



**State of Mississippi
Home Investment Partnership Program (HOME) HOME4ALL
Home Buyer Assistance Policy and Procedures Manual**



MISSISSIPPI HOME CORPORATION



**EQUAL HOUSING
OPPORTUNITY**

I. INTRODUCTION

The State of Mississippi receives funds under the HOME Program, administered by the U.S. Department of Housing and Urban Development (HUD). Mississippi Home Corporation (MHC) administers the HOME Program for Mississippi. Priorities and eligible activities for the HOME funds are established in the State's Annual Action Plan and Consolidated Plan.

These Policies and Procedures guide the management and administration of the HOME4ALL Home Buyer Assistance Program. HOME4ALL is funded as a set aside under HOME. The program assists people in becoming homeowners by providing down payment assistance, closing cost assistance, principal reductions, and housing counseling assistance. Assistance is structured as a forgivable grant. Of the funds available under HOME4ALL each year, part will be allocated to serve households with members that have a disability. The balance of funds can be used to assist any eligible household.

MHC contracts with Approved Housing Counseling Agencies to administer certain activities under HOME4ALL, including accepting and reviewing applications and assessing applicant eligibility. The Housing Counseling Agency must adhere to the Standards and HOME Program Regulatory and Statutory requirements. A HUD-Certified Housing Counseling Agency and Counselor must provide pre-purchase homebuyer education and counseling.

The Policy and Procedure guidelines will be used to ensure the project is implemented according to requirements and outline operational and risk control procedures. HUD and MHC will monitor the Housing Counseling Agency based on compliance with the information and guidelines included in the Policy and Procedures guidelines.

II. DEFINITIONS

1. **MHC** - Entity administering HOME4All program.
2. **Activity** - Each household receiving assistance is an activity.
3. **HUD Certified Housing Counseling Agency or Counselor** - Hereafter "Counselor" is an agency that provides housing counseling and homebuyer education services consistent with HUD Handbook 7610.1 REV-5. Counselors must meet the requirements for the HUD Certified Housing Counselor designation.
4. **Applicant** - Individuals applying for HOME4ALL assistance are yet to be approved.
5. **Homebuyer or Recipient** - Individuals who are approved to receive HOME4ALL assistance.

III. ELIGIBLE APPLICANT

1. Annual Income:
 - a. Individuals/household income must not exceed 80 percent of the Area Median Income (AMI) for the area where the property is located.



- b. Determining income eligibility, purchase of existing or new construction unit:
 - i. When purchasing an existing unit, income is determined at the time of purchase.
 - ii. When purchasing a unit to be constructed, income is determined at the time the contract to construct the unit is signed.
 - iii. HUD Part 5-Income Determination Method is used to determine the applicant's eligibility.
 - iv. Income from all family members in the household 18 years and older must be used.
 - v. The recipient must be eligible at the time he or she enters into a written agreement with MHC.
2. Applicant must be a first-time homebuyer which is defined as not having owned or held an ownership interest in a principal residence at any time during the past three years.
3. Must be a U.S. citizen or qualified registered alien who has obtained a social security card.
4. Applicant(s) credit history must meet the credit qualifying guidelines of the MHC Participating Lender. Applicants must be approved for a 30-year fixed-rate mortgage through the lender. Mortgage loans must be affordable and a conforming mortgage loan product.
5. Intends to occupy the property as a principal residence.

IV. ELIGIBLE ACTIVITIES

Acquire existing or newly constructed units for homeownership.

V. ELIGIBLE PROPERTY

Property Type

- a. Single-family unit
- b. Two-to-four-unit property
- c. Condominium unit
- d. Manufactured unit

Requirements

- a. The property must be the principal residence of the homebuyer and be located within the state of Mississippi.
- b. The property cannot be assisted by Low-Income Housing Tax Credits.
- c. Properties being acquired out of foreclosure, repossession, or being sold "as is", must be brought up to local code or Housing Quality Standards before being acquired by the recipient. HOME4ALL cannot be used to repair the unit.
- d. Pre-1978 property must be tested for lead and if present, the seller must abate lead exposure to the property using approved methods. Abatement cannot be funded by HOME4ALL.



- e. Manufactured Housing
 - i. The unit must be installed on a permanent foundation that complies with 24 CFR 203.43 (f)(c)(i) and 92.251(e). The unit must be connected to permanent utility hookups.
 - ii. The unit must be located on land owned by the homebuyer, or on land for which the homebuyer has a lease for a period equal to the period of affordability.

VI. APPLICANT SELECTION

1. Housing Counselors will undertake outreach activities within their service area to promote the HOME4ALL program.
2. The applicant must complete an application.
 - a. Applicants will be contacted to discuss the application process, program guidelines, and eligibility requirements.
 - b. Applicants may receive assistance from the counselor in completing the application in person or by phone.
3. The Housing Counselor must determine mortgage readiness.
4. Applicants must complete an 8-hour homebuyer education class and receive counseling services appropriate to their information needs.
 - a. The class is required for all adults listed on the deed of trust.
 - b. The applicant will receive one-on-one counseling (needs assessment, budgeting, credit counseling, and assisting the client through the homeownership process if applicable).
 - c. Face to face counseling is the preferred method.
 - d. Online homebuyer education services are allowed provided they meet HUD's requirements for a homebuyer education class. Alternative methods may be approved by MHC. Counseling agencies must submit information on how alternative methods to in-person counseling will be conducted.
 - e. Applicants with disability hardships may receive alternate modes of counseling in the event they are unable to attend face-to-face counseling.
 - f. The counselor will distribute the following HUD information and maintain documentation that these forms were distributed.
 - For Your Protection Get a Home Inspection
 - 10 Important Questions to Ask Your Home Inspector
 - Lead-Based Paint
 - Homeowner Agreement Acknowledgement



The counselor will issue a homebuyer education certificate to individuals completing the class. Copies of the homebuyer education certificate are submitted to BOTH the Lender and the Recipient.

5. A copy of the certificate is included in the applicant's package submitted to MHC. The applicant will apply for a mortgage loan from one of the MHC Bond Participating Lenders offering an affordable and conforming MHC loan product. After a lender approves an applicant, the lender will submit the required mortgage loan documentation to MHC for review.
6. Once the Housing Counselor has completed its review for program eligibility and obtained all required documentation, the home buyer assistance application package will be submitted to MHC for underwriting and approval.
7. MHC will make a final determination for grant approval and the amount of assistance to be provided.

VII. APPLICANTS DENIED ASSISTANCE

1. The Housing Counselor issues written notification of denial.
2. Denied applicants will be offered additional face-to-face counseling by the Housing counselor.
3. Denied applicants may receive a written credit action plan from the Housing Counselor which may include resources to assist the applicant in meeting their homeownership goals.
4. Housing Counselors must maintain documentation on individuals denied assistance.

VIII. FINANCING

1. Applicant must secure a mortgage using an MHC program.
 - a. Mortgage must be at a 30-year fixed interest rate.
 - b. Loans with adjustable interest rates or balloon notes are not allowed.
 - c. Mortgage Interest rates and mortgage payments must be reasonable and affordable for the Recipient.
2. HOME4ALL assistance is applied in the following order:
 - a. Down payment requirement.
 - b. Reasonable closing costs that are not paid by the seller.
 - c. Principal reduction of mortgages.
3. Reasonable closing costs are defined as the buyer-paid costs, pre-paid, two months of PITI (reserves), and one property inspection fee less any seller-paid closing costs.
4. HOME4ALL cannot be used for pre-paid costs required by the lender or the program guidelines.



5. Recipients can receive cash back for borrower-paid earnest money and the reimbursement for soft cost expenses associated with the activity and paid out of pocket in advance of loan closing. Expenses must be documented with receipt of payment before reimbursement. If ineligible for assistance, reimbursement is not allowed.
6. Amount of Assistance: Applicants may receive funds from more than one source, e.g. HOME and Federal Home Loan Bank of Dallas. The maximum HOME grant available is up to \$25,000. The amount of assistance allowed will be determined by an underwriting review which includes the other funding sources. The purpose of underwriting is to ensure that only the HOME funds necessary to purchase the home are provided to applicants.
7. An applicant may not receive grant assistance totaling more than 50% of the purchase price of the home purchased.
8. A minimum of \$1,000 in HOME funds must be invested in each assisted unit.

IX. ELIGIBLE HOUSING COUNSELING COSTS

1. Administrative and Planning Costs – Costs are subject to accounting and reporting requirements under CFR Part 200.
2. Housing Counseling fees are eligible under the program as a soft cost. The Housing Counselor may not collect any other fees from the applicant.
3. Soft Costs: Only the costs listed in the HOME Final Rule 92.206 are eligible.
 - a. Project delivery costs are capped at \$2,000 per activity.
 - b. Soft costs may be utilized for:
 - Technical assistance to realtors, lenders, attorneys, inspectors
 - Participation in loan closings
 - Communications (marketing materials to include program brochures, flyers, etc.)
 - Supplies
 - Travel
 - Contracted costs such as credit inquiries
 - Housing counseling and homebuyer education services
 - Flat rate fees associated with counseling service (ex: HBE classes)
 - Financial counseling – budget and credit counseling
 - Homebuyer counseling – one-on-one counseling services
 - Homebuyer education fees (online classes or face-to-face)
 - Housing counseling costs can only be charged for services provided to Recipients.

X. ELIGIBLE HOMEBUYER COSTS

1. Acquisition. Acquisition costs shall be supported by an appraisal of the property.



2. Soft Costs.
 - a. Financing fees
 - b. Credit reports
 - c. Title binders and insurance
 - d. Security fees
 - e. Recordation fees, transactions, and taxes
 - f. Legal and accounting fees, including cost certification
 - g. Appraisals
 - h. Cost of home inspection not paid by seller
 - i. Homebuyer Education and counseling provided by Counselor
 - j. The recipient's lead-based paint inspection costs will be reimbursed if the seller does not pay for these items.

XI. PROHIBITED ACTIVITIES

1. HOME funds may not be used to pay for delinquent taxes, fees, or charges on a property to be assisted with HOME funds.
2. HOME funds shall not be used for luxury improvements (defined at 24 CFR 92.205).
3. HOME funds shall not be used for non-residential accessory structures such as free-standing community/leasing buildings, garages, carports, or maintenance structures.
4. Acquisition costs shall not exceed the appraised value of the property.
5. No portion of the property shall be rented out for income by the owner.

XII. PROPERTY VALUE LIMITS

The maximum value for homes purchased with HOME assistance is established annually by HUD. Current limits are published by MHC here: <https://www.mshomecorp.com/federal-programs/home/home4all/home4all-acquisition-limits/>

1. Newly Constructed Single-Family Housing: Unit value is limited to 95% of the median purchase price limit set by the FHA single-family mortgage program for newly constructed housing.
2. Existing Single-Family housing: Unit value is limited to 95 percent of the median purchase price limit set by the FHA single-family mortgage program for existing housing.

XIII. PROPERTY STANDARDS

1. General Requirements
 - a. Standard building code or HUD Housing Quality Standards.
 - i. All codes and standards must be met before the time of purchase.
 - ii. If the jurisdiction has not adopted a standard building code, the property must meet Section 8 Housing Quality Standards (HQS).



- iii. A licensed home Inspector must complete a property Inspection Clearance form and submit it along with the inspection report. The inspector must be qualified to inspect standard building codes. The inspector must be qualified to inspect Section 8 Housing Quality Standards if the unit is in a jurisdiction that has not adopted standard building codes.
 - iv. The new construction must comply with the International Energy Conservation Code.
 - b. Flood Zone: Properties located in flood areas are ineligible under the program.
 - c. Homes built before 1978 must have a lead-based paint inspection. See requirements at 24 CFR Part 34, Subparts A, B, J, K, and R. If there are unacceptable levels of lead in the paint, the lead hazard must be mitigated following standard lead mitigation procedures. Documentation must be provided to MHC that acceptable mitigation has been performed.
- 2. Manufactured Housing: Manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280, which preempt state and local codes covering the same aspects of performance for such housing.
 - a. The installation of manufactured housing units must comply with applicable state and local laws or codes.
 - b. In the absence of such laws or codes covering installation, installation must comply with the manufacturer's written instructions for installation of the manufactured housing units.

XIV. ENVIRONMENTAL REVIEW

1. Purpose and Timing of Environmental Review

The environmental impact of the activity must be assessed prior to the applicant entering into any choice-limiting agreements or initiating any physical action on a site. Environmental Clearance must be completed and received before the disbursement of funds.

 - § 58.22: Limitations on activities pending clearance.
2. Categorical Exclusion and Requirement for Review

Homebuyer Assistance Activities under the DPA Program are categorically excluded and not subject to compliance with 24 CFR 58.5, as per 24 CFR 58.35(b)(5) and 24 CFR 92.352. However, Mississippi Home Corporation (MHC) is still required to conduct an environmental review for all projects selected for funding.
3. Responsibility of Housing Counselors

Housing Counselors are responsible for providing the information and relevant documents required to complete the environmental review for the homebuyer's activity.
4. Special Conditions Clearance

The environmental process must be completed to obtain Special Conditions Clearance. This



process consists of two phases:

- Phase I: Conducting an environmental review for the Program Activity.
 - Phase II: Conducting the Environmental Review for each specific property location.
5. Historic Significance Determination
MHC must determine whether the unit is historically significant, as defined by the Mississippi Department of Archives and History (MDA&H). Once the homebuyer identifies a property and enters into a purchase agreement, subrecipients must obtain written confirmation from the (MDA&H) stating that the property is not historically impacted.
 6. Environmental Review Documentation
Environmental Review documentation must be included in the loan package submitted to MHC. If the property selected for purchase is determined to affect historic properties, it will be deemed ineligible under the HOME4ALL Program.

XV. ACCESSIBILITY - PERSONS WITH DISABILITIES

1. Eligible persons are those meeting the definitions of disability in the Fair Housing Act Section 504 of the Rehabilitation Act of 1973 and Titles II and III of the Americans with Disabilities Act of 1990. A person with a disability is typically defined as someone who (1) has a physical or mental impairment that substantially limits one or more "major life activities," (2) has a record of such an impairment or (3) is regarded as having such impairment.
2. Subrecipient will coordinate with agencies, organizations, and advocacy groups serving people with disabilities around marketing, client referrals, and connecting Applicants to services that will contribute to success in homeownership.
3. The agencies must provide counseling services in compliance with effective communication requirements of Section 504 of the Rehabilitation Act of 1973, 24 C.F.R. 8.6, Titles II and III of the Americans with Disabilities Act of 1990, and the Department of Justice implementing regulations codified at 28 C.F.R. 35 and 36.
4. The homebuyer is ultimately responsible for assessing their needs and acquiring a property that will accommodate their accessibility needs.
 - a. When assisting a household, The Housing Counselor will work with the homebuyer to complete a written assessment of the resident's need for accommodation to provide accessibility.
 - b. The assessment will inform the housing search and assistance provided to the household.
 - c. The housing needs assessment can also be conducted by the housing counseling agency.
 - d. The Housing Counselor will keep a copy of the housing needs assessment in the homebuyers' file.



5. Applicants who have family members with disabilities living with them may be eligible (ex: children with disabilities or adults).
6. Supportive documentation determining disability is required.

XVI. DETERMINING INCOME ELIGIBILITY

1. Annual income is defined at 24 CFR 5.609.
2. Income Eligibility Requirement (92.203): Under the Home Buyer Assistance Program, Part 5 Income Definition will be used to determine income eligibility for all applicants. HUD's HOME Program Income limits adjusted by household, published annually by HUD, will be the income threshold for all applicants.
3. Part 5 Income Definition: Part 5 income definition for annual gross income will be used to determine income eligibility. Each file will be underwritten on a case-by-case basis to determine income eligibility for low-income applicants/households for the area where the applicant will acquire property for homeownership.
4. Household income will be adjusted for family size and based on the upcoming 12-month period, plus any specific issues related to the calculation of Part 5 annual income. MHC will adhere to Part 5 Income inclusions and exclusions listed. See Part 5 Income Manual/Inclusions and Exclusions (24 CFR 5.609 (b) and (c)).
5. Applicant Requirement
 - a. Applicants are required to complete an application for a down payment assistance grant and in no way should be confused with a lender's approval of a mortgage loan.
 - b. Applicants will submit a minimum of two (2) months of income verification and bank statements. A very low or low-income household must have an annual income that does not exceed 80 percent of the median income for the area where the property is located.
 - c. Complete loan application with mortgage lender. They must be approved for a loan based on the lender's underwriting standards. The lender's decision (documented in the HUD-1) is used to determine the applicant's need for down payment assistance.
6. Considerations in Determining Assistance
 - a. Eligible applicants may receive assistance with closing costs and down payment to lower the loan value under 80% to avoid the cost of mortgage insurance (PMI/MIP) and or principal reduction of the sales price.
 - b. Income Limits: Applicant's household income may not be greater than 80% of the Area Median Income based on HUD's income limits. Income limits are based on household size.
7. Income Source Documentation:
 - a. Source documents such as wage statements, interest statements, unemployment compensation statements, etc. must be reviewed to determine annual income for all



members of the household. Income inclusions and exclusions as indicated in 24 CFR 5.609 (b) and (c) will be followed.

- b. At a minimum two-month source documentation must be reviewed when making an income determination.
 - c. Supportive documentation on all income sources is required
8. Examples of types of income to be used in making income determinations are as follows:
- a. Wage statements
 - b. Income from part-time employment
 - c. Child support, alimony, or separate maintenance payments
 - d. A copy of the divorce decree or court order is required.
 - e. Periodic payments from trusts, annuities, inheritance, and insurance policies
 - f. Recurring investment gains income
 - g. Gambling Income
 - h. Social Security
 - i. Unemployment Benefits
 - j. Worker's Compensation
 - k. Severance Pay
 - l. Disability or death benefits
 - m. Cash contributions are received from people not living in the household. A letter of explanation for large deposits will be required
 - n. All public assistance payments except for Medicaid or food stamps.
9. HOME down payment assistance will be re-examined if more than six months have elapsed since the initial determination.
10. Tax Returns: 2 years of tax returns (transcripts) are required to determine previous home ownership, if applicable.
11. Income Limits are published by HUD annually and used to determine income eligibility for homebuyers based on area and household income size. See <https://www.mshomecorp.com/federal-programs/home4all/>.

XVII. MINIMUM AND MAXIMUM SUBSIDY

1. This policy follows guidance found at CFR 92.250.
2. Minimum HOME Investment: Each homebuyer is considered a separate activity and at least \$1,000 in HOME funds must be invested in the Activity. The minimum only relates to the use of HOME funds and not to any other funds that may be used for the acquisition of the property.
3. Underwriting will review documentation in the Home4All DPA Program Checklist. The preliminary Loan Estimate often changes just before closing; therefore, further review could be necessary to finalize approval of HOME funds/Downpayment Assistance.
4. A review of the final Loan Estimate or Closing Disclosure will take place before closing during



the second review stage of all Home4All loan files.

5. The grant funds can cover the required down payment, depending upon loan type, plus all reasonable closing costs.
6. Multiple Funding Sources: Other funding sources of investment (including other governmental assistance and earnest money) will be subtracted from the grant award in the direct subsidy formula.

XVIII. PRINCIPAL RESIDENCY

1. A homebuyer must occupy the property as his/her principal residence.
2. The residence must be located inside the State of Mississippi.
3. If the homebuyer rents out the property or does not occupy it as his/her principal residence, the HOME funds are subject to recapture by the State. The amount due will be calculated using the method defined in the Home Buyer Agreement.
4. The Housing Counselor will explain to the potential Recipient the obligations of the principal residency requirement and will refer to the documents where this obligation appears, including the Home Buyer Agreement and Deed restrictions or covenant running with the land, and other loan documents between the homebuyer and MHC.
5. Principal Residency Verification: To ensure principal residency compliance during the period of affordability, homeowners will receive an annual certification (Principal Residency Certification) which will be completed and returned to MHC along with supportive documentation such as current utility bills, insurance documentation, etc. The Principal Residency Certification is sent to the homeowner within 12 months based on the project completion date reported in IDIS. Records are maintained and used in conjunction with the deed restriction to ensure compliance.

XIX. PERIOD OF AFFORDABILITY

To increase the supply of affordable housing, the HOME program ensures the long-term affordability of the HOME-assisted property by establishing a period of affordability. This Policy follows guidance found at CFR 92.254(a).

The period of affordability is the length of time the assisted property is considered HOME-assisted and must be the principal residence of low-income/disabled households. For the down payment assistance program, the recapture provision will be used. The recapture provision is based on the amount of HOME funds provided as direct assistance to a buyer.

The chart below specifies the length of the affordability period for assistance provided to the homeowner.



HOME Funds Provided to the Homeowner	Affordability Period
<\$14,999	5 Years
\$15,000 - \$25,000	10 Years

XX. RECAPTURE AND RESALE PROVISIONS

Recapture and Resale: When using HOME funds to assist homebuyers the recapture option will be used for enduring long-term affordability during the affordability period. The recapture option is a mechanism to recapture all, or a portion of the direct HOME subsidy provided to the buyer if the HOME recipient decides to sell the home within the period of affordability. This Policy follows guidance found at CFR 92.254(a)(5).

1. The recapture provision is described in the written agreement between the MHC and the homebuyer at the time of the initial assistance. The household must be fully informed that it knows what to expect at the time the home is sold, including how the net proceeds will be distributed and how any appreciation will be treated. The homeowner is allowed to sell the property to any buyer at the current market price. See Resale and Recapture Policies and Procedures Guidelines.
2. Direct HOME Subsidy: A direct HOME subsidy is the amount of HOME funds invested in the property. This includes:
 - a. Down payment Assistance
 - b. Closing Cost Assistance
 - c. Homebuyer's Counseling Assistance
3. Recapture Provision Process: The sale or transfer of the property during the affordability period triggers the recapture of the direct HOME subsidy the buyer received when the home was originally purchased.
4. Recapture Method: The reduction (or forgiveness) during the affordability period will be the method used in the event the home is sold or foreclosed during the period of the affordability period. The original homebuyer may sell the property to any willing buyer at the current market price.
5. When the property is sold the amount of funds that are due will be recaptured subject to the availability of net proceeds. The net proceeds of a sale consist of the sales price minus the mortgage loan payoff and any closing costs. Recapture of more than what is available from the net proceeds is not allowed.
6. The recapture of HOME funds releases the home buyer from any additional HOME affordability obligations.
7. Amount of Repayment and Net Proceeds: In the event a sale occurs during the affordability period, full or partial repayment of direct HOME subsidy may be required. If there are no net proceeds or insufficient proceeds to recapture the full amount of the HOME investment due, the amount subject to recapture must be limited to what is available from the net proceeds, if any.



8. The amount of funds subject to recapture is based on the amount of HOME assistance provided directly to the buyer.
9. Reduction During the Affordability Period (Forgiveness): Forgiveness for part or all of the direct HOME subsidy will be determined by the length of the time the homebuyer has occupied the home during the period of affordability.

XXI. UNDERWRITING REQUIREMENTS

1. Underwriting standards are used to determine the amount of HOME assistance each applicant needs to sustain homeownership. This process includes evaluating the following:
 - a. Housing debt and overall debt of the family
 - b. The appropriateness of the amount of HOME assistance
 - c. Monthly expenses of the family
 - d. Assets available to acquire the housing
 - e. Financial resources to sustain home ownership.
2. Housing Ratios
 - a. Front-end and back-end ratios should not exceed 32/45 percent.
 - b. A request may be made for approval to go above the ratios of 32/45 percent by documenting extenuating circumstances.
3. Responsible Lending Standards – Ensure that the homebuyer’s primary mortgage is affordable and sustainable and contains appropriate terms.
4. Refinancing and Subordination of HOME Funds – In the event of a refinancing, the HOME investment is protected, and the homebuyer’s total housing debt remains affordable and sustainable. See Refinancing and Subordination of HOME funds policy and procedures.

XXII. RECORDKEEPING

1. Subrecipients of the HOME Down Payment Assistance program will comply with HUD’s Recordkeeping requirement at 24 CFR 92.508.
2. File Storage: All HOME Down Payment Assistance Files and records will be kept in either a lockable filing cabinet or online in a secure network.
3. Project files are maintained and monitored throughout the grant and duration of the Period of Affordability. Records Retention must be maintained for an additional 5 years after the Period of Affordability has been completed.
4. HOME project files are maintained on-site at 735 Riverside Drive Jackson MS and on-site at Housing Counselor’s main office for audits and on-site reviews, as necessary. HUD administers the HOME Program and has the option of reviewing files at any time.



5. Housing Counselors are required to adhere to this requirement by maintaining HOME records on-site for audits and on-site reviews, as necessary.

XXIII. CONFLICT OF INTEREST

Conflicts of interest apply to any person who is an employee, agent, consultant, officer, or elected official, or appointed official of the grantee or sub-grantee.

Mississippi Home Corporation and subrecipients will comply with 24 CFR Part 92.356. The regulation states:

No persons described above who exercise or have exercised any functions or responsibilities for activities assisted with HOME funds or who are in a position to participate in a decision-making process or gain inside information concerning these activities may obtain a financial interest or financial benefit from a HOME assisted activity, or have a financial interest in any contract, subcontract, or agreement for the HOME- assisted activity, either for themselves or those with whom they have business or immediate families ties, during their tenure or for one year thereafter.

Staff participating under the HUD Down Payment Assistance program must sign a yearly conflict of interest form verifying potential disclosures.

XXIV. FAIR HOUSING

Fair Housing/Affirmative Marketing: Projects receiving HOME funds must comply with Affirmative Furthering Fair Housing requirements.

Affirmative Fair Housing Marketing Plan: Subrecipients must submit an Affirmative Fair Housing Marketing Plan that outlines methods for providing information and otherwise attracting eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, sexual orientation, religion, familial status or disability.

The Affirmative Marketing Plan must include methods to inform and solicit applications from people not likely to apply for the housing unit without special outreach (such as the use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies). Examples of Affirmative Marketing Plans for HOME program activities include:

- Marketing program through commercial media such as newspapers, publications, radio, and television spots.
- Marketing programs through dissemination of brochures, flyers, public displays, and housing handouts created with program information.
- Displaying HUD's fair housing posters.
- MHC and all participating housing counseling agencies must display HUD's Fair Housing Equal Opportunity (FHEO) Poster in public view.
- Set up public exhibits and distribute program flyers to try to attract prospective eligible households with disabilities from minority and non-minority groups regardless of their race, color, religion, sex, national origin, or familial status. The FHEO logo must be included in



correspondence, documentation, and websites.

XXV. HOME4ALL Disbursements

HOME4ALL downpayment and closing costs assistance will be disbursed at the time of closing. The amount of funds disbursed will be based on MHC's underwriting analysis. MHC will wire funds to the closing attorney at least one business day prior to closing, provided that MHC is notified of the closing at least 48 hours prior to the closing date.

XXVI. MONITORING

1. MHC is responsible for managing the day-to-day operations of their HOME Investment Partnerships Programs (HOME) and ensuring that HOME funds are used in keeping with program requirements. The regulations require that the performance of the Housing Counselor delivery of DPA HOME funds must be reviewed at least annually for the duration of the affordability period to ensure production and accountability, ensure compliance with HOME and other Federal requirements, and evaluate organizational and project performance.
2. The monitoring system represents a formal process for determining whether a HOME project implementation conforms to federal and state regulations. The objectives of the monitoring process are:
 - a. to assist the grantee in carrying out activities, as described in the grantee's application for funds.
 - b. to assist the grantee in carrying out its project promptly.
 - c. to determine if the grantee is conducting the project with adequate control over program and financial performance, and in a manner that minimizes the opportunity for mismanagement, fraud, or waste.
 - d. to identify potential problem areas and to assist the grantee in complying with applicable laws and regulations.
 - e. to assist grantees in resolving compliance problems through discussions, negotiation
 - f. to provide adequate follow-up measures to ensure that performance and compliance deficiencies or problems are corrected by grantees.
 - g. to consider the scope, nature, and timing of activities funded with program income retained by Housing Counselors and subject to requirements and carefully factor those considerations into the monitoring schedule, including scheduling of on-site reviews.
3. Selection Criteria
Projects are selected for on-site reviews based on the following sources of information. This information is used to identify program status and accomplishments, problems, and potential problems. Analysis of this data by staff helps determine the need and the schedule for on-site reviews, as well as the compliance areas to be examined.
 - a. **Draw-down Activity** - Each project must have been cleared up in the areas of environmental, and special conditions as applicable before receiving funds except for application preparation. All projects will be monitored at least once during the life of the



project. Management may decide if some projects will be monitored more than once. In the event of implementation problems, lack of activity, or a sudden change in activity, the program may qualify for an on-site review. In most cases, monitoring will be scheduled when project construction activities are complete. Special circumstances such as implementation problems or major changes in project activities may require an on-site visit before the full completion of the project.

- b. **Quarterly Status Report** - All grantees are required to submit an annual status report that outlines accomplishments, problems, and anticipated activities for each program.
- c. **Correspondence** - General communication with a grantee whether oral or written may indicate implementation problems or potential problems. Should continuous communication with a grantee or its representative reveal a problem or potential problem, the program may qualify for an on-site review.
- d. **Past Performance** - Grantees that have been funded previously and have had significant monitoring or audit findings may qualify for an on-site review at any stage of project implementation.

Any combination of the above factors may determine the need to schedule an on-site monitoring review.

4. Scheduling

Staff, through coordination with the grantee, arranges the day and time of the visit. The grantee is then notified in writing before the routine on-site review. The notification includes the following:

- a. the date of the on-site review, with the time of the entrance interview and approximate time of the exit interview
- b. name(s) and number(s) of the person(s) conducting the review
- c. purpose of the review
- d. a request that the grantee's representative and other appropriate staff be available during the review

MHC reserves the right to reschedule monitoring reviews at the mutual convenience of all parties involved.

5. On-Site Monitoring

This review includes verification that project activities are implemented and are within the defined area(s) as designated in the grantee's application. Staff also review the project area to support eligibility and compliance with the program objectives under which the project was funded.

The on-site review involves a comprehensive examination of project activities to ensure compliance with applicable federal and state regulations. In addition, the monitoring review allows the grantee to receive technical assistance in areas needed. MHC uses three categories to analyze the results of its monitoring reviews:

- a. Findings are areas of statutory or regulatory noncompliance that must be addressed immediately.
- b. Concerns are issues that are not instances of statutory or regulatory noncompliance but



- may result in noncompliance.
 - c. Observations are comments about areas where the funded entity can improve program performance.
6. Determine Appropriate Corrective Actions
- a. Corrective actions are the steps that must be taken to correct instances of noncompliance
 - b. poor management, or poor performance that are identified by the staff monitor. Staff will
 - c. specify corrective actions to correct findings that are violations of the HOME statute or regulations. Staff may also direct the funded entity to take corrective action for other deficiencies (concerns and observations) as necessary.
 - d. Each on-site review begins with an entry interview during which MHC program staff briefs the grantee's representative of the areas to be examined and the data required to complete the examination. Currently, the grantee's representative updates the reviewer on the status of project activities and the expected date of completion.
7. Checklists Used During Monitoring
- Various monitoring instruments may be completed during the monitoring review depending on the areas of compliance to be examined.
- a. The Minority Business Enterprise/Fair Housing/Equal Opportunity Monitoring Checklist is used to check for compliance with federal and state regulations related to civil rights, fair housing, and equal opportunity for federally assisted grants.
 - b. The Environmental Monitoring Checklist is used to check for compliance with federal and state regulations relative to environmental activities in a federally assisted grant.
 - c. The Relocation Monitoring Checklist is used to check for compliance with federal and state regulations relative to relocation activities in a federally assisted grant.
 - d. The Financial Management Monitoring Checklist is used to check for compliance with federal and state regulations related to grant management and record-keeping requirements for federally assisted grants.
 - e. The Citizen Participation Checklist is used to check for compliance with the State's Citizen Participation Plan.
 - f. The Section 3 Checklist is used to check for compliance with the Section 3 requirements.

Once all applicable compliance areas have been examined, the reviewer may visit the project site(s) to determine activities that have taken place as outlined in the contract document and policy and procedures. Following the project site review, staff then conduct an exit interview to briefly discuss any preliminary comments and recommendations, identify technical assistance needs, and address any questions by the grantee. Staff should also inform the grantee that a written report outlining any comments, concerns, and/or findings, as well as recommendations or actions to be taken will be forwarded to the grantee.

XXVII. PROJECT CLOSEOUT

After conducting the on-site review, Staff then prepares a written report which should be completed within thirty (30) days from the date of the visit, unless otherwise indicated.

The report should consist of a cover letter, which lists the date of review, areas examined, and the



period within which the grantee's response should be received.

A narrative report of comments, concerns, and/or findings with recommendations and actions to be taken for applicable compliance areas is attached to the cover letter. The report also incorporates verification of project activities, location, eligibility, and program objectives. If applicable, the grantee is required to respond to the report within a specified time. Staff then either issue a resolution to the monitoring report or request the necessary information to resolve findings.

"Failure to respond to the monitoring comments and recommendations within thirty (30) days of issuance of the report will result in cash requests BEING HELD UNTIL such a response is received."

Once the final monitoring results show that the project adhered to all regulations and monitoring findings, and concerns have been satisfied, the project prepares for closeout. Closeout packages are to be completed and submitted by the lender to MHC. The closeout package will be included on MHC's DPA web page. Once the Project and activities are closed out and completed in the IDIS system the period of affordability begins at the date of completion of each activity.

