CFR 983.57(e)(2) and (3)							
	[24 CFR 92.202(b)]							
	*PJ responsibility							
3.	If PJ is providing TBRA to in-place tenants in its rental projects, have and follow procedure to ensure that tenants are in place at the time of rehabilitation							
	[24 CFR 92.209(c)(3)]							

	1. HOME Requirement	2. Effectiveness of Implementation		3. Effectiveness of Documentation			
	Door the magraph administrator or		nitoring shows th trator complied v requirement		This requirem	ent is clearly state	ed in
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
4.	Comply with environmental review requirements						
	(This determination may be based upon HUD Checklist Exhibit 21-1, <i>Guide for Environmental Review</i> , for projects sampled; or using staff interviews or other verification methods.)						
5.	[24 CFR 92.352] Comply with flood insurance protection when assistance was used for acquisition or construction (including rehabilitation) of real property located within the Special Flood Hazard Area						
	(Use HUD Checklist Exhibit 27-1, Guide for Review of Flood Insurance Protection.)						
	[24 CFR 92.352]						
6.	Comply with labor standards requirements for projects of 12 or more HOME-assisted units						
	(Use HUD Checklist Exhibit 23-1, Guide for Review of Labor Standards Administration.)						
	[24 CFR 92.354]						
7.	Select qualified contractors that are not excluded, disqualified or otherwise ineligible (e.g., suspension, debarment, or limited denial of participation) for Federal procurement and non-procurement programs at the time of contract execution or during the period of project work?						
	[24 CFR 92.350(a), 92.505(a), and 24 CFR 85.35]						
No	tes:						
EL	GIBLE COSTS						
1.	Verify there are sufficient HOME-eligible project costs to support the amount of HOME funds provided, in the sources and uses statements or other records						
	[24 CFR 92.205(d)]						

1. HOME Requirement	2. Effectiveness of Implementation		3. Effectiveness of Documentation			
		nitoring shows th trator complied requirement		This requirem	ent is clearly state	ed in
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
Review and evaluate cost estimate to determine cost reasonableness [24 CFR 92.505(a); 24 CFR 85.20(b)(5) and 85.36(f)]						
3. Review and evaluate project costs and supporting documentation (e.g., acquisition costs supported by appraisal, developer's fees, rehabilitation or construction costs within local norms, etc.) [24 CFR 92.505(a) and 24 CFR 85.22]						
4. Verify that site improvements were HOME-eligible improvements located on project sites [24 CFR 92.206(a)(3)(iii)]						
Execute written agreements that contain all applicable HOME provisions						
(This determination may be based upon review of the PJ's standard language for HOME agreements or review of agreements for projects sampled by completing HUD Checklist Exhibit 7-16, Guide for Review of Owner, Developer, Sponsor Written Agreements.)						
[24 CFR 92.504(c)(3)]						
*PJ responsibility						
Notes:						
Inspect projects under construction	<u> </u>					
periodically and at project completion to ensure work is finished and of adequate quality [24 CFR 92.505(a) and 24 CFR 85.36(b)						
(2)] 2. Verify that work write-ups or plans comply						
with all applicable property standards and codes						
Notes:						

1. HOME Requirement		2. Effectiveness of Implementation			3. Effectiveness of Documentation			
			Project monitoring shows that program administrator complied with this requirement			This requirement is clearly stated in		
	Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)	
LO	AN SERVICING							
1.	Record lien instruments							
	[24 CFR 92.505(a) and 24 CFR 85.20(b) (3)]							
2.	Follow written loan servicing procedures							
	[24 CFR 92.505(a) and 24 CFR 85.20(b) (3)]							
3.	Address loan defaults promptly							
	[24 CFR 92.505(a) and 24 CFR 85.20(b) (3)]							
No	tes:							

Attachment 6-A

Client File Form – Rental Programs

	Are Items in Project Case File?	Ansv	ver
Pro	perty Information		
1.	Program application	☐ Yes	□ No
2.	Project description showing property location, type of property, development plan	□ Yes	□No
3.	In-place tenant profile, if applicable	☐ Yes	□No
4.	Environmental review, statutory checklist or other review, as appropriate	☐ Yes	□No
Leg	al and Financial Documents		
5.	Documentation of all costs	☐ Yes	□ No
6.	Project development and operating budgets showing eligible costs and activities	☐ Yes	□No
7.	Determination of HOME-assisted units; per unit subsidy level	☐ Yes	□ No
8.	Subsidy layering review certification, if applicable	☐ Yes	□No
9.	Layering analysis of project finances	□ Yes	□ No
10.	Loan agreement (or other project agreement) that identifies HOME-assisted units and describes long-term affordability requirements	□ Yes	□ No
11.	Deed restriction or covenants enforcing affordability requirements	☐ Yes	□No
12.	Title search and other closing documents	☐ Yes	□No
13.	Flood insurance	☐ Yes	□No
14.	Owner's property insurance	☐ Yes	□No
15.	Program income or repayment records	☐ Yes	□No
16.	Project underwriting worksheet	☐ Yes	□No
17.	HOME written agreement	☐ Yes	□No
18.	HOME rent notification limit documentation	☐ Yes	□No
19.	Appraisal/market analysis	☐ Yes	□No
20.	Environmental clearance	☐ Yes	□No
21.	Loan documents and deed restrictions	☐ Yes	□No
Pro	ect and Construction Management		
22.	Relocation notices, if applicable	☐ Yes	□No
23.	Affirmative marketing plan	☐ Yes	□No
24.	Initial inspection form	☐ Yes	□No
25.	Work write-up/cost estimate	☐ Yes	□No
26.	Contractor bid documents	☐ Yes	□No
27.	Contractor eligibility form	☐ Yes	□No
28.	Contractor's certificate of insurance	☐ Yes	□No
29.	Evidence of contractor licensure	☐ Yes	□No
30.	Evidence contractor is not on debarment/suspension list	☐ Yes	□No
31.	Pre-construction conference report (optional)	☐ Yes	□No
32.	Lead-based paint compliance documentation	☐ Yes	□No
33.	New construction or rehabilitation contract	☐ Yes	□No
34.	Notice to proceed	☐ Yes	□No
35.	Approved change orders, if applicable	☐ Yes	□No
36.	Progress inspections	☐ Yes	□No
37.	Contractor payment requests/authorizations	☐ Yes	□No

38. Payment certifications	☐ Yes	□ No
39. Documentation of final inspection	☐ Yes	□ No
40. Waiver of liens from all contractors and suppliers	☐ Yes	□ No
41. Receipt of final payment form	☐ Yes	□ No
42. Warranties and guarantees	☐ Yes	□ No
43. Other Federal requirements documentation	☐ Yes	□ No

Attachment 6-B

Summary of Key HOME Rental Program Rules and How to Document

	Key HOME Requirement	Documentation (See checklists for details)
Eligible Activities		
Eligible Activities	 Acquisition, new construction, rehabilitation Developer may be for-profit, nonprofit, CHDO, public 	 Documentation of all expenditures Plans and specifications or work write-ups Picture of unit (optional)
Eligible Costs	Wide variety of costs eligible	Documentation of all costs
	 May refinance (certain conditions) and do initial operating reserves (during first 18 months of project lease-up) 	
Eligible Participants		
Applicant Eligibility	100% of households have annual gross incomes at or below 80% of area median income	Completed application Source documentation (wage statements, interest statements)
	 Initially, PJ determines number of households that must have annual gross incomes at or below 60% of area median income in order to meet "program rule" 	Worksheet or form that shows calculation of income was done in accordance with selected income definition
	 In units with 5 or more HOME-assisted units, tenants of low HOME rent units must have annual gross income at or below 50% of area median income 	
	 Income determined using allowable definition and verified by source documents at tenants' initial occupancy, and every 6th year during affordability period 	
Tenant Selection	Maintain and follow a written tenant selection policy	Written tenant selection policy Weiting list
	Cannot refuse to lease to Section 8 Housing Choice voucher holders or households with comparable assistance	Waiting list Tenant files
Applicant Occupancy	Maintain rent and occupancy throughout affordability period	Documentation of occupancy of units in each rental project (rental compliance report)
Eligible Properties		
Property Type	 Common ownership, management, and financing 	Documentation of type of property (inspection, picture, or other
	Permanent and transitional	documentation) • If more than one building on a site or multiple sites, documentation that it is one project
Property Location	Property must be located within geographic area of the PJ	Application with address in PJ's geographic area
		· Map (optional)

HOME Minimum and Maximum Subsidy	A minimum of \$1,000 in HOME funds must be invested in each assisted unit	Documentation of expenditures
	Maximum may not exceed the 221(d) (3) limits and is based on the portion of total project costs that are HOME-eligible	Worksheet or form that shows that the per unit HOME investment was at least \$1,000 but not greater than the 221(d) (3) limits
HOME Units	Designate units as "fixed" or "floating" before commitment	Documentation that specifies whether units are fixed or floating
	Minimum # of units based on per unit HOME investment	If units are floating, documentation that units are comparable
		Worksheet or form that shows how number of units was determined
Affordability Period	Varies based on HOME investment	Copy of deed restriction and evidence that it was recorded
	HOME rules apply throughout affordability period, regardless of	Other legal documentation that specifies
	ownership	HOME requirements and is enforceable through affordability period
Rents	Low HOME rents: based on 30% of tenant income, or 30% of income of	Documentation that shows designation of high and low HOME rent units
	household at 50% of area median income, or the rent allowable under project-based subsidy	Copy of utility allowances
	 If ≥5 units, 20% of units must have rents that are no more than low HOME rents 	
	High HOME rents: based on fair market rents, or 30% of income of household at 65% area median income	
Property Standards	Acquisition: State/local codes	Documentation of applicable property
	Rehabilitation: State/local codes, rehabilitation standards	standards Copy of written rehabilitation standards
	New construction: State/local codes,	Inspection checklists and work write-ups
	rehabilitation standards, IECC	Inspection reports or certification by inspectors
Leases		
Lease Provisions	Term of lease must be at least one year, unless mutually agreed otherwise	Tenant leases
	 Leases may not contain certain prohibited provisions (listed in 24 CFR 92.253) 	
Termination or Refusal to Renew	Termination or refusal to renew lease must be based on good cause	Tenant files for tenants whose leases have been terminated or not renewed
	Tenants must be given 30-day written notice before termination of tenancy or refusal to renew leases	
	Notice must specify grounds for such action	

Attachment 6-C

Summary of Other Federal Requirements for Rental Programs

Other Federal Requirements	Apply to Homebuyer Programs?	Special Issues/Considerations	Regulatory Citations
Nondiscrimination and Equal Ac	cess Rules	1	
Fair Housing and Equal Opportunity	Yes	PJs must affirmatively further fair housing in the jurisdiction Pay particular attention to signs of discrimination in leasing practices	 24 CFR 92.202 and 92.250 Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) Fair Housing Act (42 U.S.C. 3601-3620) (implemented at 24 CFR Part 100) Executive Order 11063
			(amended by Executive Order 12259) • Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) • 24 CFR 5.105(a)
Affirmative Marketing	Yes, for projects containing five or more HOME-assisted units	PJ must adopt specific procedures and requirements for the project	• 24 CFR 92.351
Accessibility	Yes	New construction in projects with 5+ units and substantial alteration projects with 15+ units must have accessible units (5% for mobility-impaired and 2% for sensory-impaired; no less than one of each) Other rehabilitated properties	Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8) For multifamily buildings only, 24 CFR 100.205 (implements the Fair Housing Act)
		may require modifications • Program must be accessible to persons with disabilities	
Employment and Contracting R	lles	to persons with disabilities	
Equal Opportunity Employment	Yes	Contracts and subcontracts over \$10,000 should include language prohibiting discrimination	Executive Order 11246 (implemented at 41 CFR Part 60)
Section 3 Economic Opportunity	Yes, if amount of assistance exceeds \$200,000 or contract or subcontract exceeds \$100,000	Include Section 3 clause in contracts and subcontracts Employment and contracting goals to hire low-income business concerns and low-income residents	Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)
Minority/Women Employment	Yes	PJ must prescribe procedures and include in contracts and subcontracts	Executive Orders 11625, 12432 and 1213824 CFR 85.36(e)
Davis-Bacon	Yes, if construction contract includes 12 or more HOME-assisted units	Include language in all contracts and subcontracts Requirements apply to whole project not just the HOME-assisted units	 24 CFR Part 70 (volunteers) Copeland Anti-Kickback Act (40 U.S.C. 276c) 24 CFR 92.354 Davis-Bacon Act (40 U.S.C. 276a - 276a-5)

Conflict of Interest	Yes	PJs should ensure compliance both in-house and when using subrecipients	24 CFR 92.35624 CFR 85.3624 CFR 84.42
Debarred Contractors	Yes	PJs must check HUD list of debarred contractors	• 24 CFR Part 5
Environmental Requirements			
Environmental Reviews	Yes	Level of review depends upon	· 24 CFR 92.352
		the activity • For rehabilitation and new	· 24 CFR Part 58
		construction (4 or fewer units); categorically excluded subject to 24 CFR 58.5	National Environmental Policy Act (NEPA) of 1969
		New construction (more than 5 units) subject to environmental assessment	
Flood Insurance	Yes, for PJs that are cities or counties No, for State programs	Must obtain flood insurance if located in a FEMA designated 100-year flood plain	Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106)
		Community must be participating in FEMA's flood insurance program	
Site and Neighborhood Standards	Yes, for new construction only		· 24 CFR 893.6(b)
Lead-based Paint	Yes, for rehabilitation of pre-	Rehabilitation	· 24 CFR 92.355
	1978 units	Notices to owners	Lead-based Paint Poisoning
	Applies to HOME and non- HOME-assisted units	Paint testing of surfaces to be disturbed	Prevention Act of 1971 (42 U.S.C. 4821 et. seq.)
	 Requirements differ depending on whether 	· Risk assessment, if	· 24 CFR Part 35
	rehabilitation work is performed • EPA's Renovation, Repair, and Painting Rule applies	applicable, based on level of rehabilitation assistance	• 24 CFR 982.401(j) (except paragraph 982.401(j)(1)(i))
		 Appropriate level-hazard reduction activity (based on level of rehabilitation assistance) 	· 40 CFR Part 745
		Safe work practices and clearance	
		Provisions included in all contracts and subcontracts	
		Activities not involving rehabilitation	
		Notices to purchasers and tenants	
		Visual assessment must be performed	
		Paint stabilization must be completed, if applicable	
		Safe work practices and clearance	
		Provisions included in all contracts and subcontracts	

Relocation	Yes	 Displacement must be minimized; existing tenants must be provided a reasonable opportunity to lease a dwelling unit in the building upon completion of the project Reimbursement for temporary relocation, including moving costs and increase in monthly rent/utilities, must be provided, as well as advisory services 	 24 CFR 92.353 Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) 49 CFR Part 24 24 CFR Part 42 (subpart B) Section 104(d) "Barney Frank Amendments"
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Attachment 6-D

Summary of Lead-based Paint Requirements for Rental Programs

		Rehabilitation (Subpart J)					
	<\$5,000	\$5,000 - \$25,000	>\$25,000				
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards				
Notification	Yes	Yes	Yes				
Lead Hazard Evaluation	Paint Testing	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment				
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation	Interim Controls	Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation)				
	Safe work practicesClearance	Safe work practicesClearance	Safe work practices Clearance				
Ongoing Maintenance	Rental only	Rental only	Rental only				
EIBLL Requirements	No	No	No				
Options	Presume lead-based paint Use safe work practices on all surfaces	Presume lead-based paint and/or hazardsUse standard treatments	Presume lead-based paint and/or hazards Abate all applicable surfaces				

Attachment 6-E

HOME Rental Project Compliance Report

(PJ should complete and place in project file)

						7	Comments								
						×	Unit in Compliance? (Y or N)	Υ							
						ſ	Maximum Actual Rent (H-I)	\$375							
							Utility Allowance	\$75							
	iod:					Н	Low or High HOME Rent	\$450							
Date:	Reporting Period:					g	Date of Last Income Re-Examination	1/97							
						Ь	Annual (Gross) Income	\$14,000							
						Е	Household Size	3							
						D	Tenant Name	J. Doe							
						ပ	Low or High HOME Rent Unit Designation	٦							
		::	IE Units:	Low HOME Rent Units:_	High HOME Rent Units:	В	No. of Bedrooms	2							
Project:	Address:	No. of Units:	No. of HOME Units:	Low HOME	High HOME	А	Unit #	Example							

Attachment 6-F

Maintaining Unit Mix Flow Chart

Income Recertification Conducted

Income between 50 - 80% AMI

MATTERS ONLY FOR LOW HOME RENT UNITS

- Rent: stays at Low HOME rent until High HOME rent unit is designated as Low HOME rent
- Once replacement is identified, rent adjusts to High HOME rent
- Unit is now designated as a High HOME rent unit

Income greater than 80% AMI

SAME ACTIONS FOR HIGH AND LOW HOME UNITS

Fixed unit:

- Rent: raise to 30% of monthly income
- Next Available HOME unit must address High/Low HOME unit proportions
- No action for next available non-HOME unit

Floating unit:

- Rent: raise to LESSER
 OF 30% monthly income
 or Comparable Market
 Rent
- Next available non-HOME unit
 - Must be designated as HOME unit
 - Address High/Low HOME unit proportions

Chapter 7: Tenant-based Rental Assistance Programs

This chapter describes how to monitor HOME-funded tenant-based rental assistance (TBRA) programs. It is organized into sections that correlate to the three key stages of monitoring:

- Section 1. Pre-monitoring (program design and operations). Pre-monitoring is a systematic way for the PJ to gather background information on the program's administration. It helps the PJ assess if the program administrator has policies and procedures in place to facilitate HOME compliance and helps the PJ prepare for a monitoring site visit.
- Section 2. Project (or case file) monitoring. The core of the PJ's monitoring, project monitoring is a systematic way to review specific case files to assess whether the program administrator follows its procedures in a consistent way while implementing the program, and whether each case is in compliance with the HOME requirements.
- **Section 3. Program monitoring.** Program monitoring is a systematic way to review the overall performance and compliance of the program. It helps the PJ identify patterns and trends in the program, and helps the PJ draw conclusions about the program administrator's policies, procedures, practices, and outcomes.

A TBRA program can be administered by the PJ itself, or by a subrecipient, State recipient, or contractor. This chapter uses the term "program administrator" to refer to any of these entities.

Basis of this Chapter

The checklists in this chapter assist the PJ monitor in evaluating compliance with the key HOME Program requirements related to the TBRA activity. They are based on the following HUD checklists:

- Exhibit 7-0, HOME PJ Pre-monitoring Preparation for Tenant-based Rental Assistance (TBRA) Program
- Exhibit 7-9, Guide for Review of TBRA Projects
- Exhibit 7-10, Guide for Review of TBRA Programs.

The checklists in this chapter can be used instead of the HUD checklists in the *CPD Grantee Monitoring Handbook*. The HUD checklist questions cited in this chapter have been revised slightly for use by the PJ, rather than HUD. Changes to the HUD checklist questions are denoted with [brackets]. In addition, some new questions have been added to the HUD checklists to facilitate the PJ's review. Questions that are denoted with the icon \bigcirc are not on the HUD checklists. All questions are numbered sequentially; the original HUD checklist numbering has not been retained.

Complete copies of the HUD checklists are found in the *CPD Grantee Monitoring Handbook*, available online at **http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm**#7. Chapter 7 of this handbook covers the HOME Program.

Framework for the Monitoring Review

In addition to the key HOME requirements covered in this chapter, there are a number of additional requirements that the PJ monitor needs to review to conduct a comprehensive monitoring review of a TBRA program.

- **Program Administration.** To monitor requirements related to the administration and financial management of the program, refer to other chapters of this guidebook, depending on what entity administers the program:
 - Use Chapter 2, Section 2 of this guidebook to monitor State recipients' and subrecipients' compliance with applicable uniform administrative requirements, and the PJ's management and oversight of these funded entities, when these entities administer the homeowner rehabilitation program.

- Use Chapter 3 of this guidebook to monitor the PJ's administrative and financial management systems. This should be done regardless of how the TBRA program is administered.
- Written Agreements. To monitor whether the HOME written agreement adequately conveys HOME requirements and whether it is enforceable, use one of the following HUD checklists, depending on what type of entity administers the program:
 - Exhibit 7-18, Guide for Review of Subrecipient Written Agreement, when a subrecipient administers program
 - Exhibit 7-15, Guide for Review of Contractor Written Agreements, when a contractor administers program
 - Exhibit 7-17, *Guide for Review of State Recipient Written Agreements*, when a State recipient administers program.

In addition, regardless of who administers the program, the PJ monitor should review the written agreement with the beneficiary. To do this, it can use the following HUD checklist:

- Exhibit 7-14, Guide for Review of Beneficiary Written Agreements.
- Other Federal Requirements. The PJ monitor should use the following HUD checklists to monitor cross-cutting Federal requirements:
 - Exhibit 22-3, Guide for Review of Civil Rights-Related Program Requirements for the HOME Investment Partnerships Program, Sections B (beneficiary data)
 - Exhibit 24-3, Guide for Review of Lead-based Paint Compliance in Properties Receiving Tenant-based Rental Assistance (TBRA).

This guidebook has adapted the HUD monitoring checklists for key **HOME Program requirements for** use by the PJ when it monitors itself and its funded entities. For these areas of review, the PJ monitor is directed to other chapters of this guidebook. For some areas of review (such as other Federal requirements, procurement, and written agreements), the HUD checklists have not been adapted for PJ use. For these areas of review, the PJ monitor is directed to the HUD checklists in the CPD Grantee Monitoring Handbook. The PJ monitor should be able to use these

Resources

The following attachments are provided at the end of this chapter to facilitate the monitoring review:

- Attachment 7-A: Guidance on Calculating Rental Assistance for Certificate and Voucher Programs
- Attachment 7-B: Client File Form Tenant-based Rental Assistance Programs
- Attachment 7-C: Summary of Key HOME Rules for TBRA and How to Document
- Attachment 7-D: Summary of Other Federal Requirements for TBRA Programs
- Attachment 7-E: Summary of Lead-based Paint Requirements for TBRA Programs.

Section 1. Pre-monitoring: Design and Operation of the TBRA Program

Overview of the Pre-monitoring Review

Pre-monitoring helps the PJ:

- · Gather background information about how the program administrator has designed its TBRA program
- Prepare for an onsite monitoring visit
- Assess whether the program administrator has the necessary policies and procedures in place to administer the program in compliance with the HOME requirements.

Pre-monitoring is not required before every onsite monitoring visit. It is recommended when:

- The program administrator is new
- The PJ monitor is reviewing the program administrator for the first time

• The subject under review appears to pose a high risk.

Organization of this Section

This section reviews key program design and operational requirements of a TBRA program, including:

- A. Marketing, tenant selection, and program design
- B. Program administrator
- C. Income definition
- D. Unit compliance

Instructions

The PJ monitor should copy and use the checklists in this chapter to facilitate its pre-monitoring review. For each area of review, the PJ monitor should review relevant documents and answer each checklist question.

The first column, "HUD Checklist Exhibit 7-0 Selected Excerpts," provides the HUD checklist question. It may be adapted somewhat (indicated by the use of [brackets]) for use by PJs.

The second column, "What to Analyze," provides guidance to help the PJ monitor assess compliance.

The third column, "Follow-up Needed at Site Visit," provides space for the PJ monitor to make notes that will facilitate the onsite review. This might be a record of items where a determination of compliance could not be made during pre-monitoring, or a list of questions the PJ monitor will want to ask of the program administrator when on site.

Documentation

The following documents are needed for a pre-monitoring review:

- Copy of the HOME regulations found at 24 CFR Part 92
- HOME income limits in effect for the years under review
- Desk review monitoring file, if available
- Written agreement(s) between the PJ and the subrecipient, State recipient, or contractor, if applicable
- TBRA program policies and procedures
- Application form and program information for TBRA applicants
- Participant selection and TBRA preference policies
- Marketing procedures or plan and marketing materials (such as advertisements and flyers)

TBRA Rental Assistance Models

Generally, there are two models that PJs follow to implement their TBRA programs:

- Section 8 Certificate Program model. Under a TBRA program modeled after the Section 8 Certificate Program, (which was combined with the Section 8 Voucher program), a tenant pays 30 percent of its monthly adjusted gross income toward rent. The TBRA assistance makes up the gap between the tenant's payment and the actual rent plus utilities for the tenant's unit. The rent and utilities of the unit selected by the household may not exceed the PJ's payment (rent) standard.
- Section 8 Voucher Program model. Under a TBRA program modeled after the Section 8 Housing Choice Voucher Program, the PJ calculates the difference between 30 percent of the household's monthly adjusted gross income and a payment (rent) standard established by the PJ. This gap is the constant amount of the monthly TBRA assistance. The household is free to select any unit, at any rent. If the household selects a unit that rents for more than the payment (rent) standard, the household's monthly payment will exceed 30 percent of its monthly adjusted income. If the household selects a unit that rents for less than the payment (rent) standard, the household's monthly payment will be less than 30 percent of its monthly adjusted income.

The PJ monitor should request any documentation it does not have from the PJ staff or the State recipient, subrecipient, or contractor (as applicable) prior to conducting the premonitoring review.

- Guidance on making income determinations (provided by the PJ)
- Local standards or HUD's housing quality standards (HQS) used for TBRA program

A. Marketing, Tenant Selection, and Program Design

Background: PJs are permitted to undertake TBRA programs only when they certify in their Consolidated Plans that they have an unmet housing need that can be addressed by TBRA, and they present the local market conditions that lead to the decision to provide TBRA assistance. TBRA programs must be marketed and administered in an equitable manner and in compliance with fair housing legislation and HOME Program regulations.

Regulatory Basis: 24 CFR 92.209 and 92.350



- Participant selection policy
- Marketing procedures or plan and materials (such as advertisements and flyers)
- Application for TBRA assistance
- Consolidated Plan and/or annual action plan with description of TBRA program
- TBRA certification form
- TBRA program policies and procedures

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
1. Are there written informational materials about the program available for potential applicants or unit owners? If "yes" obtain copies. Yes No	Marketing should be conducted to reach a full range of potential clients. Marketing materials: Must include fair housing language and logo Should be written in clear and simple terms Should be available in other languages.	

P. th a) b) c) d) e)	waiting list or does it use the Section 8 waiting list? What is the preference system used in the TBRA program? Is the TBRA program targeted to a special needs population?	Program materials should be written in user-friendly terms and clearly explain: How to apply for assistance What assistance is available Who is eligible to receive assistance How the assistance amount is determined What housing the applicant can use the assistance for (location/portability). If assistance is provided on first-come first-served basis, procedures should specify that date and time must be stamped on each application upon receipt. If lottery system is used, procedures should state date of lottery draw and that applicants will be notified in writing of outcome. If other, the selection procedures must reflect an equitable process.	
	Selection policy must: • State that applicants that are with an explanation of why the specifically prohibit unlawful of friends or relatives, and poter Selection policy should also: • Specify tenant selection crite	ria and preferences, if applicable the income limits of the program.	
pı w a)	btain a copy of written TBRA rogram procedures to determine hether: Recipients receive accurate and timely information regarding the amount and period of assistance; the PJ's policy on renewals; the unit size for which they are approved; and rent reasonableness. Participating unit owners receive written information regarding property standards; lease conditions; rent reasonableness and payment standards, and utility allowances.	Program procedures should clearly describe the in-take and tenant selection process to ensure that applicants are given: Full information about their determination of eligibility Amount and type of financial assistance they are entitled to receive What housing they can use the assistance for (unit size, standards, lease terms, etc). Basis of funding decisions must be consistent for all applicants.	

4. Does the PJ's TBRA pro- an unmet need identified Consolidated Plan, base the description of the p in the annual action pla other written materials?	ed in its ed upo rogram in or	s n ı	Consolidated Plan and/or annual action plan must indicate that TBRA can meet an unmet need, and must include description of market conditions that lead to this conclusion.	
92.209(b)]			TBRA Preferences	
□ Yes □ No		assis be do and a Typic · S · P	PJ can determine its preferences for TBRA stance; however, these preferences must be cumented in the PJ's Consolidated Plan a TBRA certification must be completed. all preferences for TBRA programs include: eniors (62 years of age and older) ersons with special needs ormerly homeless persons.	
5. Has the PJ submitted a signed TBRA certification with its Consolidated Plan? [24 CFR 91.255(d)(1), 91.325(d)(1), and 91.425(a)(2)(i)]		d	The TBRA certification must be attached to the Consolidated Plan.	

B. Program Administrator

Background: TBRA programs must be administered by a qualified program administrator, and the PJ monitor should be familiar with the program administrator's roles and responsibilities before conducting a site visit.

Regulatory Basis: Recommended



- Written agreement(s) between the PJ and the subrecipient, State recipient, or contractor that administers the TBRA program
- HOME status reports from staff or subrecipients

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
6. Does the PJ directly administer the TBRA program or use subrecipient[s] for this purpose If a subrecipient is used, obtain a copy of the HOME written agreement for this activity. ☐ Yes ☐ No	required provisions that are outlined at 24 CFR 92.504(c).	
Most TBRA programs a a subrecipient (often, t agreement with a subre	ements s ement of funds	

C. Income Definition

Background: All HOME funds must benefit low-income or very low-income households. A low-income household is defined as a household with an annual gross income at or below 80 percent of the area median income, as determined by HUD and adjusted for household size. A very low-income household has an annual gross income at or below 50 percent of area median income as determined by HUD. In addition, 90 percent of the PJ's annual HOME allocation that is invested in rental housing (TBRA and rental development programs combined) must be in housing that is occupied by persons with annual gross incomes at or below 60 percent of area median income.

In order to meet these requirements, the program administrator determines the income-eligibility of households assisted with HOME funds. Income-eligibility is based on the anticipated annual gross income of family members in the household using one of the following definitions:

- Part 5 (Section 8) definition of annual income
- Internal Revenue Service (IRS) definition of adjusted gross income from IRS Form 1040 Long Form
- U.S. Census Bureau Long Form definition of annual income.

The PJ must identify definition of income is used for the TBRA program. Only one definition can be used for the TBRA program.

Regulatory Basis: 24 CFR 92.203

Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, if applicable
- Policies and procedures identifying the definition of income used for the activity
- Copies of the HUD income limits for the years being monitored

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit
7. What definition of income is being used for the TBRA program? Obtain the HUD income limits for years being monitored. [24 CFR 92.203(b)]	The written agreement and TBRA policies and procedures should identify what definition of income must be used to determine household income-eligibility. The PJ should provide program administrator with detailed guidance about how to apply the definition of income.	

D. Unit Compliance

Background: Housing that is occupied by persons receiving TBRA must meet certain property standards. At a minimum, the property must meet HUD's housing quality standards (HQS). The PJ can use a higher State/local standard.

Regulatory Basis: 24 CFR 92.251



- Procedures that identify the applicable property standard (State or local code, or HQS)
- Unit inspection procedures, inspection form, and approval documentation

HUD Checklist Exhibit 7-0 Selected Excerpts	What to Analyze	Follow-up Needed at Site Visit					
8. Is the property standard in place at least HQS or a higher local standard? [24 CFR 92.251] Yes No	Policies and procedures should specify what property standards apply. HUD HQS is a minimum standard. If a State/local code is used, it must be equivalent or more stringent than HQS.						
9. Are units inspected and approved prior to household occupancy? ☐ Yes ☐ No	Written agreement and procedures for inspections must specify that units must pass inspection prior to approval/occupancy. Written agreement and procedures should specify the PJ's occupancy standards. Occupancy standards should be clearly stated in program materials for applicants.						
Occupancy Standards The program administrator is permitted to impose occupancy standards, in addition to the applicable property standard. Occupancy standards ensure that units are the appropriate size for the applicant household. The HQS may be used and modified to take into consideration specific household composition and circumstances. Examples include: Permitting persons of the opposite sex, other than spouses, to have separate bedrooms Permitting or requiring young children of the opposite sex to share a bedroom Permitting different generations of the same sex to have separate bedrooms Providing for less than two persons per living/sleeping area in the case of medical necessity.							

Summary of Pre-monitoring Review

TBRA Program

Instructions: Using the completed checklists from the pre-monitoring review, complete the following chart to summarize the monitoring results. The written documentation that should have been examined includes: written agreement between the PJ and the subrecipient, State recipient, or contractor, if applicable; subsidy contract with the landlord or tenant; and program policies, procedures, and other program materials.

	No Apparent Problems with written documentation	Follow-Up Needed
A. Marketing, tenant selection, and program design		
B. Program administrator		
C. Income definition		
D. Unit compliance		

Section 2. Project (Case File) Monitoring

Overview of the Project Monitoring Review

During project monitoring, the PJ monitor:

- Reviews individual project files for the tenant-based rental assistance program
- Determines whether the program administrator complies with the HOME requirements in the implementation of the program.

The program administrator should have a project file (also known as a "case file") for each tenant that receives HOME TBRA assistance. The PJ monitor must review a sufficient sample of project files to determine that the program administrator is complying with all applicable HOME requirements. Generally, the PJ monitor should randomly select at least 10 percent of the files, or a minimum three project files if the program is small. In addition, it should select the files of any project that it has concerns may be at risk for noncompliance or performance difficulties.

When the PJ uncovers instances of noncompliance in the project review, it must take steps to see that the noncompliance is corrected in each instance.

Note, the results of project monitoring can be aggregated, or looked at in their entirety, to draw conclusions about the overall performance of the program administrator. This process can be done at the conclusion of the project monitoring review, or it can be done as part of the PJ's program monitoring, which is discussed in Section 3 of this chapter.

Organization of this Section

This section is organized into the following sections:

- A. Participant eligibility
- B. Subsidy administration
- C. Unit compliance
- D. Lease provisions

Instructions

The PJ monitor should copy and use the checklists in this chapter to conduct its project monitoring review. For each area of the review, the PJ monitor should review relevant documents and answer each checklist question. A separate checklist should be completed for each case file reviewed.

The first column, "HUD Checklist Exhibit 7-9 Selected Excerpts," provides the HUD checklist questions. It may be adapted somewhat (indicated by the use of [brackets]) for use by PJs.

The second column, "Identified Problems," lists potential compliance issues. The PJ monitor should check off any of the "Identified Problems" that he or she encounters while reviewing project files.

At the end of each subsection is a "Notes" form for the PJ to make notes on findings and recommended actions.

Documentation to Bring

The following documents are needed for an onsite project monitoring review:

- Pre-monitoring review, if available
- HOME written agreement between the PJ and the subrecipient, State recipient, or contractor, if applicable
- Policies and procedures for the TBRA program
- Copy of the HOME regulations found at 24 CFR Part 92
- HOME income limits in effect for the years under review

A. Participant Eligibility

The requirements related to participant eligibility describe who is eligible to receive TBRA and covers the following topics:

- 1. Income-eligibility
- 2. Participant selection

1. Income-eligibility

Background: Income-eligibility refers to the requirement that every tenant that receives HOME TBRA must have an annual gross income that is at or below 80 percent of the area median income. In addition, the PJ must ensure that 90 percent of each annual HOME allocation that is invested in rental housing (TBRA and rental development programs combined) provides housing that is initially occupied by households with an annual gross income at or below 60 percent of area median income. Therefore, most households receiving TBRA must meet this deeper income targeting requirement. The PJ determines how these income targeting requirements are met and specifies its income targeting requirements for the TBRA program in its written agreement with the State recipient, subrecipient, or contractor.

Tenant household income-eligibility must be determined prior to occupancy and then annually using source documentation.

Regulatory Basis: 24 CFR 92.203(b), 92.203(a)(1), 92.209(c) and 92.508(a)(3)(v)

Documentation:

- Written agreement between the PJ and the State recipient, subrecipient, or contractor, if applicable
- Application that lists all household members and states the income/employment of each household member, including the applicant's position, income, and length of time at job
- Procedures that specify the applicable income definition and describe how to determine the household income for the TBRA program
- Source documentation of income (such as pay stubs, bank statements, or verification of public assistance) for all household members
- Worksheet or form that shows calculation of anticipated household income and compares it to current HUD income limits for the applicable household size
- Acceptance or rejection letter

HUD Checklist 7-9 Selected Excerpts	Identified Problems
1. Was the household's projected annual income calculated in accordance with the Technical Guide for Determining Income and Allowances for the HOME Program? [24 CFR 92.203(b)] Yes No Resources for Determining Income HUD Income Limits are revised annually and are available from the HUD Field Office or on the HUD website at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm. Technical Guide for Determining Income and Allowances for the HOME Program, is available from Community Connections at 1-800-998-9999. HUD's Income and Allowances Calculator is available online at http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm.	 □ No worksheet in file showing how income was determined □ Household size not verified through application or personal interview □ Income not calculated correctly—all applicable income not "counted" as income or income that could have been excluded was counted □ Anticipated income (expected in the next twelve months) not used □ Income for all household members not counted □ Income not calculated within six months of HOME assistance
Was the applicable definition of income used (e.g., the definition selected for the TBRA program)? □ Yes □ No	☐ Wrong definition used☐ No definition used
3. Was household income supported with source documentation? [24 CFR 92.203(a)(2)]	 ☐ Income not verified with source documentation ☐ Source documentation not sufficient
 Wage statements Social security letters Third party verification (such public assistance administrements) 	h as verification from employers, rator, unemployment office, etc.). hinations must be done with source pasis for TBRA.
 4. Was the household's annual income not more than 80% of the area median income? [24 CFR 92.209(c)(1)] ☐ Yes ☐ No 	 □ No worksheet to show comparison of HUD income limits to the household income □ Wrong HUD income limits used (e.g., wrong year) □ Household received funds, but was over-income
5. Is the household's income re-determined annually? [24 CFR 92.209(c)] ☐ Yes ☐ No	 ☐ Household income not re-determined annually ☐ No source documentation for re-determination

2. Participant Selection

Background: The program administrator must adopt and use the PJ's tenant selection policies and preferences.

Regulatory Basis: 24 CFR 92.209(c)

Documentation:

- Consolidated Plan or annual action plan that describes TBRA preferences
- PJ's tenant selection criteria

- Program procedures that indicate tenant selection preferences and residency requirement (if applicable), and how these are applied
- Waiting list and/or applicant selection information
- Worksheet or form that documents tenant selection and/or referral form from a service provider
- Documentation of residency (such as driver's license or utility bills), if applicable
- Section 8 waiting list at time of tenant selection and at time of monitoring visit

HUD Checklist 7-5 Se	lected Excerpts	Identified Problems	
6. Was the participant selected in accordance with the preferences adopted by the PJ? [24 CFR 92.209(c)] ☐ Yes ☐ No		☐ No documentation that participant met F☐ Participant did not meet preferences	PJ preferences
7. If the PJ has a residency requirement for TBRA recipients, did the participant meet it? ☐ Yes ☐ No		☐ Participant served lives outside of PJ bo☐ No documentation of residency	undaries
8. Does the file indicate whether o Section 8 waiting list (so that th may ensure the household mair [24 CFR 92.209(1)]	e [program administrator]	☐ No documentation about participant's sp☐ Participant served lost its place on the S	_
☐ Yes ☐ No	Maintaining Spot on Section 8 Waiting List Monitors should be able to determine (based upon a comparison of the waiting list and applicant files) those applicants who met the preference criteria and when they were chosen for assistance.		
NOTES on Participant Eligib	ility		

B. Subsidy Administration

Subsidy administration covers the following topics:

- 1. Type of assistance
- 2. Rental assistance calculation
- 3. Subsidy contracts.

1. Type of Assistance

Background: HOME can be used to pay rental assistance and/or to provide funds for security or utility deposits, provided that the PJ documents that this type of assistance is needed in the jurisdiction in its Consolidated Plan. Utility deposit assistance can only be provided in conjunction with rental or security deposit assistance.

Regulatory Basis: 24 CFR 92.209(a) and (b)



- Consolidated Plan or annual action plan and program materials that specify the type of TBRA assistance provided in the program
- Worksheet or form that shows subsidy calculation
- · Worksheet or form that shows security deposit amount
- Copy of checks for security and/or utility deposit provided to the landlord, tenant, or utility company, as applicable

HUD Checklist 7-9 Selected Excerpts	Identified Problems
9. Are all costs paid in connection with the tenant eligible (rental assistance, security deposit, and utility deposits if provided in conjunction with rental or security deposit assistance)? [24 CFR 92.209(a) and 24 CFR 85.20(b)(5)]	 □ No clear documentation on how funds were used □ Type of assistance is not consistent with the PJ's Consolidated Plan and/or procedures □ Utility deposit assistance was provided without rental assistance or security deposit assistance
Eligible Utility	Deposit Assistance
are typically standard tenant-paid utilities: Gas Electric Water/sewer Garbage removal.	ed to be paid by tenants (such as telephone, be included in utility deposit assistance.
10. If security deposit assistance was provided, was the amount less than 2 months' rent? [24 CFR 92.209(j)(2)] ☐ Yes ☐ No	 □ No clear documentation on how the security deposit amount was determined □ Security deposit was greater than two months rent □ Amount of security deposit assistance was not reasonable or customary in the local housing market

2. Rental Assistance Calculation

Background: Rental assistance must be calculated correctly and consistently for all participants, given the program model chosen: voucher, certificate, or other. Detailed guidance on how to calculate rental assistance for each model type is provided in Attachment 7-A at the end of this chapter.

Documentation:

- Worksheet or form that shows how the annual gross income was calculated for the household, and related source documentation
- Worksheet or form that shows how the adjusted monthly gross income was calculated
- Worksheet or form that shows how the subsidy amount was calculated
- Worksheet or form that shows the comparison of the actual rent of the unit to the payment standard, for certificate model program
- Worksheet or form that shows the comparison of the actual rent of the unit to area market rents, for voucher model program
- Worksheet or form that shows the comparison of the tenant total tenant payment to the PJ's established policy for minimum contribution toward rent

HUD	Checklist 7-9 Selected Excerpts	Identified Problems
11. Was the total tenant payment calculation based upon adjusted (gross) income? [24 CFR 92.209(e) and (h)]		☐ No documentation showing how total tenant calculation was determined
□ Yes □ N	No	☐ Total tenant payment based on adjusted (gross) income, but not calculated correctly
		☐ Total tenant payment based on something other than adjusted (gross) income
using the excl explained in t	cipant's adjusted (gross) income calculated lusions established in 24 CFR 5.611 and the Technical Guide for Determining Income es for the HOME Program? [24 CFR 92.203(c)]	☐ No documentation showing how income was determined ☐ Inaccurate adjusted monthly (gross) income calculation
13. Is the monthly TBRA subsidy no more than the difference between the PJ's rent standard for the unit size and 30% of the household's adjusted (gross) income? [24 CFR 92.209(h)(1)] ☐ Yes ☐ No		 □ No documentation that this determination was made □ Correct PJ's rent standard not used □ 30% of household adjusted (gross) income was not calculated correctly □ Monthly TBRA assistance is greater than difference between the PJ's rent standard and 30% of the household's adjusted monthly gross income
· M · E: tr	Rent Standards The PJ must establish a rent standard for each unit size, based on: Market conditions, or Estimation of rents for the area that is not less than 80% of the Fair Market Rents (FMR) nor greater than the FMR or HUD-approved exception rent for the area (approved for the local housing authority). The rent standards for the area must be updated annually.	
On a	On a case-by-case basis, up to 20% of the units approved for TBRA may exceed the rent standard by no more than 10%.	

14. Does the tenant pay a contribution toward rent at least equal to the PJ's established minimum rent contribution? [24 CFR 92.209(h)(2)]☐ Yes ☐ No		stablished minimum rent contribution?	 □ Tenant contribution toward rent is less than the minimum contribution toward rent □ Tenant does not contribute toward rent 	I
		Determining the Tenan	t Payment and Subsidy Limit	
		The PJ must establish a minimum tenant	payment and maximum subsidy limit.	
		Tenant Rent Contribution. Tenants must pay some amount (more then \$0) toward rent. The PJ can set this as a percentage of the household income, or as a flat amount.		
	Þ		ssistance cannot be provided in an amount that program's payment standard (see question ed monthly gross income.	
15 Is the rent o	harged	I for the unit reasonable? [24 CFR	☐ No documentation to show that the program administrato	or.
92.209(f)]	naigee	To the unit reasonable: [24 ork	verified that the rent was reasonable	Л
□ Yes □	l No		☐ Rent exceeds the payment standard for a certificate mode program; rent is not comparable to rents for non-assisted units in the area for a voucher model program	

3. Subsidy Contracts

Background: The PJ must have a written agreement (subsidy contract) with the recipient of HOME funds; the PJ can make rental payments to either the landlord or the tenant. A subsidy contract with a landlord cannot exceed the length of the lease; a subsidy contract with the tenant cannot exceed 24 months.

Regulatory Basis: 24 CFR 92.209(e) and (k), and 92.504(b)

Documentation:

- TBRA contract or written agreement between the PJ and either the landlord or the participant; or a three-party agreement
- Financial records that indicate the payments to landlord, if applicable

16. Is the TBRA contract between the PJ and the participant for a period of no more than 24 months (there may be a renewal clause)? [24 CFR 92.209(e)] ☐ Yes ☐ No	 □ TBRA contract with the participant is for a period that is greater than 24 months □ TBRA contract with the participant does not specify the time period □ PJ provides TBRA funds to the participant but has not executed a subsidy contract
17. Has the PJ entered into a written agreement with the landlord enumerating his or her responsibilities with respect to the HOME TBRA? [24 CFR 92.209(k) and 24 CFR 92.504(b)] □ Yes □ No	 □ TBRA contract or written agreement with the landlord exceeds the lease timeframe □ PJ provides TBRA funds to the landlord but has not executed subsidy contract
When the program administrator put the landlord, it is strongly recomm	Party Agreements rovides rental payments directly to ended that the program administrator eement as well so that the tenant is sibilities and rights.

18. Has the PJ made timely rental assistance payments to the landlord or tenant? □ Yes □ No	$\ \square$ PJ's payments are not made on a timely basis consistently
2.55 2.55	
NOTES on Subsidy Administration	

C. Unit Compliance

Background: Tenants receiving TBRA assistance must occupy units that meet applicable property standards. Units must meet, at a minimum, the Housing Quality Standards (HQS) of the Section 8 Housing Choice Voucher program, found at 24 CFR 982.401. The PJ can adopt a higher property standard. The program administrator must inspect the unit initially and re-inspect it annually.

The program administrator must also ensure that in pre-1978 units where there is a child under the age of 6 years, a visual assessment for chipping, peeling, or flaking paint is conducted.

Regulatory Basis: 24 CFR 92.209(i)



- Annual HQS inspection forms, including a visual assessment for lead-based paint hazards
- Tenant application
- Tenant lease
- PJ occupancy standards
- HQS inspection form
- Property maintenance requests and notes on resolution of requests
- Correspondence with property owner regarding any violations and corrective actions

HUD Checklist 7-9 Selected Excerpts		Identified	Problems
19. Is there evidence in the file of an initial Section 8 Housing Quality Standards (HQS) inspection at the time the original lease was signed? [24 CFR 92.209(i) and 24 CFR		☐ No initial HQS inspection form☐ HQS inspection conducted af	
982.401] ☐ Yes ☐ No	The PJ monitor should co (on the inspection report) the lease (on the lease) t	The PJ monitor should compare the date of the inspection (on the inspection report) with the date the tenant signed the lease (on the lease) to ensure that the unit passes inspection before the tenant executed a binding lease agreement.	
20. Did the unit meet the HQS requapplicable lead hazard reduction tenant moved in? (Complete Eximonitoring Guidance, to answer 92.209(i)]	n requirements) before the hibit 24-5, Lead Hazard	 □ No HQS inspection form in fil □ Inspection revealed that repart occupancy, but re-inspection □ Inspection conducted after the 	airs were needed prior to report not in file
21. Are periodic Section 8 HQS inspections being carried out at least annually? [24 CFR 92.209(i)] ☐ Yes ☐ No		☐ No annual HQS re-inspection☐ HQS inspections not conduct	
22. If a child with an environmental intervention blood lead level (EIBLL) was living in the assisted unit, were the property evaluation (risk assessment within 15 days of notice by health department or medical health care provider), reduction of hazards (within 30 days of owner's receipt of risk assessment), and notification steps (evaluation and hazard reduction within 15 days of the activity) taken? [24 CFR 35.1225] ☐ Yes ☐ No ☐ N/A		☐ Proper steps not taken: ☐ No risk assessment ☐ No notice to tenants in booking in the latest of t	uilding
23. If a tenant complaint indicated to were not being met, did the PJ in the problems were corrected time. Yes No N/A	nvestigate and ensure that	☐ No documentation on the rest requests☐ Repair requests not conducted	
24. Is the unit in compliance with the standards with respect to house □ Yes □ No		☐ Unit size for household does standard	not meet the PJ's occupancy
NOTES on Unit Compliance			

D. Lease Provisions

Background: Units occupied by tenants receiving HOME TBRA must meet HOME lease requirements: (1) The lease must be for at least one year in length, unless otherwise mutually agreed upon, and (2) The lease must not contain any prohibited lease provisions.

Regulatory Basis: 24 CFR 92.209(g) and 92.253(a) and (b)



- Lease
- TBRA written agreement between the PJ and landlord
- Documentation of PJ review and approval of lease (such as a lease review checklist)

HUD Checklist 7-9 Selected Excerpts	Identified Problems
25. Is the lease for at least one year, unless otherwise agreed upon by the owner and tenant? [24 CFR 92.209(g) and 92.253(a)]	☐ Lease is for less than one year, and no documentation on file of mutual agreement
26. Is the lease free of the following prohibited lease provisions: Agreement to be sued? Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease. [24 CFR 92.253]	☐ Lease contains this prohibited lease provision
27. Is the lease free of the following prohibited lease provisions: Treatment of property? Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of both parties. (This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law). [24 CFR 92.253]	☐ Lease contains this prohibited lease provision
28. Is the lease free of the following prohibited lease provisions: Excusing owner from responsibility? Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent. [24 CFR 92.253]	☐ Lease contains this prohibited lease provision

29. Is the lease free of the following prohibited lease provisions: Waiver of notice? Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant. [24 CFR 92.253] ☐ Yes ☐ No	☐ Lease contains this prohibited lease provision
30. Is the lease free of the following prohibited lease provisions: Waiver of legal proceedings? Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties. [24 CFR 92.253] ☐ Yes ☐ No	☐ Lease contains this prohibited lease provision
31. Is the lease free of the following prohibited lease provisions: Waiver of jury trial? Agreement by the tenant to waive any right to a trial by jury. [24 CFR 92.253] ☐ Yes ☐ No	☐ Lease contains this prohibited lease provision
32. Is the lease free of the following prohibited lease provisions: Waiver of right to appeal court decision? Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease. [24 CFR 92.253] ☐ Yes ☐ No	☐ Lease contains this prohibited lease provision
33. Is the lease free of the following prohibited lease provisions: Tenant chargeable with cost of legal actions regardless of outcome? Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses. [24 CFR 92.253] ☐ Yes ☐ No	☐ Lease contains this prohibited lease provision
34. [If TBRA assistance was provided to landlord,] did the lease and the TBRA written agreement begin and, if applicable, end on the same date? [24 CFR 92.209(e)] ☐ Yes ☐ No	
35. Did the [program administrator] review and approve the lease? [24 CFR 92.209(k) ☐ Yes ☐ No	 □ No documentation of lease review □ Lease review did not include review of: □ Prohibited provisions □ Length of lease □ Rent amount

NOTES on Lease Provisions

Summary of Results: Project Monitoring

TBRA Program

Instructions: Using the completed checklists, complete the following chart to assist with summarizing the monitoring results.

	No Apparent Problems	Problems Identified	Follow-Up Needed
A. Participant Eligibility 1. Income-eligibility			
Participant selection			
B. Subsidy Administration 1. Type of assistance			
Rental assistance calculation			
3. Subsidy contracts			
C. Unit Compliance			
D. Lease Provisions			

Section 3. Program Monitoring: TBRA Program

Purpose of the Program Review

The program review helps the PJ assess how well the TBRA program is operating. Ideally, it is done in conjunction with the pre-monitoring review of policies and procedures (Section 1 of this chapter) and the project file review (Section 2 of this chapter). It helps the PJ answer:

- Does the program administrator comply with HOME requirements in all cases? By looking at the results of the project file review, the PJ monitor can identify areas where the program administrator performs consistently and where there are recurring problems.
- Does the program administrator have effective written documentation supporting the program? The program's written documentation includes the written agreement with the PJ, policies, procedures, and other program materials that clearly state the HOME requirements and expectations. By evaluating the program's written documentation, the PJ monitor can determine if the program administrator has adequate systems in place to promote compliance and performance.

How this Section Is Organized

The checklist in this section summarizes the HOME requirements that are reviewed in detail in Section 1 (pre-monitoring review) and the Section 2 (project review). This section does not use HUD checklist questions verbatim, as do the other sections of this chapter. However, this section covers the same HOME requirements and is organized in the same manner at the HUD Checklist Exhibit 7-10, *Guide for Review of Tenant-based Rental Housing (TBRA) Programs*. It includes the following sections:

- A. Program design
- B. Participant eligibility
- C. Subsidy administration
- D. Unit compliance

Instructions

The PJ monitor should use one copy of the checklist in this section of this chapter to conduct a program of review the TBRA program administrator (funded entity or PJ).

Column 1, "HOME Requirement," identifies the HOME requirement under review.

In columns 2a, 2b, and 2c, "Program Implementation," the PJ monitor summarizes its findings of the project monitoring review and indicates how often the program administrator effectively met the requirement (always, sometimes, or never).

In columns 3a, 3b, and 3c, "Effectiveness of Documentation," the PJ monitor documents the findings of the pre-monitoring review, if it was done, or reviews the program's written documentation. The PJ monitor checks whether the requirement was: (1) Stated in the written agreement between the PJ and the program administrator State recipient, subrecipient, or contractor (as applicable) in column 3a; (2) Adequately reflected in the program administrator's policies and procedures in column 3b, or (3) Documented in other written documentation such as program application or other program materials in column 3c.

A "Notes" section is provided at the end of each area of review for the PJ monitor to elaborate on any of its findings, as needed.

How to Use the Program Review

The PJ monitor can use the program review in a few different ways:

- To consolidate the results of a premonitoring and project monitoring review.
 To do this, complete the questions in Column 2. For any area where there is a potential problem, also complete Column 3.
- To conduct a cursory review of the program's operations. To do this, complete the questions in Column 3 only. This results in a review of the written documentation and program policies and procedures that constitute the foundation of the program's operation.
- To interview staff. To do this, ask the interviewee how the requirement specified in Column 1 is implemented. Take notes in Column 3(c), to the extent possible and on other paper as needed. Use interview results in conjunction with desk and project file reviews to draw conclusions about the program's operations.

Documentation

The following documents are needed for a program review:

- Copy of the HOME regulations found at 24 CFRR Part 92
- Written agreement between the PJ and the State recipient, subrecipient, or contractor, if applicable
- Written agreement between the program administrator and the TBRA participant, and/or the landlord, as applicable
- Lease
- Pre-monitoring file(s) or checklist results, if available
- Project monitoring file(s) or checklist results, if available

1. HOME Requirement							
		Project monitoring shows that program administrator complied with this requirement			This requirement is clearly stated in		
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)	
PROGRAM DESIGN	•	•					
Certify the need for TBRA in Consolidate Plan	ed						
☐ Yes ☐ No							
[24 CFR 92.209(b)]							
*PJ responsibility							
Identify special needs group as having a unmet need in Consolidated Plan	an						
□ Yes □ No							
[24 CFR 92.209(c)(2)(ii)]							
*PJ responsibility							
Follow PJ's tenant selection policies and criteria (preferences)	ı						
[24 CFR 92.209(c)]							
*PJ responsibility to establish the policy	/						
For programs where a special needs group(s) has a preference, make services non-mandatory							
[24 CFR 92.209(c)(2)(i)]							
5. Apply preference system consistently and in a manner that does not limit the opportunities of persons on any basis prohibited by law							
[24 CFR 5.105(a)]							
6. Ensure that participants who are on the Section 8 waiting list retain their Sectio 8 eligibility after they receive HOME TBF	n						
[24 CFR 92.209(c)(1)]							

1. HOME Requirement	2. Effective	eness of Impler	nentation	3. Effective	ness of Documen	tation
Does the program administrator or		nitoring shows th trator complied v requirement		This requirement is clearly stated in.		ed in
developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)
Notes:						
PARTICIPANT ELIGIBILITY						
1. Use current HOME income limits						
[24 CFR 92.209(c)(1)]						
Use one of the three permissible definitions of income						
[24 CFR 92.203(b)]						
3. "Count" anticipated household income (for upcoming 12 month period)						
[24 CFR 92.203(d)] 4. Verify household income with source						
documentation						
[24 CFR 92.203(a)(2)]						
Determine household income on an annual basis						
[24 CFR 92.209(c)(1)]						
Notes:						
SUBSIDY ADMINISTRATION						
Execute TBRA contracts with the participant for a period of no more than 24 months (when assistance is provided to tenant) TO TO DO CONTRACT						
[24 CFR 92.209(e)(1)] 2. Calculate adjusted (gross) income						
correctly [24 CFR 92.203(d)]						
Ensure maximum monthly TBRA						
subsidies are no more than the difference between the PJ's rent standard for the unit size and 30% of the participants' adjusted (gross) income						
[24 CFR 92.209(h)(l)]						
Ensure that the tenant pays the minimum rent contribution established						
[24 CFR 92.209(h)(2)]						
*PJ responsibility to establish the minimum contribution						

1. HOME Requirement	2. Effectiveness of Implementation			3. Effectiveness of Documentation		
		nitoring shows th strator complied v requirement		This requirement is clearly stated in		
Does the program administrator or developer	(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify
5. Use a reasonable payment standard, based on either market conditions or 80-100% of FMR						
[24 CFR 92.209(h)(3)(i)]						
*PJ responsibility to establish a reasonable payment standard						
Notes:						
LEASES	1	1			1	I
Review and approve all leases						
[24 CFR 92.253(a) and (b)]						
Ensure no prohibited lease provisions are included in leases						
[24 CFR 92.253(a) and (b)]						
3. Disapprove leases (initial and renewal) for units that are not rent-reasonable						
[24 CFR 92.209(f)]						
RENTAL ASSISTANCE CONTRACT						
Ensure landlord requirements in written						
agreements are met with respect to their HOME TBRA responsibilities						
[24 CFR 92.209(e)]						
Allocate correct utility payments to the owner or tenant, depending on which party pays utility bills						
[24 CFR 92.209(k) and 92.504(b)]						
3. Pay landlords and tenants timely						
[24 CFR 92.209(e)]						
 Ensure costs paid are eligible and reasonable 						
[24 CFR 92.209(a) and 24 CFR 85.20(b) (5)]						
Notes:						

2. Effecti	veness of Imple	nentation	3. Effective	eness of Documen	tation	
	Project monitoring shows that program administrator complied with this requirement			This requirement is clearly stated in		
(a) Always	(b) Sometimes	(c) Never	(a) Written Agreement with PJ	(b) Administrator's Policies & Procedures	(c) Other (Specify)	
	Project mor adminis	Project monitoring shows the administrator complied requirement	Project monitoring shows that program administrator complied with this requirement (a) (b) (c)	Project monitoring shows that program administrator complied with this requirement (a) (b) (c) (a) Always Sometimes Never Written Agreement	Project monitoring shows that program administrator complied with this requirement (a) (b) (c) (a) (b) Always Sometimes Never Written Administrator's Agreement Policies &	

Attachment 7-A

Guidance on Calculating Rental Assistance for Certificate and Voucher Model Programs

One of the most important decisions PJs must make with regard to TBRA programs is how to calculate the tenant and PJ contributions to rent. Three important factors affect the PJ's (and the household's) payment:

- The family's income—the lower the family's income, the higher the PJ's payment
- The payment (rent) standard the PJ establishes for each bedroom size
- The cost of housing and utilities for the unit the family selects.

In addition, the subsidy depends upon the TBRA model selected by the PJ. How to determine the subsidy under the different methods is discussed below.

Calculating Rental Assistance when Using the Section 8 Certificate Model

The Section 8 Rental Certificate Program model assumes a fixed *tenant* payment. The tenant's share of housing costs (Total Tenant Payment, or TTP) is calculated by formula. The PJ then pays the difference between the tenant's share and the approved rent for the unit.

The formula for computing TTP under the Section 8 Rental Certificate Program requires a tenant to pay the greater of:

- 30 percent of monthly adjusted income
- 10 percent of monthly gross income
- The welfare rent in as-paid states.

Figure 7-A-1 demonstrates this method.

Figure 7-A-1. Example: Calculating Rental Assistance when Using a Certificate Program Model

The Cleavers have been issued a two-bedroom HOME TBRA Coupon. Their annual (gross) and adjusted incomes are \$22,500 and \$18,300, respectively. They find an apartment that rents for \$725 (including utilities). The Cleavers must pay the greater of: \$458 \$188 30% of adjusted monthly income 10% of annual (gross) monthly income OR (\$18,300/12 x 0.30) $($22,500/12 \times 0.10)$ The program administrator must pay the difference between the tenant's share and the approved rent: Approved Rent \$725 Less Total Tenant Payment \$458 PJ Share of the Rent \$267

Calculating Rental Assistance when Using the Section 8 Voucher Model

The Rental Voucher Program model assumes a fixed *PJ* payment. The maximum PJ subsidy is calculated, and the tenant pays the difference between the subsidy and the approved rent for the unit. Using the Section 8 Rental Voucher method, the PJ first establishes a payment (rent) standard for the program as a whole. The PJ generally pays the difference between its payment (rent) standard and 30 percent of the tenant's adjusted monthly income. However, a minimum tenant payment is required. Figure 7-A-2 demonstrates this method.

Figure 7-A-2. Example: Calculating Rental Assistance when Using a Voucher Program Model

The Cleavers have been issued a two-bedroom HOME TBRA Coupon. Their annual and adjusted incomes are \$22,500 and \$18,300 respectively. As in Figure 7-A-1, their monthly annual (gross) and adjusted income amounts are \$458 and \$188 respectively. They find an apartment that rents for \$800 (including utilities). The PJ's rent standard is \$775.

The maximum program administrator subsidy is:

\$775 Rent standard

\$458 (less) 30% of adjusted monthly income

\$317 Maximum program administrator subsidy

The Cleaver's share of the rent is:

\$800 Approved rent

\$317 (less) Maximum subsidy

\$483 Cleavers payment

In this example, the Cleavers will pay more than 30% of their adjusted income for housing because they selected a unit that rents for more than the payment (rent) standard.

Had the Cleavers found a very inexpensive unit, the requirement that the family must pay at least 10% of monthly gross income might apply.

\$500 Approved rent

\$317 (less) Maximum program administrator subsidy

\$183 Calculated tenant share

However, the Cleavers must pay at least 10% of gross monthly income (\$22,500 / 12 months x 0.10 = \$188).

The program administrator's contribution would be reduced by \$5.

Using Utility Allowances When Determining Rental Assistance

To determine the portion of the housing cost that will be paid by the PJ and the portion that will be paid by the household, the PJ must establish a utility allowance schedule that estimates the average cost of utilities for typical types of housing (single-family, row house, high-rise, etc.) and for various utilities and fuel sources (gas, oil, electricity).

- Utilities included in the schedule generally include those required for water/sewer, electric, gas and trash.
- Telephone and cable TV are not considered utilities for this purpose.
- PJs may adopt the utility allowance schedule that the PHA uses for its Section 8 program, or establish their own schedule based on a survey of typical utility costs in the area. (See Figure 7-A-3.)
- Sometimes PHAs must make a utility reimbursement to the family *and* a payment to the owner. (See Figure 7-A-4.)

Figure 7-A-3. Using Utility Allowances

- (1) The Jones family selects a unit which rents for \$575. They must pay electricity and gas separately.
- (2) The PJ's utility allowance schedule indicates that the average cost of electricity and gas for the unit size selected is \$75.
- (3) 30% of the family's adjusted income is \$300.
- (4) The family makes its tenant contribution as follows:

\$75 For gas and electricity

+\$225 Rent to the owner

\$300

(5) The PJ pays the difference between the rent the owner is charging and the amount paid by the tenant:

\$575 Rent to owner

-\$225 Paid by family

\$350 Subsidy

Figure 7-A-3. Using Utility Allowances when Family Requires a Utility Reimbursement

Assume that 30% of the Smith family's monthly adjusted income is only \$50, and that the Smith family rents a unit similar to the Jones family' unit.

The family's \$50 contribution is not enough to pay utilities (much less contribute to rent). In this case, payments are made as follows:

\$50	Family retains \$50 to pay utility bills
+\$25	PHA pays family \$25 to cover remaining utility bills

\$75 Entire utility allowance

\$575 PHA pays entire rent to owner

Attachment 7-B

Client File Form – Tenant-based Rental Assistance Program

Are Items in Project Case File?	Answ	er			
Applicant Documentation					
Does the file contain a completed application form?	□ Yes	□ No			
. Are income limits of participant at or below					
a. 60% of median?	☐ Yes	□ No			
b. 80% of median?	□ Yes	□ No			
3. If applicable, were additional income criteria imposed by the PJ met?	□ Yes	□ No			
4. Did the applicant meet the PJ's residency requirement?	☐ Yes	□ No			
5. Was eligibility for preferences verified and appropriate preference weight assigned, if applicable?	□ Yes	□ No			
Leasing Process Documentation					
6. Coupon/Offer Date	☐ Yes	□ No			
7. Date of Briefing	☐ Yes	□ No			
8. PJ/Owner Contract	☐ Yes	□ No			
9. Acceptable Tenant Lease	☐ Yes	□ No			
10. Proper Tenant Lease Addendum	☐ Yes	□ No			
11. Tenant Payment Calculation	☐ Yes	□ No			
Tenant Income Recertification					
12. Current at time of assistance and accurate income recertification					
 a. Was household income properly calculated using the proper income definition? 	□ Yes	□ No			
b. Is there source documentation and third party verification in the file?	□ Yes	□ No			
c. If income information was older than six months, was it updated prior to the provision of assistance?	□ Yes	□ No			
13. Copies of notices sent to owners and tenants noting the change in PJ and tenant payments, if applicable ?	□ Yes	□ No			
14. Termination information, with date and reason, if applicable $\ \square$ Yes $\ \square$ No					
Local Property Codes/Standards and Section 8 HQS					
15. Did the unit meet Section 8 HQS at the time of the original lease?	☐ Yes	□ No			
16. Were HQS inspections conducted on time?	□ Yes	□ No			
17. Were any code-related problems are corrected within the required time frame?	□ Yes	□ No			
18. If a tenant or owner complaint indicated that HQS were not being met, was the problem:					
a. Investigated within a reasonable time?	□ Yes	□ No			
a. Corrected within 30 days?	□ Yes	□ No			
Unit Characteristics					
19. Is the unit located in correct jurisdiction?	☐ Yes	□ No			
20. Does unit meet local occupancy standards?	☐ Yes	□ No			
21. Do the units meet local housing quality requirements, if applicable?	□ Yes	□ No			
22. Do any of the tenants also receive project-based assistance? (If yes, check to make sure the TBRA subsidy is not duplicative.)	□ Yes	□ No			
23. If the PJ chooses to set a payment standard that is not tied to the HUD-published Fair Market Rent (FMR), has the PJ conducted a market analysis that shows comparable non-assisted units have comparable rents to the unit under consideration?	□ Yes	□ No			

File Documentation		
24. Is there an application on file for every applicant?	☐ Yes	□ No
25. Is there an executed coupon on file for all applicants that were issued a coupon?	□ Yes	□ No
26. Are copies of all requests for unit approval on file?	☐ Yes	□ No
27. Does each tenant file contain an executed contract between the owner and the PJ?	□ Yes	□ No
28. Does the file contain an executed lease and lease addendum?	☐ Yes	□ No
29. Are copies of all inspections conducted on file?	☐ Yes	□ No
30. Is the tenant payment amount documented and are the tenant and PJ paying the appropriate amounts?	□ Yes	□ No
31. Does the file contain annual income recertification documentation? Was the recertification done on time?	□ Yes	□ No
32. Does the beneficiary file contain documentation of termination and has assistance has been stopped?	□ Yes	□ No

Attachment 7-C

Summary of Key HOME Rules for TBRA and How to Document

	Key HOME Requirement	Documentation (See checklists for details)
Eligible Participants		
Eligible Participants	 Gross income ≤80% of area median income based on the upcoming 12 months Income is defined by one of three options: Section 8 annual income; annual income under U.S. Census long form; or adjusted (gross) income under IRS Form 1040 	Completed application Source documentation (wage statements, interest statements)
Subsidy Administration		
Eligible Activities	 Rental assistance Security deposits Utility deposits, if done with rental assistance or security deposits 	Documentation of all costs and calculations associated with the type of eligible activity
TBRA Portability	PJ can decide if TBRA is portable outside its jurisdiction	Application shows address
HOME Minimum and Maximum Rent Payments	Minimum tenant rent payment The maximum rental assistance	 Worksheet or form that shows that minimum tenant rent is equal to or greater than PJ-established minimum Worksheet or form that shows that rental assistance provided did not exceed PJ's maximum rental assistance
Hall Orangillana		subsidy limit
Unit Compliance	At a minimum management and a	HOO in a most in a most of
Property Standards	 At a minimum, property must meet Section 8 Housing Quality Standards (HQS) 	HQS inspection report

Attachment 7-D

Summary of Other Federal Requirements for TBRA Programs

Other Federal Requirements	Apply to Homebuyer Programs?	Special Issues/Considerations	Regulatory Citations
Nondiscrimination and Equal Ac	cess Rules		
Fair Housing and Equal Opportunity	Yes	PJs must affirmatively further fair housing in jurisdiction Pay particular attention to signs of discrimination in leasing practices	 24 CFR 92.202 and 92.250 Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) Fair Housing Act (42 U.S.C. 3601-3620) Executive Order 11063 (amended by Executive Order 12259) Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) 24 CFR 5.105(a)
Accessibility for Disabled Persons	Yes	Make reasonable accommodations for tenants with disabilities, at tenant's expense (unless unit is HOME-assisted) Program must be administered in a way that is accessible to persons with disabilities	Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8)
Conflict of Interest	Yes	PJs should ensure compliance both in-house and when using subrecipients	· 24 CFR 92.356 · 24 CFR 85.36 · 24 CFR 84.42
Environmental Requirements	3		
Environmental Reviews	Yes	TBRA is an exempt activity; document as such and proceed	24 CFR 92.35224 CFR Part 58National Environmental Policy Act (NEPA) of 1969
Lead-based Paint	Yes, pre-1978 units with at least one child age 6 and under	 Notices to tenants Visual assessment for lead-based paint hazards Paint stabilization, if applicable or test deteriorated paint (optional) Safe work practices and clearance 	 24 CFR 92.355 Lead-based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.) 24 CFR Part 35 24 CFR 982.401(j) (except paragraph 982.401(j)(1)(i))

Attachment 7-E

Summary of Lead-based Paint Requirements for Tenant-based Rental Assistance Programs

Requirements	TBRA (24 CFR Part 35, Subpart M)
Approach to Lead Hazard Evaluation and Reduction	Identify and stabilize deteriorated paint
Notification	Notice of Lead Hazard Reduction and Lead Disclosure form should be in the tenant file.
Lead Hazard Evaluation Visual assessment for deteriorated paint is required.	The unit inspection form should show that unit was inspected for deteriorated paint.
Lead Hazard Reduction Deteriorated paint must be stabilized, using lead safe work practices. Clearance is required to demonstrate that the unit is safe after work is complete.	If the inspection shows deteriorated paint, the project file should include documentation that the paint was stabilized, using lead safe work practices and that the work area passed clearance.
Ongoing Maintenance	Project files should show that the unit is inspected annually for deteriorated paint and that deteriorated paint is properly stabilized.
EIBLL Requirements	If a child with an EIBLL is identified in the unit, project files must show compliance with 24 CFR Part 35.1225.

Appendix I: Serious Findings

The following compliance issues are considered serious findings, and generally result in the repayment of HOME funds.

Violations of Programwide HOME Requirements

- HOME funds are used to pay ineligible costs
- Less than \$1,000 invested per HOME-assisted unit (unless TBRA)
- PJ exceeds administrative cap
- HOME funds used to assist a household with an annual gross income above 80% of area median income
- Program administrator uses incorrect income limits
- PJ's HOME investment exceeds the maximum per unit subsidy limit
- PJ is unable to use the required 15% CHDO set-side
- PJ uses HOME funds to pay for non-customary, luxury costs; or pays an amount that is unreasonable for the area

Violations of Rental Requirements

- PJ/Owner charges rents that exceed applicable HOME rents
- PJ/Owner applies inaccurate utility allowances
- Owner executes leases with prohibited lease provisions
- Owner does not maintain HOME-assisted units in standard condition
- PJ/Owner does not affirmatively market units (in project with 5+ HOME-assisted units)
- Owner does not accurately maintain correct unit mix of high HOME rent and low HOME rent units, and unit mix

Violations of TBRA Requirements

- PJ/Owner overcharges for tenant's portion of rent
- PJ/Owner applies inaccurate utility allowances
- Owner executes leases with prohibited lease provisions
- PJ inaccurately applies tenant preferences that are not documented in the Consolidated Plan
- Owner does not maintain HOME-assisted units in standard condition

Violations of Homebuyer Requirements

- PJ invests HOME funds in a housing unit whose sales price/after-rehabilitation value is greater than the 95% value limit
- PJ fails to impose resale or recapture restrictions

- PJ calculates the amount subject to recapture wrong
- PJ fails to take action on a violation of principal residence requirement

Violations of Homeowner Rehabilitation Requirements

- PJ provides HOME funds to assist a household in a unit that is not the principal residence of the household at the time of HOME assistance
- PJ invests HOME funds in a housing unit whose value is greater than 95% of the median purchase price for the area (the HOME value limit)
- PJ fails to ensure that the property is rehabilitated in accordance with applicable property standards