

Coasting Home

April 2-4, 2025 | Beau Rivage | Biloxi, MS



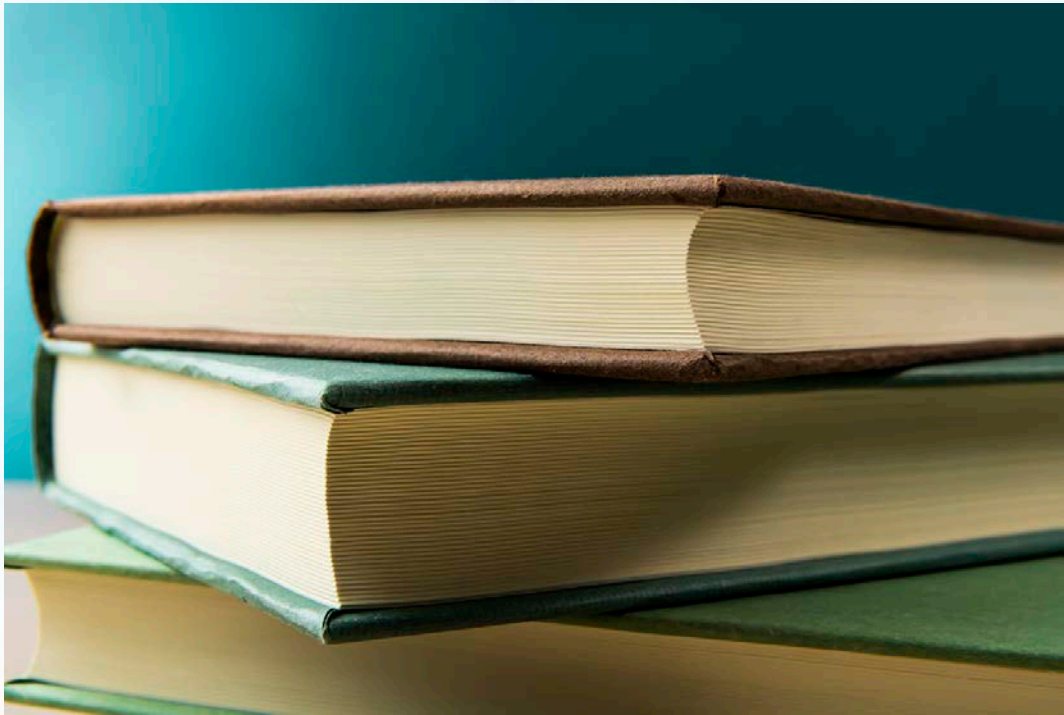
*Coasting
Home*



**The More You Know:
Staying in Compliance with
HOME Rental & HTF**

Jamie Bouie, MHC Housing Grants Officer (HOME Rental/HTF)

HOME/HTF Regulations



- HOME is regulated by 24 CFR Part 92
- HTF is regulated by 24 CFR Part 93
- Both can be found at www.ecfr.gov
- Other resources at www.hudexchange.info

Overview



HOME-Only Requirements

Unit Mix
Rent Limits
Non-Compliant Units
Affordability Period
Student Rule
15-Day Draw Rule

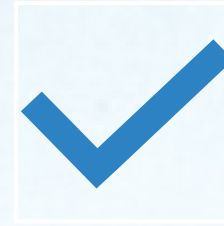


HTF-Only Requirements

Income Limits
Affordability Period



HOME & HTF Requirements



Construction Phase Monitoring



Long-Term Affordability Period Monitoring

HOME-Only Requirements: Unit Mix



Program Rule

100% of HOME-assisted units must be reserved for households below 60% AMI at initial lease-up



Project Rule

If a project has 5 or more HOME-assisted units, at least 20% of HOME-assisted units must be reserved for households below 50% AMI

HOME-Only Requirements: Rent Limits



High HOME Rent Units. Must be occupied by tenants whose incomes do not exceed the HUD-published HOME low-income limits. The rents for these units cannot exceed the HUD-published High HOME rent limits.



Low HOME Rent Units. Must be occupied by tenants whose incomes do not exceed the HUD-published HOME very low-income limits. The rents for these units cannot exceed the HUD-published Low HOME rent limits.

HOME-Only Requirements: Non-Compliant Units

If a household living in a Low HOME unit is determined to be over 50% AMI but still below 80% AMI at recertification, the unit may temporarily be non-compliant until the unit mix is restored. The non-compliant unit will then convert to a High HOME unit and the tenant charged High HOME rent after at least a 30-day notice or at the next lease renewal.

If a household is determined to be over 80% AMI at recertification, the tenant must be charged market-rate rent after at least a 30-day notice or at the next lease renewal. The tenant cannot be evicted for being over-income only.

If a HOME-assisted unit also has LIHTC, the over-income rule does not apply. The tenant continues to pay the lesser of the HOME or LIHTC rent.

HOME-Only Requirements: Affordability Period

HOME Assistance Type	Affordability Period
HOME rental rehabilitation	
Less than \$15,000 per unit	5 years
\$15,000 to \$40,000 per unit	10 years
Above \$40,000 per unit	15 years
Refinancing existing rental housing debt under rehabilitation	15 years
HOME new construction, regardless of amount per unit	20 years

HOME-Only Requirements: Student Rule (independent student)

- born before Jan. 1, 2002
- married (and not separated)
- a graduate or professional student
- a veteran
- a member of the U.S. armed forces
- an orphan
- a ward of the court
- a current or former foster youth
- in a legal guardianship (now or in the past)
- someone with legal dependents other than a spouse
- an emancipated minor
- unaccompanied and homeless or at risk of becoming homeless

HOME-Only Requirements: Davis-Bacon Labor Standards

Projects with 12 or more HOME-assisted units must comply with Davis-Bacon

- Prevailing wages & fringe benefits
- Time tracking
- Construction surveys



HTF-Only Requirements: Income Limits

All HTF-assisted units must be occupied by households below 30% AMI, based on the higher of the 30% income limits or the poverty line

If an HTF-assisted unit is also assisted with HOME and/or LIHTC, the tenant must meet the HTF income limit

HTF-Only Requirements: Affordability Period



All HTF-assisted projects are subjected to a 30-year affordability period, regardless of the per-unit subsidy



Prepayment or maturity of an HTF award prior to the end of the affordability period does not affect the affordability period end date.



When an Owner agrees to an extended use period, program compliance and monitoring continue throughout to the end of the extended use period.

HOME & HTF Requirements: Property Standards - new construction projects

Must meet all applicable State and local codes, ordinances, and zoning requirements

International Residential Code or International Building Code (as applicable to the type of housing) of the International Code Council

Accessibility

Energy Efficiency

Disaster Mitigation

Contracts and construction documents

HOME & HTF Requirements: Property Standards - rehabilitation projects

HOME/HTF rehabilitation standards

Life-threatening deficiencies to be addressed before occupancy

Remaining useful life for all major systems must be at least equal to the affordability period

Projects with 26 or more total units must complete a capital needs assessment

Lead Safe Housing Rule requirements at 24 CFR Part 35

HOME & HTF Requirements: Property Standards - Manufactured Housing Units

Eligible for purchase of new units only

Land acquisition is eligible

At project completion

Must be on permanent foundation and skirted, no wheels

Must be connected to permanent utility hook-ups

Located on land owned by the manufactured housing unit owner or owner must have a lease for a period at least equal to the applicable period of affordability

HOME & HTF Requirements: Tenant Eligibility


Must meet income requirements




Income must be calculated using the Part 5 Determination Method (aka Section 8) found at 24 CFR 5.609



Source documentation must cover at least the last two months at initial certification

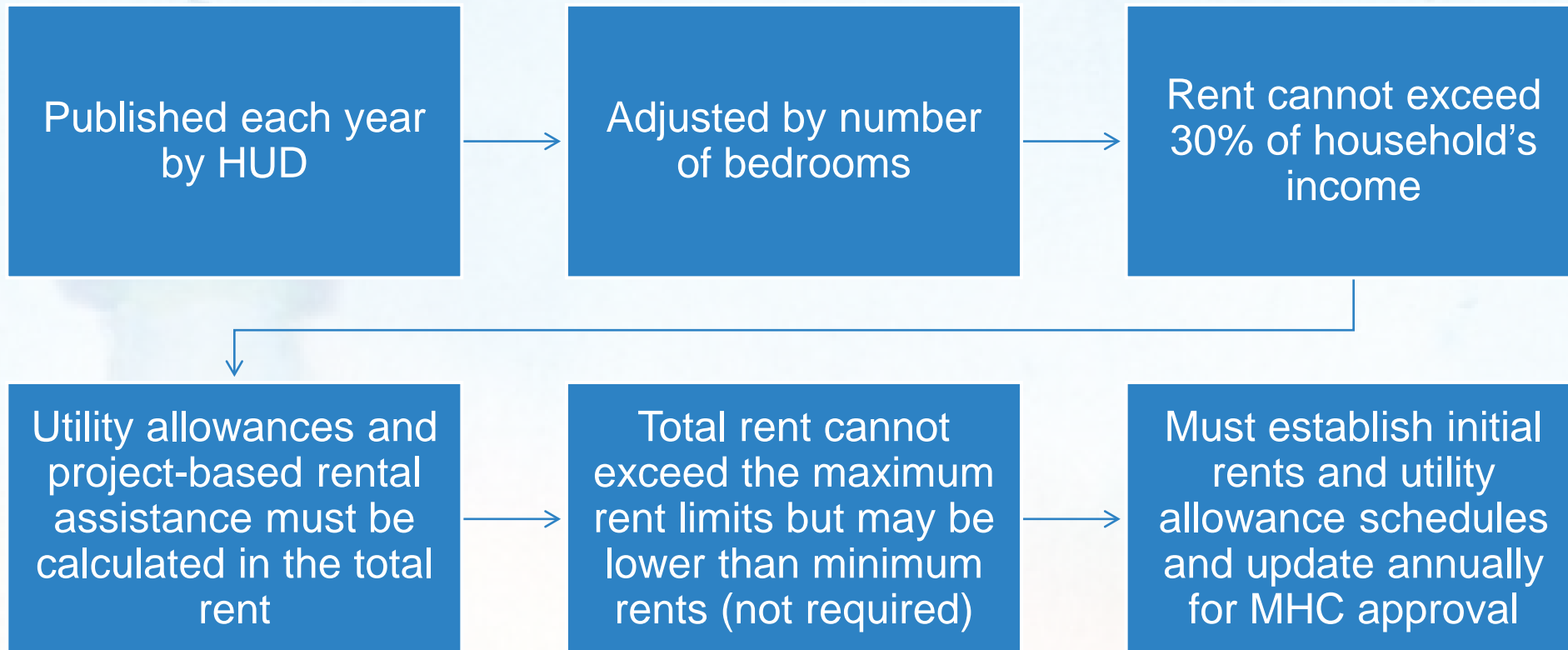


Must be recertified annually and with source documentation each 6th year of the affordability period, regardless of when the tenant moved in



Other years may be recertified using source documents, tenant self-certifications, written statements from gov't program admin

HOME & HTF Requirements: Rent Limits



HOME & HTF Requirements: Tenant Selection Plan

- Waiting list guidelines (first come, first served)
- Can target specific populations (income, elderly, special needs) as long as they don't violate nondiscrimination protections
- Must be a written lease between owner & tenant
 - At least 12 months unless mutually agreed (written agreement)
 - Cannot include any prohibited clauses (agree to be sued, pay attorney's fees, waiver of owner's responsibility, etc.)
 - Must include VAWA addendum (HOME projects after 12/16/2016)

HOME & HTF Requirements: Fixed vs. Floating



Fixed Units

Same units remain assisted during the entire affordability period

Do not change regardless of noncompliance

Over-income tenants will have rent adjusted to market rate at lease renewal



Floating Units

May be converted between an assisted unit and a non-assisted unit during the affordability period

Units must be comparable in size and amenities

Over-income tenants will have rent adjusted to market rate at lease renewal

HOME & HTF Requirements: Affirmative Marketing

Must adopt affirmative marketing procedures for rental projects with 5 or more units

Affirmative Marketing must include:

- Marketing methods to be used for the public, owners, and potential tenants
- Equal Housing Opportunity logo (in all written communication)
- Owner's Affirmative Marketing procedures
- Procedures to solicit applications from persons least likely to be aware of the housing opportunity
- Standards for records to be maintained
- Process for annual assessment of affirmative marketing actions
- Requirements for subgrantees to follow grantee's procedures
- Tenant preferences

HOME & HTF Requirements: URA Displacement

- Populations covered under URA
 - Any person who moves from real property or moves their personal property from real property as a direct result of an acquisition by a Federal agency or with Federal financial assistance.
 - Any person who moves without being provided the required notices is also considered displaced
 - URA covers individuals, family, partnership, corporation, or association
- See 49 CFR 24.2(a)(9) for the full definition
- Must be provided required notices and information of their URA rights
- Relocation assistance for both permanent and temporary displacement
- At the completion of the project all occupants will be given an opportunity to lease and occupy a suitable, decent, safe, sanitary, and affordable unit

HOME & HTF Requirements:

VAWA

- Violence Against Women Reauthorization Act (VAWA) as defined in 24 CFR part 5, subpart L
- Applies to all HTF projects and HOME projects after 12/16/2016
- Protects applicants/tenants who are survivors of domestic violence, dating violence, sexual assault, or stalking
- Owners must provide a notice and certification form at the time they are admitted to a HOME/HTF unit; notice also provided with eviction from a HOME/HTF unit
- Must allow tenants who qualify to transfer to another HOME/HTF unit in same project if considered safe or may assist to move out of project into another HOME/HTF project
- May bifurcate lease to evict abuser and allow other family members to remain in the unit
- Owners are required to adopt emergency transfer plans

HOME & HTF Requirements

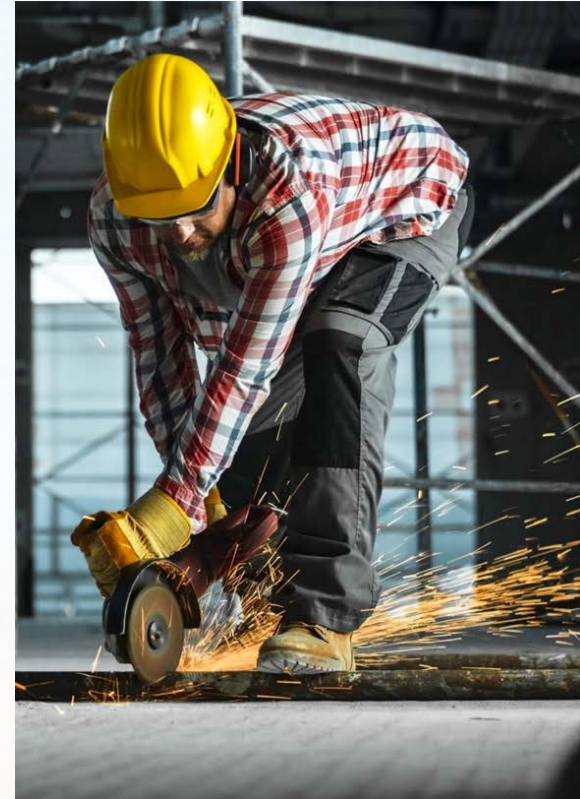
Special Needs Units

- 10% of assisted units must be targeted to special needs populations
- Targeted populations are specified in the application and memorialized in the regulatory agreement and the restrictive covenants
- Tenant file must document the qualifying special need
- Targeted for the period of affordability

HOME & HTF Requirements: Build America, Buy America (BABA)

What is the Buy America Preference (BAP)?

- Iron, steel, manufactured products, and construction materials used for federally funded infrastructure projects are produced in the United States, unless otherwise exempt or subject to an approved waiver
- 2 CFR § 184



Iron & Steel

“Predominantly” made up of iron and/or steel, meaning the cost of the iron and steel content exceeds 50% of the total cost of all the item’s components.

All manufacturing processes begin and end in the United States.





Construction Materials

Specifically Listed Construction Materials:

- non-ferrous metals
- lumber
- plastic- and polymer-based composite building materials, pipe, and tube

Not Listed Construction Materials:

- all other plastic- and polymer-based materials (such as polymers used in fiber optic cables)
- glass
- fiber optic cable
- optical fiber
- engineered wood
- drywall

Manufactured Products

Things that have been...

- Processed into a specific form or shape, or
- Combined with other articles, materials, or supplies to create a product with different properties than the individual articles, materials, or supplies.

Production must be...

- Completed in the U.S. (final product)
- At least 50% of the components must be mined, produced, or manufactured in the U.S.



Documenting BAP Compliance

- Optional Buy America Preference Checklist at <https://www.hudexchange.info/resource/7187/optional-buy-america-preference-checklist/>
- Optional Buy America Preference Certification at <https://www.hudexchange.info/resource/7186/optional-buy-america-preference-certification/>
- Attach the list of applicable products and any supporting documentation to the certification form

BAP Implementation Timeline for HOME & HTF Programs



The BAP will apply to HOME & HTF funds obligated on or after August 23, 2024.



Obligated means the date of the HUD grant agreement with MHC.

Construction Phase Monitoring Quarterly Construction Status Reports

- Recipients are required to report quarterly during the award reservation and development phases, including quarterly Section 3 & MBE/WBE reports
- Due on the 5th day of the month following the end of the prior quarter

Quarter	Due Dates	Months to Report
Quarter 1	April 5 th	January, February, March
Quarter 2	July 5 th	April, May, June
Quarter 3	October 5 th	July, August, September
Quarter 4	January 5 th	October, November, December

Send quarterly construction status reports to:
Tara Craft, tara.craft@mshc.com, 601-718-4663

Construction Phase Monitoring

Physical Inspections

It is the recipient's responsibility to contact MHC for construction progress physical inspections.

50% Inspection	At least 50% of the project is complete.
100% Inspection	The project is 100% complete, common areas and landscaping are complete, and the units are move-in ready. The project can receive a certificate of occupancy. The assisted units have been identified.

Send requests for physical inspections to:

Candace Morgan, GrantManagement@mshc.com, 601-718-4658

Construction Phase Monitoring Disbursement of Funds

Draw Request	Draw Requirements
RFC 1: 50% of Award	The project has passed the 50% construction completion physical inspection. Invoices accounting for 50% of project costs must be submitted.
RFC 2: 40% of Award	The project has passed the 100% construction completion physical inspection. Invoices accounting for the remaining 50% of project costs must be submitted.
RFC 3: 10% Award Retainage	The project has passed the initial compliance monitoring and can now be marked complete in IDIS.

Send requests for cash to:

Jamie Bouie, GrantManagement@mshc.com, 601-718-4682

Construction Phase Monitoring Disbursement of Funds

Required Forms for Request for Cash

- A. Request for Cash Form
- B. Rental Setup and Completion Form
- C. W-9 Form- Request for Taxpayer ID Number & Certification
- D. ACH Credit Authorization Form
- E. Construction Progress Inspection Letter & Certification Form
- F. Updated Project Completion Schedule
- G. AIA Report
- H. Invoice for Eligible Cost
- I. Proof of payment (needs to correspond with invoice)
- J. Post-Construction Certification Form (final draw)
- K. Cost Certification (final draw)

Construction Phase Monitoring: The Initial Compliance Monitoring

The initial monitoring occurs within 12 months of construction completion and is necessary to mark the project complete in IDIS. Several items, including but not limited to the following, are reviewed during this monitoring:

- A. Section 3 compliance
- B. MBE/WBE marketing efforts
- C. Affirmative marketing
- D. Tenant selection policies and criteria
- E. Lease compliance
- F. Initial income certification
- G. Initial rents and rent schedule
- H. Fair Housing
- I. Financial review
- J. Lead-based paint

The Initial Compliance Monitoring: Section 3: 24 CFR 75

- Housing construction/rehabilitation projects receiving \$200,000 or more in aggregate HUD funding (including HOME or HTF as well as CDBG or other similar funding from a local government)
- The purpose of Section 3 is to provide economic opportunities, particularly employment, generated by HUD-assisted development activity, to low- and very-low-income persons

The Initial Compliance Monitoring: Section 3: Safe-Harbor Benchmarks



The graphic above shows three concentric circles. The smallest internal circle illustrates Targeted Section 3 workers, the mid-sized circle illustrates all Section 3 workers, and the largest external circle illustrates all workers.



$$\frac{\text{Section 3 labor hours}}{\text{Total labor hours}} = 25\% \text{ AND } \frac{\text{Targeted Section 3 labor hours}}{\text{Total labor hours}} = 5\%$$

The Initial Compliance Monitoring: Section 3 Business Concern

A Section 3 business concern is a business that meets at least one of the following criteria, documented within the last six-month period:

At least 51 percent owned and controlled by low- or very low-income persons;

Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or

A business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

The Initial Compliance Monitoring: Section 3 Workers

- A worker's self-certification that their income is below the income limit from the prior calendar year;
- A worker's self-certification of participation in a means-tested program such as public housing or Section 8-assisted housing;
- Certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs;
- An employer's certification that the worker's income from that employer is below the income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis; or
- An employer's certification that the worker is employed by a Section 3 business concern.

The Initial Compliance Monitoring: Targeted Section 3 Workers

For a worker to qualify as a Targeted Section 3 worker, one of the following must be maintained:

- An employer's confirmation that a worker's residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census;
- An employer's certification that the worker is employed by a Section 3 business concern; or
- A worker's self-certification that the worker is a YouthBuild participant.

The Initial Compliance Monitoring: Section 3: Qualitative Efforts

Suppose the Owner's reporting indicates that the Developer has not met the Section 3 benchmarks described in 24 CFR 75.13.



In that case, the Owner must report on the **qualitative** nature of its Section 3 compliance activities and those of its contractors and subcontractors.

The Initial Compliance Monitoring: Minority/Women-Owned Business Enterprises (MBE/WBE)

- Make every effort to use local business firms and contract with small, labor surplus, minority-owned, and women-owned businesses in the procurement process
- Owners are required to develop a plan to outline how they will solicit these firms.



The Initial Compliance Monitoring: Minority/Women-Owned Business Enterprises

Affirmative steps must include:

- Solicitation lists
- Targeted businesses are solicited whenever they are potential sources
- Dividing total requirements into smaller tasks or quantities to permit maximum participation
- Establishing delivery schedules to encourage participation
- Using the services and assistance like the Small Business Administration and the Minority Business Development Agency of the Department of Commerce
- Requiring the prime contractor to take the affirmative steps listed above

The Initial Compliance Monitoring: Affirmative Marketing



The Owner must follow the Affirmative Fair Housing Marketing Plan that was submitted with the funding application.



Evidence of all marketing activity and outreach activities must be provided. Ads, flyers, and social media posts are examples of supporting evidence.



The outreach should have been directed towards those least likely to apply as shown in the marketing plan.

The Initial Compliance Monitoring: Tenant Selection Policies & Criteria

Tenant selection policy & criteria must include the following:

- Occupancy is limited to very low- and low-income households
- Description of preferences to particular population(s), if any
- No exclusion of applicants who hold rental assistance certificate or voucher
- Required use of waiting list and selection of tenants in chronological order of application, to the extent possible
- Owners must give prompt written notice to rejected applicants, with the reason
- Compliance with VAWA protections
- Documentation includes a copy of the tenant selection policy, and the tenant files show compliance with the policy.

The Initial Compliance Monitoring: Lease Compliance

There must be a lease between Owner and tenant, and it must:

Be for at least one year; shorter term by mutual written agreement

Include VAWA lease addendum

Must NOT contain prohibited lease terms

The Initial Compliance Monitoring: Initial Income Eligibility

- Uses HOME/HTF income limits applicable at time
- Uses MHC-specified definition of income (Part 5)
- Review at least 2 months of source documentation
- Count income for all household members
- Project household's prevailing rate of income for the next 12 months
- Determination: no more than 6 months before signing lease
- Documentation includes the tenant's application/tenant income certification reporting household members & income source documents (pay stubs, etc.).

The Initial Compliance Monitoring: Initial Rent & Rent Schedule

- If the tenant pays for utilities and/or services, the Owner must deduct a utility allowance from the rent limit to determine maximum rent.
- An initial rent schedule and utility allowance schedule should have already been submitted to MHC.
- The review will make the determination that the rent stated in the lease is HOME compliant, and the Owner correctly deducted the utility allowance and any other subsidies when determining maximum rent.
- A rent calculation worksheet would be proper documentation of this requirement (tenant income certification).

The Initial Compliance Monitoring: Financial Review

- Documentation must show evidence that any HOME/HTF funds drawn down to the project as of the date of the initial compliance monitoring review have been paid to contractors/vendors named on the invoices in the previously submitted requests for cash.
- For HOME projects, documentation must show payment within 15 days of receipt from MHC.

The Initial Compliance Monitoring: Fair Housing

The tenant file must show that the tenant was informed about tenant rights and received the handout “Reporting Housing Discrimination.”



The Initial Compliance Monitoring: Lead-Based Paint



For rehabilitation projects on buildings built before 1978, the tenant file must show that the tenant received the free educational pamphlet “Protect Your Family from Lead in Your Home”, a warning statement in the lease, a disclosure of known LBP or LBP hazards, all available information, and an opportunity for testing.

Long-Term Affordability Monitoring Annual Compliance Report

- Due each year and certifies information for the preceding fiscal year.
- Complete submission includes finalizing the Annual Owner Certification questions and submitting all tenant events.
- The first annual compliance report is due the year following the year of the project's completion date. However, the Owner must begin reporting tenant events with the first tenant move-in.
- The report covers the period of July 1 – June 30 of each year.

Long-Term Affordability Monitoring Physical Inspections

- All projects will be subject to physical unit inspections once every three years throughout the affordability period. The monitoring and inspection sample size will be determined as follows:
- For projects with one to four assisted units, 100% of the assisted units will be inspected.
- For projects with more than four assisted units, at least 20% of the assisted units, but no fewer than four units, will be inspected. At least one assisted unit in each building will be inspected.
- Inspectable areas under the NSPIRE Standards will be inspected for all buildings. Inspectable areas include inside, outside, and unit.

Long-Term Affordability Monitoring Physical Inspections

Prior to performing a physical inspection, MHC or its third-party agent will:

- Notify the Owner and/or the management company of the date and approximate time the inspection will take place.
- Request that the Owner and/or management company representative be present and accompany the inspector throughout the entire inspection process.
- It is imperative that all units be available for interior and exterior inspections (vacant units, occupied units, and common areas inclusive). Physical inspection is not limited to vacant units. MHC will ask to inspect specific units whether the unit is occupied or not and will not give advance notice as to which units will be inspected. Units to be inspected will be selected randomly.
- The Owner must maintain housing in accordance with HUD's NSPIRE standards beginning 10/1/2025.

Long-Term Affordability Monitoring File Monitoring

All awards will have a file audit in the same year the development has a physical inspection. MHC staff or a representative of MHC will conduct the audit. The audit will either be conducted onsite or through a desktop review. Regardless of whether it is done onsite or offsite, the audit will consist of the following:

- Fair Housing and Equal Opportunity
- Lead-Based Paint Educational Information
- Affirmative Marketing (projects with 5 or more assisted units)
- Tenant Selection Plan
- VAWA Compliance
- Utility Allowances
- Tenant Files (special needs units; source documents required every 6th year)

Long-Term Affordability Monitoring Financial Review



10 or more units (total units, not assisted units):
annual review of the financial condition of the project
to determine “the continued financial viability of the
housing” in accordance with the Financial Oversight
requirements of 24 CFR 92.504(d)(2) for HOME or
24 CFR 93.404(e) for HTF.



MHC must take actions, as feasible, to correct any
problems identified through financial review.

Long-Term Affordability Monitoring Financial Review

The following items must be submitted by the Owner to conduct the financial review:

- Property specific financial information for the previous year:
 - Most recent audited financial statements for the property (if applicable); or
 - Property's internal financial statements – including Balance Sheet and Profit and Loss Statement
- Monthly rent rolls for the previous year
 - Property insurance and tax payments for the previous year:
 - Evidence of property insurance payment; and
- Evidence of property tax payment

Long-Term Affordability Monitoring Record Retention

- Records must be retained for 5 years after the project completion date except tenant records, which only the most recent 5-year period is required to be held until 5 years after the end of the affordability period.
- Written agreements must be held for 5 years after the termination of the agreement.
- Displacement/Acquisition documents must be retained for 5 years after final payments are issued for all persons.
- Records related to issues such as audits, litigation, or inspections must be maintained until the issue has been resolved or the end of the required retention period –whichever is later.

Long-Term Affordability Monitoring Noncompliance

Generally, a development is out of compliance if during the Affordability Period:

1. The development no longer meets the set-aside requirements of the application, the income and rent restriction requirements of the program, or other requirements for the units which are set-aside; or
2. There is failure to submit the annual utility allowance documentation, Annual Owner Certification, or tenant events, along with any applicable supporting documentation on time; or
3. An ineligible household resides in a program unit (including a student ineligible household for HOME-assisted units); or
4. A unit or building is no longer suitable for occupancy or otherwise in violation of physical inspection standards; or
5. The Owner does not comply with requests to conduct a physical inspection or file audit.

Long-Term Affordability Monitoring

Noncompliance: Consequences

Penalties include, but are not limited to, the following:

1. Penalty fees paid to MHC such as re-inspection fees and/or late fees;
2. Recapture of award funds;
3. Negative points on future applications;
4. Rejection of future applications (i.e., suspension or debarment);
5. Repayment of rent overages;
6. Mandatory attendance at an MHC sponsored compliance training; and/or
7. An increase in the frequency of MHC audits/inspections



Contact Info

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Housing Grant Officer

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