HOME Consortium

Policies and Procedures Manual

For Jefferson, Ozaukee, Washington and Waukesha Counties

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The Wisconsin Partnership for Housing Development produced this manual under a Department of Housing and Urban Development (HUD) HOME contract with Waukesha County, for the HOME Consortium.

The author of this report is:

The Wisconsin Partnership for Housing Development, Inc.
121 South Pinckney Street, Suite 420
Madison, WI 53703

Phone: 608.258.5560
Fax: 608.258.5565
Web: www.wphd.org

This Policies and Procedures Manual is presented to provide an overview of HOME Consortium policies and procedures as they pertain to the federal HOME Investments Partnership Program. This manual is not meant to be a substitute for HOME Program regulations, but as a supplement to them. It is not exhaustive regarding all considerations affecting the use of HOME Program funds. While careful consideration and due care has been used in developing the manual, HOME Program participants are encouraged to consult with HOME Consortium staff persons to ensure correct interpretation of policies and regulations. The HOME Consortium reserves the right to implement additional policies as needed.

A. The HOME Consortium Board 1
1. Consortium Agreements 1
2. Composition of Board 1
3. Election of Board Officers 1
4. Board Meetings 1
5. Responsibilities 2
6. Strategic Planning 2
B. The HOME Consortium Partners 2
1. Lead Agent 2
2. Waukesha County Staff and Responsibilities 2
3. Program Administrator Responsibilities 3
4. Counseling Agencies 3
5. Inspectors 3
6. Community Development Housing Organizations (CHDOs) 3
C. The HOME Consortium Programs 4
1. Allocation of Funds to Programs 4
2. Consortium-Wide Programs 4
a. Down Payment Assistance Program 4
b. Home Owner Rehab Program 5
d. Purchase Rehab 6
e. Development 7
D. Appendices 8
Appendix A: Overview of the HOME Program 9
Appendix B: Program Allocation History 26
Appendix C: Detailed description of Down Payment Assistance Program 28
Appendix D: Detailed description of Home Owner Rehab Program 312
Appendix E: Detailed Description of Purchase Rehab Program 345
Appendix F: Detailed Description of Housing Development Program 39
Appendix G: Responsible Lending Policy 42
Appendix H: Subordination Policy 44

HOME CONSORTIUM
Policies and Procedures Handbook

A. The HOME Consortium Board

The HOME Consortium was created in 1998 to serve the housing needs of Jefferson, Ozaukee, Washington, and Waukesha Counties. The HOME Consortium receives an annual allocation of federal HOME funds which must be used to assist with the housing needs of households with an income below 80 percent of the county median income, as determined by the Department of Housing and Urban Development (HUD).

1. Consortium Agreements

Each governmental entity within the four-county area must agree to be a part of the HOME Consortium. At the current time, there are only four communities that do not participate in the consortium; the Village of Sullivan in Jefferson County, the Village of Chenequa in Waukesha County, the Village of Bayside in Ozaukee County, and the Village of Oconomowoc Lake in Waukesha County. Every three years each community is asked to verify their continued participation by notifying the consortium if they no longer wish to participate.

2. Composition of Board

There are three representatives from each county on the HOME Board. Each county may also appoint one alternate. Equal representation by county ensures that decisions are made to benefit the entire consortium area.

Each Board member has one vote on any issue coming before the Board. Alternates may attend the meetings, but cannot vote unless one of the other members from their county is not present. Alternates are allowed to sit at the table for discussion purposes.

3. Election of Board Officers

There are four Board officers, including a Chair, Vice Chair, Treasurer and Secretary. Officers are selected so that each county is represented. The Chair of the HOME Board runs the monthly Board meetings. In the absence of the Chair, the Vice Chair assumes these responsibilities. All four positions rotate each year among the four counties.

4. Board Meetings

Board meetings are held on the third Thursday of each month at 9:00 a.m. in the Waukesha County Administration Center, or as otherwise scheduled. Agendas for the meetings are posted as required by the Open Meetings Law. Robert's Rules will be observed for the conducting of meetings. Board meeting agendas will be posted on the HOME Consortium website with a link to the Waukesha County official website. All materials for the Board meeting are made available to Board members if possible at least one week prior to the Board meeting.

5. Responsibilities

The HOME Consortium Board is responsible for the following, at a minimum:

- Make decisions regarding the allocation of the federal funds across program areas.
- Ensure that the HOME funds are spent in accordance with HUD rules regarding the use of the funds. Ensure that no more money is spent than is available.
- Make decisions regarding the expenditure of Community Housing Development Organization (CHDO) set-aside money.
- Reviewing program activities and rules to ensure that money is being spent to benefit the consortium as a whole.

The Board may hire program administrators and technical assistance providers to advise them in these activities, but the Board is ultimately responsible for adherence to HUD rules and regulations and for meeting the housing needs of the communities they represent. General information on the HOME program is provided in Appendix A.

6. Strategic Planning

The Board shall complete a strategic planning process in order to determine the priorities for spending within the consortium area. Board members will work with Waukesha County staff during the Consolidated planning process required by HUD every 5 years.

B. The HOME Consortium Partners

1. Lead Agent

Waukesha County serves as the lead agent for the HOME Consortium. As a CDBG entitlement community, they can receive the HOME funds and manage the Consortium. The funds are disbursed through the lead agent. They are responsible for the submission of the plan for expenditures to HUD and for reporting and drawing down funds spent for programs operated by the consortium. They manage the operation of the programs. In this case, they have chosen to delegate program operation to a third-party program administrator. Practically speaking, the administrative burden for the program is carried by Waukesha County and they may provide office space and interim funding for the program.

2. Waukesha County Staff and Responsibilities

There are two county staff people directly responsible for the operation of the HOME Consortium. County staff are responsible for the following items:

- Financial management, reporting, and disbursements associated with the program
- Certify Community Housing Development Organizations (CHDOs)
- Prepare Consolidated Plan, Annual Action Plan, and CAPER
- Staff the HOME Board
- Review/evaluate proposals for CHDO or other development projects

3. Program Administrator Responsibilities

Day-to-day operation of the programs of the Consortium has been delegated to the Wisconsin Partnership for Housing Development (the Partnership). One staff person is on site at the Waukesha County office building and other staff works on the program from their offices in Madison. The Partnership is responsible for program operation and administration of the programs that have been approved by the HOME Board. The Partnership is responsible for providing financial information to the Board for purposes of decision making on a monthly basis.

The HOME Board is responsible for selection of the program administrator. An RFP is issued every three years, with contract issued, subject to annual renewal.

4. Counseling Agencies

The HOME Board also selects counseling agencies to assist households wishing to purchase a home in each of the four counties participating in the Consortium. An RFP is issued every three years for inclusion on a Preferred Providers list, with contracts issued subject to annual renewal. HUD requires housing counseling before funds are disbursed.

5. Inspectors

The HOME Board is responsible for selecting an inspector to work with homebuyers to ensure that the home meets local code standards, per HUD regulations. The inspector also works to develop a scope of work for home owner rehab projects. An RFP is issued every three years, with contracts issued, subject to annual renewal, for the services of a qualified inspection company to ensure that HOME standards are being met.

6. Community Development Housing Organizations (CHDOs)

CHDOs are non-profit organizations that meet certain organizational requirements as outlined by HUD. The HOME Board must certify that the non-profit qualifies as a CHDO. CHDOs serve as affordable housing developers in their area. 15 percent of funds are set aside for these organizations so that these HOME funds are used specifically for housing development. CHDOs apply to the HOME Board for project funding. The HOME Board makes the final decision on funding of projects.

C. The HOME Consortium Programs

1. Allocation of Funds to Programs

Each year the federal government gives a HOME allocation to the HOME Consortium.

The HOME Board is responsible for determining how these funds are allocated across eligible programs. HUD requires 15 percent of the HOME funds be set aside for CHDO projects and that a maximum of 10 percent of the funds may be used for administration of the program. The HOME Board must allocate the remainder of funds across program areas. This allocation is made in a way that furthers the strategic objectives of the Consortium.

2. Consortium-Wide Programs

The HOME Board has identified four major Consortium-wide program areas for expenditure of funds. These include:

- down payment assistance
- homeowner rehab
- purchase rehab
- housing development

Each of these programs is described below, with more information included in the Appendices.

a. Down Payment Assistance Program

This program currently provides up to $5,000 in down payment and/or closing cost assistance as a forgivable loan to qualified buyers). To qualify for this program, the homebuyer must:

- Have an annual income below 80% CMI
- Have a front end debt ratio no lower than 18%
- Have a back end debt ratio no higher than 45%
- Participate in a qualified homebuyer counseling program
- Purchase a home within qualified purchase price limits and within the HOME Consortium area
- All homes must pass the HOME Consortium code requirements inspection before closing

Funds are extended as a 5-year forgivable loan. There are no monthly payments with this loan and it is interest free. 20% of the loan is forgiven for each full year during the 5-year retention period. After 5 years the loan is forgiven. If the mortgaged property is sold, transferred or ceases to be the borrower’s primary residence before the end of the 5-year period, the HOME Consortium will recapture the unforgiven portion of the loan, or any net proceeds.

If after purchasing a home the buyer decides to apply for homeowner rehab assistance, the application must be made within one year of the initial purchase. After one year, the homeowners are no longer eligible for rehab assistance, until the affordability period has ended for the down payment assistance loan.

The program administrator markets this program. Other partners in the home buying process are the housing inspectors, the homebuyer counseling agencies and participating lenders. A participating lender is one who agrees to follow the program rules in order to provide the loan to a household to whom they are providing financing. A participating lender must reserve the funds and work with the program administrator to ensure that the household qualifies for the program and to arrange a home inspection. The program administrator arranges for property inspection, checks household eligibility, and enters the project in IDIS upon receipt of all closing documents from the participating lender. The inspector ensures that funds are spent for an eligible property. The counseling agencies provide and verify homeowner participation in a counseling program.

Complete information on this program, along with forms and detailed fees, is provided in Appendix C.

b. Homeowner Rehab Program

This program provides up to $15,000 (in a deferred loan) for rehab of owner-occupied units. The loan is repayable upon sale or transfer of the property, if the property ceases to be the borrower's primary residence, or upon a cash out refinance. The following eligibility requirements apply to the borrower as well as the property undergoing rehabilitation:

- Home must be owner-occupied, single family attached or detached, and located within the HOME Consortium area
- Have an annual income below 80% CMI
- After rehabilitation, property must meet HOME Consortium code requirements
- Post-rehab value of the home may not exceed HUD's after-rehab limits

Applications are sent directly to the homeowner for their completion. They are returned to the program administrator for verification of eligibility. If eligible, the inspector goes to the property and develops a scope of work for the project, identifying all the rehab activities required in order for the home to meet local code. Using this scope of work, the homeowner obtains bids from contractors for the work to be completed. Bids are submitted to the program administrator. At this point, the loan to the homeowner is made. The program administrator works with the homeowner and the contractor to make sure that a contract is in place and all of the contract terms are understood. Once work is complete, a final inspection is conducted, the homeowner must approve the release of funds and the contractors are paid..

Complete information on this program is provided in Appendix C.

c. Purchase Rehab

The purchase rehab program combines the homeowner rehab and down payment assistance programs to provide up to $22,000 to eligible homebuyers. These funds are available as up to a $5,000 forgivable loan to be used as down payment and/or closing cost assistance, and up to a $17,000 deferred loan for modest home repair costs. Both of these loans follow the same terms and conditions as the down payment and rehab assistance programs with respect to interest, repayment, etc.

The following eligibility requirements apply to both borrowers and properties for the use of this program:

- Have an annual income below 80% CMI
- Have a front end debt ratio no lower than 18%
- Have a back end debt ratio no higher than 45%
- Participate in a qualified homebuyer counseling program
- Purchase a home within the HOME Consortium area
- Post-rehab value of the home may not exceed HUD after-rehab limits
- Rehab work must be completed within six months of purchasing the home
- After rehab is complete, the building must pass HOME Consortium code requirements inspection

The program administrator markets this program. Other partners in the home buying process are the housing inspectors, the homebuyer counseling agencies and participating lenders. A participating lender must reserve the DPA funds and work with the program administrator to ensure that the household qualifies for the program and to arrange a home inspection. The program administrator arranges for property inspection and checks household eligibility. The inspector goes to the property and develops a scope of work for the project, identifying all the rehab activities required in order for the home to meet local code. Using this scope of work, the homeowner obtains bids from contractors for the work to be completed. Bids are submitted to the program administrator. At the first mortgage closing, both the DPA and Rehab loans to the homeowner are made.

The program administrator enters the project in IDIS upon receipt of all closing documents from the participating lender. The counseling agencies provide and verify homeowner participation in a counseling program.

The program administrator works with the homeowner and the contractor to make sure that a contract is in place and all of the contract terms are understood. Once work is complete, a final inspection is conducted, the homeowner must approve the release of funds and the contractors are paid.

d. Development

The HOME Consortium’s development program aims to increase the supply of affordable rental and ownership units. This program provides up to $51,000 per unit, subject to underwriting and subsidy layering conditions. All housing developed through this program must meet local housing and building codes as well as HUD’s purchase price and value limits. At least 85% of the funds allocated to a project must be applied to capital costs such as acquisition, construction, labor, and materials. No more than 15% of allocated funds may be used for staffing and project delivery.

Funding allocations are determined based on a number of ranking factors related to project scope, siting, design, affordability, and leverage. These funds are provided as a deferred loan, payable upon sale of the property. For-profit developers will pay an interest rate on the loan established by the HOME board, while non-profit developers only repay the original amount of HOME funds invested in the property. In some circumstances, the HOME loan may be provided as a grant to a non-profit developer, or as a forgivable loan.

D. Appendices

Appendix A: Overview of the HOME Program
Appendix B: Historical Allocation of Funds
Appendix C: Detailed Description of Down Payment Assistance Program
Appendix D: Detailed Description of Home Owner Rehab Program
Appendix E: Detailed Description of Purchase Rehab Program
Appendix F: Detailed Description of Housing Development Program

Appendix A: Overview of the HOME Program

I. Introduction to HOME

HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. The HOME Program helps to expand the supply of decent, affordable housing for low- and very low-income families by providing grants to states, local governments and consortia called participating jurisdictions or "PJs". PJs use their HOME grants to fund housing programs that meet local needs and priorities. PJs have a great deal of flexibility in designing their local HOME programs within the guidelines established by the HOME program statute and final rule. PJs may use their HOME funds to help renters, new homebuyers, or existing homeowners. This may be in the form of either grants or loans.

Administration of HOME money within the HOME Consortium

The HOME Consortium receives an annual allocation of HOME money from the federal government each year. The Consortium publishes an annual budget for public comment in June, the budget is approved by the HOME Board in July, and the Waukesha County Board approves it in August. The HOME Consortium allocates its funding into two basic categories: Core Programs and CHDO Projects. CHDO and other development projects are allocated competitively. The HOME Board accepts applications on an ongoing basis, as funds are available. This manual will cover each of these program areas in more detail in the following pages.

HOME Program Intent and Objectives

The intent of the HOME Program is to provide decent, safe and affordable housing and to alleviate the problems of excessive rent burdens, homelessness and deteriorating housing stock. HUD allows HOME money to be used in five main types of HOME projects or programs:

- Homeowner Rehabilitation
- Homebuyer Activities
- Rental Housing
- Down Payment Assistance
- Tenant Based Rental Assistance (TBRA)

Each PJ can decide for itself how to use its HOME allocation. The HOME Consortium has chosen to focus primarily on rehabilitation programs for homeowners, down payment assistance programs for homebuyers, and the development of new affordable rental or ownership housing. The Consortium typically does not fund rent assistance programs.

HOME Match Requirements

Some special conditions apply to the use of HOME funds. PJs must match every dollar of HOME funds used (except for administrative costs) with 25 cents from nonfederal sources, which may include donated materials or labor, the value of donated property, proceeds from bond financing, down payment or closing cost assistance from a non-federal source, and other resources.

Long-Term Affordability for HOME

PJs must ensure that HOME-funded housing units remain affordable in the long term. For homebuyer and rental projects, the length of affordability period depends on the amount of the HOME investment in the property and the nature of the activity funded:

HOME Investment per Unit	Length of Affordability Period
Less than $15,000	5 years
$15,000 - $40,000	10 years
More than $40,000	15 years
New construction of rental housing	20 years
Refinancing of rental housing	15 years

Monitoring for HOME

Monitoring is done to ensure production and accountability, ensure compliance with HOME and other federal requirements, and evaluate organizational and project performance. The monitoring schedule is determined by HUD, as follows:

Number of Units	Frequency of Monitoring
1-4	Every 3 years
5-25	Every 2 years
26+	Annually

Monitoring for the HOME Consortium is conducted by either Waukesha County as the lead agent for the Consortium, the Wisconsin Partnership for Housing Development as the Program Administrator, or by sub-recipients of the Consortium as administrators of specific HOME-funded programs.

Other Federal Requirements of the HOME Program

HOME Program funds are subject to many other federal regulations. Additional requirements may include: environmental reviews, labor standards, relocation regulations, lead based paint, conflict of interest, equal opportunity and fair housing, and others.

II. General HOME Program Rules

The HOME Program has a number of basic general rules that apply to all program activities, concerning:

- The definition of a project
- The form and amount of subsidy
- Eligible costs
- The property
- The applicant or beneficiary
- The long-term affordability of the project
- Applicability of other Federal requirements

Definition of a Project

Project means a site or sites together with any building or buildings located on the site(s) under common ownership, management and financing, to be assisted with HOME funds as a single undertaking. The "project" includes all of the activities associated with the site and building.

For tenant based rent assistance (TBRA), "project" means assistance to one or more families.

Forms of Subsidy

HOME allows virtually any form of financial assistance to be provided for eligible projects and to eligible beneficiaries. The PJ (Participating Jurisdiction – HOME Consortium) determines what forms of assistance it will provide. Some forms of assistance will require legal instruments to implement. HOME regulations list the following forms of assistance as eligible:

- Interest bearing loans or advances: These loans are amortizing loans. Repayment is expected on a regular basis so that over a fixed period of time all of the principal and interest is repaid. The term of the loan may vary and the property or some other assets are used as collateral.

- Non-interest bearing loans or advances: The principal amounts of such loans are paid back on a regular basis over time, but no interest is charged. These loans also use the property or other assets as collateral and the term of the loan will vary depending on the nature of the activity funded.

- 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. Deferred payment loans require the property or some other form of collateral to be used as security for the repayments.

- Grants: Grants are provided with no requirement or expectation of repayment. They require no liens on the property or other assets.

- Interest Subsidies: This is usually an up-front discounted payment to a private lender in exchange for a lower interest rate on a loan.

- Equity Investments: 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 loan guarantee account ensures payment of a loan in case of default.

Subsidy Limits

HUD typically releases annual subsidy limits for HOME-funded projects. As of August, 2013, however, these limits have been suspended while HUD devises new regulations. In the absence of a formal or interim policy, PJs should contact their HUD field office to find current per-unit subsidy limits.

If a project has multiple funding sources, an evaluation must be made to ensure that the HOME funds, in combination with other governmental funds, do not exceed what is necessary to provide affordable housing. This is generally referred to as the "subsidy layering review". PJs must adopt written layering guidelines and evaluate each project in accordance with them.

Subsidy Layering Standards

Before committing funds to a project, the participating jurisdiction must evaluate the project in accordance with guidelines that it has adopted for determining a reasonable level of profit or return on owner's or developer's investment. The PJ must not invest any more HOME funds than is necessary to:

1. provide quality affordable housing that is financially viable for at least the period of affordability, and
2. that will not provide a profit or return on the owner's or developer's investment that exceeds the participating jurisdiction's established standards for the size, type, and complexity of the project.

The participating jurisdiction's underwriting guidelines must at a minimum:

- Establish standards to assess the reasonableness of profit or return to the owner or developer, for the size, type, and complexity of the project.

- Examine the sources and uses for each project and determine whether the costs are reasonable.
- Assess the market conditions of the neighborhood in which the project will be located.
- Assess the experience and financial capacity of the developer.
- Determine whether there are firm financial commitments for the project.

Note that these requirements do not apply to down payment assistance or housing rehabilitation programs.

Underwriting and Lending Policies

For all homebuyer programs, participating jurisdiction must establish underwriting standards for homeownership assistance that address housing debt and overall household debt, the appropriateness of the amount of assistance, recurring household expenses, assets available to acquire the housing, and financial resources available to the household to sustain homeownership.

Participating jurisdictions must also create underwriting and lending guidelines establishing:

- A policy to protect against predatory lending
- A refinancing and subordination policy to ensure that the terms of the new loan are reasonable

Eligible Costs

Eligible costs depend on the nature of the program activity. HOME funds can be used to cover both hard (construction, rehab) and soft (fees, insurance, appraisals) costs associated with a project. Generally, HOME funds can be used for:

- New Construction: HOME funds can 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: Rehab includes the alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds.

- 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. Rebuilding of a home that was destroyed by disaster and is no longer standing on its original foundation can still be considered a reconstruction activity. 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 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 include new on-site improvements (sidewalks, utility connections, sewer and water lines) where none are present. They are essential to development or repair of existing improvements. 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: Acquisition of vacant land is eligible only if construction will begin on a HOME project within 12-months of purchase.

- Demolition: Demolition of an existing structure may be funded with HOME funds only if construction will begin on a HOME project within 12-months.

- Relocation Costs: The Uniform Relocation Act and Section 104(d) apply to all HOME assisted properties. Both permanent and temporary relocation assistance are eligible costs.

- 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 to make the housing more affordable.

- 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: These costs must be reasonable and necessary, including: finance related costs, architectural, engineering and related professional services, tenant and homebuyer counseling, provided the recipient becomes the tenant or 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 (except TBRA).

Prohibited Activities

HOME funds cannot be used for project reserve accounts, Tenant Based Rent Assistance for certain purposes, as match for other programs (except McKinney-Vento Act funds), operations or modernization of public housing, or for properties receiving assistance through the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) or the Emergency Low Income Preservation Act (ELIHPA).

During the first year after completion of a project, the PJ may commit additional HOME funds to a project. After the first year, no additional HOME funds may be provided to a HOME assisted project during the relevant period of affordability. However, rental assistance to families may be renewed, rental assistance may be provided to families that will occupy housing previously assisted with HOME funds, and a homebuyer may be assisted with HOME funds to acquire a unit that was previously assisted with HOME funds. In addition, there is no affordability period associated with homeowner rehab, so homeowners may be eligible for more funds in subsequent years.

A PJ may not use HOME funds to reimburse itself for property in its inventory or property purchased for another purpose. However, in anticipation of a HOME project, a PJ may use HOME funds to acquire property or reimburse itself for property acquired specifically for a HOME project with other funds.

HOME funds cannot be used for rent assistance if the recipient of the rent assistance is tied to occupancy in a particular project.

The Property

Depending on the nature of the activity, HOME rules specify the types of property that are eligible for funding. For owner-occupied and homebuyer properties, HOME limits the value and purchase price of the property. Basically, the price, or in the case of rehabilitation, the value may not exceed purchase price/after-rehab limits determined and published by HUD.

HOME funded properties must meet certain minimum property standards that vary by type of activity. The following chart illustrates the minimum standards that apply to each type of HOME activity.

Activity	Minimum Property Standards by Activity
Tenant Based Rent Assistance	Section 8 Housing Quality Standards (HQS)
Acquisition of Existing Housing (no rehab or construction)	Applicable state or local HQS and code requirements. If no local standards/codes apply, use Section 8 HQS
Rehabilitation of Housing	Local written rehabilitation standards. AND State and local code requirements. If no local codes apply, use 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 at 24 CFR 200.925 or 200.926 (FHA). AND • Handicapped accessibility requirements, where applicable.
New Construction of Housing	State and local code requirements. If no local codes apply, use 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 at 24 CFR 200.925 (multi-family) or 200.926 (for one & two unit dwellings). AND • Model Energy Code AND • Handicapped accessibility requirements, where applicable. New construction of rental housing must meet site and neighborhood standards at 24 CFR 983.6(b).

Property Standards

- **Accessibility.** All assisted housing must meet the accessibility requirement of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973
- **Site and Neighborhood Standards.** Apply to all new construction of rental housing.

The Applicant/Beneficiary

The HOME Program is designed to provide affordable housing to low-income and very low-income families and individuals. Therefore, the program has rules about targeting program resources and establishing applicant eligibility. All HOME funds must be used to assist families with incomes below 80% of the area median income. Additional restrictions apply when HOME is used for rental housing or tenant based rent assistance. For each HOME allocation, 90% of the occupants of HOME assisted rental units and households assisted with HOME funded TBRA must have incomes that are 60% or less of the area median. Twenty percent of the units in *each* rental housing project with *five* or more HOME assisted units must be occupied by families with incomes at or below 50% of area median income.

Beneficiaries of HOME funds – homebuyers, homeowners, or tenants – must be low-income or very low-income. Their income eligibility is determined based on their annual income. Annual income is the gross amount of income anticipated by all adults in a household during the 12 months following the effective date of determination. To calculate annual (gross) income, the PJ may choose between two definitions of income:

- Part 5 annual (gross) income.

- IRS adjusted gross income: The final rule allows HOME PJs to determine annual income by using the calculation for “adjusted gross income” outlined in the federal income tax IRS form 1040.

The PJ makes the determination as to what definition is used. A PJ can use both definitions for different programs, but the same definition must be used within a program. For example, a PJ can use the IRS definition for its homeowner rehab program and the Part 5 definition for its TBRA program. But it cannot use the IRS definition OR the Part 5 definition for its homeowner rehab program. It has to be one or the other**. The HOME Consortium always uses the Part 5 definition of income.**

To determine if applicants are income eligible, PJs must verify their income using source documentation such as wage statements, interest statements, and unemployment compensation statements. Income eligibility is based on anticipated income. When collecting income verification documentation, the PJ must consider any likely changes in income. For example, last year’s tax return does not establish anticipated income; nor is it adequate source documentation. Once initial income verification is completed, the PJ is not required to re-examine the applicant’s income unless six months has passed before assistance is provided.

Rental and TBRA programs require annual re-certifications of income. The requirement for annual income re-certifications can be fulfilled with tenant self certifications. Income must be verified with source documentation every six years. For TBRA programs, source documentation is required for initial and subsequent income verifications.

Community Housing Development Organization (CHDO)

Definition: A Community Housing Development Organization (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.

CHDO Set-Aside: PJs must reserve a minimum of 15% of a HOME allocation for housing activities to be developed, sponsored or owned by CHDOs. See HOME regulations (§ 92.300 (a)(1)) Eligible set-aside activities include the following:

- Acquisition and/or rehabilitation of rental housing;
- New construction of rental housing;
- Acquisition and/or rehabilitation of homebuyer properties;
- New construction of homebuyer properties; and
- Direct financial assistance to purchasers to HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

Eligible set-aside activities **do not** include the following:

- rehabilitation of existing homeowners' properties;
- Tenant-based rental assistance.

CHDO Reservation of Set-Aside funds: PJs have up to 24 months from after the last day of the month that HUD signs the HOME Investment Partnership Agreement transmittal letter to identify and designate the CHDOs they plan to work with, and to reserve monies for the CHDO's use. The 2013 HOME Final Rule requires PJs to commit these funds through a written agreement, rather than simply reserving them for CHDO activities.

If a PJ does not commit CHDO set-aside funds within 24 months of allocation, the funds will be recaptured by HUD.

CHDO operating assistance: PJs can reserve up to 5% of the HOME allocation for general operating expenses for CHDOs that are receiving set-aside funds for activity/activities.

CHDO certification and recertification: CHDOs should be recertified annually, but at a minimum, must be recertified each time it receives set-aside or operating funds.

A CHDO is a special type of non-profit organization that must meet the following requirements:

- Has a governing board consisting of not less than one-third low-income persons and not more than one-third public officials.
- Has a 503(c) (3) or (c) (4) ruling from the IRS.

- Has demonstrated a capacity for carrying out activities assisted with HOME funds.
- Has a history of serving the community in which the HOME assisted housing is to be located for a minimum of one year.
- Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws.
- Has a clearly defined service area.

Resale/recapture

- For **homebuyer** activities, the PJ must impose long-term affordability through resale or recapture provisions.
  - Resale ensures that units assisted with HOME funds remain affordable throughout the affordability period. If a unit is sold during the affordability, it must be sold to another low-income homebuyer at an affordable sales price, while also providing a "fair return" for the original homebuyer. The period of affordability is based on the total HOME assistance in the project including direct assistance and development assistance to an owner, developer or sponsor.
  - Recapture allows the PJ to recapture all or a portion of the HOME subsidy in a property that is sold or transferred during the affordability period, and subsequently reinvested in other HOME eligible activities. The amount subject to recapture and the affordability period is based on the amount of direct assistance to the homebuyer. **The HOME Consortium usually uses the Recapture provision.**
  - Resale and recapture policies must be described in a PJ's consolidated or annual action plan.

Program Income

Funds received by the Consortium from activities which received HOME funds are considered Program Income. Funds repaid by a homeowner that received a loan for rehab activities (when sold during the period of affordability) <u>are</u> considered program income. HOME funds recaptured from homebuyer activities are <u>not</u> program income. Repayments that result from homebuyer activities must be used for HOME eligible activities but cannot be used for administrative costs.

This is very important when calculating the Administrative and Planning Cap. For HOME the cap is 10% of the grant plus Program Income received during the program year.

Program Income must be spent prior to drawing additional grant funds.

HOME Program Income must be held in an interest-bearing account. Any interest earned is considered program income and may be retained by the HOME Consortium and used for eligible HOME program costs.

Reporting

Consolidated Plan - The Consolidated Plan is a plan of up to five years in length that describes community needs, resources, priorities and proposed activities to be undertaken under certain HUD programs, including Community Development Block Grant (CDBG) and HOME. The HOME Consortium's current plan covers years 2010—2014.

Annual Action Plan – Each year, PJs must update the Consolidated Plan by submitting a document, referred to as an Action Plan, to HUD. This annual update describes the specific planned uses of the covered HUD programs, including HOME, as well as certain other program requirements.

Consolidated Annual Performance and Evaluation Report (CAPER) – The CAPER must include both a summary of programmatic accomplishments and an assessment of progress toward the priority needs and specific objectives set forth in a PJ's Consolidated Plan. It is due within 90 days of the close of the program year.

Project Completion

Complete project completion information must be entered into IDIS within 120 days of the final project drawdown. If satisfactory project completion information is not provided, HUD may suspend further project set-ups or take other corrective actions. Additional HOME funds may be committed to a project up to one year after project completion, but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy. After the one-year period, additional HOME funds may not be invested in a property during that property's period of affordability.

This 120-day completion requirement relates only to the period after the final HOME funds drawdown for a given activity. Beside this requirement, however, any activity must be completed within four years after the initial commitment of HOME funds. PJs can request a 12 month extension on this timeline, however, after that period, the HOME funds are subject to recapture by HUD.

For all homebuyer activities, the home must be purchased by an income-qualified household as their primary residence within nine months of project completion. If the home does not sell within this timeframe, the property must convert to renter-occupied housing.

Occupancy

Throughout the period of affordability, income eligible households must occupy the HOME assisted housing. When designated HOME assisted units become vacant during the period of affordability, subsequent tenants must be income eligible and must be charged the applicable HOME rent. If a home purchased with HOME assistance is sold during the period of affordability, resale or recapture provisions apply to ensure the continued provision of affordable housing.

Other Federal Requirements

HOME is subject to a number of cross cutting federal regulations. Contact HOME Consortium staff for assistance with any HOME Federal requirements and procedures.

- **Fair Housing and Equal Opportunity**. [HUD Regulations 24 CFR 92.202 & 250] The HOME Consortium requires all program participants to follow Fair Housing requirements and pay attention to possible signs of discrimination in leasing practices.

- **Affirmative Marketing.** [HUD Regulations 24 CFR 92.351] Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability.

- **Handicapped Accessibility.** Owners will follow Section 504 of the Rehabilitation Act of 1973 and 24 CFR 100.205 Implements the Fair Housing Act for multi-family buildings only.

- **Equal Opportunity Employment**. [HUD Regulations 41 CFR 60] Contracts and subcontracts over $10,000 should include language-prohibiting discrimination.

- **Section 3 Economic Opportunity.** [HUD Regulations 24 CFR 135] Applies if the amount of assistance exceeds $200,000 or contract or subcontract exceeds $100,000. Section 3 clauses are to be included in all contracts and subcontracts.

- **Minority/Women Employment**. [HUD Regulations 24 CFR 85.36(e)] Language is to be included in all contracts and subcontracts***.***

- **Davis-Bacon.** [HUD Regulations 24 CFR 92.354] Davis-Bacon is applied to all HOME construction contracts that include 12 or more HOME assisted units. Requirements apply to whole project not just the HOME assisted units.

- **Conflict of Interest**. [HUD Regulations 24 CFR 92.356] - A conflict of interest is present with persons who are employees, agents, consultants, officers, elected officials or appointed officials of the owner, owning organization/agency whether private, for-profit or non-profit or HOME Consortium or persons who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or are in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME assisted activity or have an interest in any contract, subcontract, agreement, family interest, business ties. At no time must these individuals occupy a HOME assisted affordable housing unit in a project. This provision does not apply to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker as long as income guidelines are followed.

- **Debarred Contractors**. [HUD Regulations 24 CFR 24] A person who is debarred or suspended shall be excluded from Federal financial and non-financial assistance and benefits under Federal programs and activities. Debarment or suspension of a participant in a program by one agency shall have governmental wide effect. Contact HOME Consortium staff before entering into any contractor agreements to verify they are not on the Debarred Contractors list (www.sam.gov).

- **Environmental Review**. [HUD Regulations 24 CFR 58] The level of review will be determined based upon the activity and findings of the HOME Consortium. All environmental reviews will be done before a project begins construction or HOME activities. Items that are reviewed include Historic Preservation, floodplain, endangered species, wild and scenic rivers, air quality, noise and farmlands protection.

- **Flood insurance Section**. [HUD Regulations 24 CFR 55] All projects must obtain flood insurance if located in a FEMA 100-year flood plain. The community must be participating in FEMA's flood insurance program.

- **Site and Neighborhood Standards**. [HUD Regulations 24 CFR 893.6(b)] All new construction rental projects will be reviewed for compliance of the Site and Neighborhood requirements set forth by HUD.

- **Lead Based Paint**. [HUD Regulations 24 CFR 35] Lead Based Paint requirements are put on the sale or lease of target housing. A seller or lessor of target housing shall disclose to the purchaser or lessee the presence for any known lead based paint and/or lead based paint hazards; provide available records and reports; provide the purchaser or lessee with a lead hazard information pamphlet; give purchases a 10-day opportunity to conduct a risk assessment or inspection; and attach specific disclosure and warning to the sales or leasing contract before the purchase or lessee is obligated under a contract to purchase or lease target housing. Target housing is defined as any housing constructed prior to 1978.

- **Drug Free Workplace.** All administrators will be a Drug Free Workplace

- **Disclosure.** Disclosure of all requirements, regulations and policies

Written Agreements

A written agreement must be entered into ***before any HOME funds are committed or disbursed*** to any entity. In addition, a state recipient, sub-recipient or other entity that plans to disburse HOME funds to another entity must first execute a written agreement between itself and the recipient.

The specific contents of agreements will vary, depending upon the role the entity is asked to assume or the type of project undertaken. The Final Rule details the specific HOME provisions that must be included in written agreements between PJs and the various entities that may receive HOME funds. The required provisions are:

- **Use of HOME funds:** Description of tasks to be performed, schedule for completing tasks, a budget in sufficient detail to effectively monitor performance and the period of the agreement.

- **Reversion of Assets/Program Income Requirements:** States whether program income proceeds, unexpended funds or other assets will be retained by the recipient for other eligible activities, or will be returned to the PJ.

- **Uniform Administrative Requirements:** Compliance with applicable federal administrative requirements (OMB Circular A-87 and applicable provisions of 24 CFR Part 85 for governmental entities, or OMB Circular A-122 and applicable provisions of 24 CFR Part 84 for non-profit entities).

- **Other Program Requirements:** Requirements regarding non-discrimination and equal opportunity, affirmative marketing and minority outreach, environmental review, displacement, relocation and acquisition, labor standards, lead based paint, and conflict of interest.

- **Affirmative Marketing:** Requirements for affirmative marketing in projects of five or more assisted units.

- **Requests for Disbursement of Funds:** Requirement that HOME funds may not be requested until funds are needed for payment of eligible costs. The amount of each request must be limited to the amount needed.

- **Records and Reports**: Enumeration of records that must be maintained, and information and reports that must be submitted.

- **Enforcement of the Agreement:** This provision is in the agreement with all parties, including owners, and is the means of enforcing the provisions of the written agreement.

- **Project Requirements:** Enumeration of all project requirements applicable to the type of projects(s) to be assisted. Examples include affordability requirements, property standards, rents and recapture/resale provisions.

- **Conditions for Religious Organizations**: Includes conditions set forth in 24 CFR Part 92.257 concerning religious organizations.

- **CHDO Provisions:** Requirements for the use of funds to CHDOs, including set-aside funds, operating expenses and project-specific loans and capacity building assistance.

Appendix B: Program Allocation History

Year	HOME Allocation	Program Income	Commitments											Total
			DPA	HBC	Rehab	ADDI	Purchase Rehab	Housing Projects	Program Admin	Subgrantee Admin	County Allocation	CHDO Opperating	CHDO Project	
1998	$ 840,000		$ 328,000		$ 77,176			$ 177,511	$ 35,800	$ 68,313		$ 25,200	$ 128,000	**$ 840,000**
1999	$ 793,000		$ 343,398	$ 63,000	$ 164,562				$ 39,650			$ 63,440	$ 118,950	**$ 793,000**
2000	$ 1,171,775		$ 374,900	$ 100,000	$ 340,375			$ 40,862	$ 88,890	$ 10,148		$ 54,150	$ 162,450	**$ 1,171,775**
2001	$ 1,371,000		$ 475,000	$ 100,000	$ 40,000			$ 172,910	$ 88,890		$ 220,000	$ 68,550	$ 205,650	**$ 1,371,000**
2002	$ 1,365,000	$ 144,150	$ 475,200	$ 100,000	$ 170,000			$ 36,228	$ 83,890		$ 220,000	$ 68,250	$ 205,650	**$ 1,359,218**
2003	$ 1,484,214	$ 216,615	$ 325,000	$ 100,000	$ 370,000				$ 134,411		$ 220,000	$ 74,210	$ 191,337	**$ 1,414,958**
2004	$ 1,696,394	$ 274,359	$ 325,000	$ 100,000	$ 370,000	$ 170,912			$ 138,975		$ 220,000	$ 73,654	$ 189,750	**$ 1,588,291**
2005	$ 1,517,023	$ 254,836	$ 325,000	$ 100,000	$ 370,000	$ 69,815			$ 140,560		$ 220,000	$ 72,360		**$ 1,297,735**
2006	$ 1,421,214	$ 153,767	$ 444,000	$ 131,000	$ 250,000	$ 527,164			$ 146,275		$ 220,000	$ 69,282		**$ 1,787,721**
2007	$ 1,422,925	$ 266,721	$ 451,500	$ 80,000	$ 239,000			$ 157,100	$ 161,509			$ 1,500	$ 308,000	**$ 1,398,609**
2008	$ 1,350,352	$ 122,909	$ 382,000	$ 69,000	$ 129,000		$ 271,910	$ 354,000	$ 166,827		$ 224,000	$ 36,000	$ -	**$ 1,632,737**
2009	$ 1,491,311	$ 203,162	$ 517,000	$ 103,000	$ 250,000		$ 305,000		$ 186,390				$ 240,000	**$ 1,601,390**
2010	$ 1,476,615	$ 144,473	$ 209,550	$ 39,350	$ 325,000		$ 111,100	$ 94,585	$ 147,661					**$ 927,246**
2011	$ 1,297,244	$ 90,315	$ 436,083	$ 118,000	$ 204,767		$ 304,083	$ 650,000	$ 140,000				$ 555,555	**$ 2,408,488**
2012	$ 1,048,902	$ 158,398	$ 458,940	$ 118,900	$ 171,792		$ 218,058		$ 104,890			$ 28,000	$ 435,000	**$ 1,535,580**
2013	$ 1,063,811													**$ -**
Total			**$ 5,870,572**	**$ 1,322,250**	**$ 3,471,672**	**$ 767,891**	**$ 1,210,151**	**$ 1,683,196**	**$ 1,804,618**	**$ 78,461**	**$ 1,544,000**	**$ 634,596**	**$ 2,740,342**	

Appendix C: Detailed description of Down Payment Assistance Program

OVERVIEW

HOME CONSORTIUM DOWN PAYMENT ASSISTANCE PROGRAM, 2014

Description of Program:

Potential home buyers apply for down payment assistance through a participating lender. The lender takes the application and works with WPHD staff to determine if the borrow is eligible for funding, and how much funding is required If the borrower is eligible, the lender reserves the funds (meaning the funds are held for that individual). Upon closing, the funds are actually expended. As a result, when we report monthly activity to the Board, we will report both funds that have been reserved, and funds that have been expended.

In order to be eligible, they must:

- have an annual income below 80% CMI
- have a front end debt ratio no lower than 18%
- have a back end debt ratio no higher than 45%
- purchase a house with a purchase price of less than the HUD maximum allowed amount ($161,000 in Jefferson County, $159,000 in other counties)
- attend a home buyer counseling class with a HOME contracted preferred provider
- purchase a home that can pass the HOME Consortium code requirements inspection before closing

Homebuyer Counseling:

In accordance with the 2013 HOME Final Rule, homebuyers using this program are required to receive housing counseling. The counseling agencies provide a complete package of supportive counseling services throughout the home buying process, which empowers participants to achieve the dream of home ownership.

Services include credit awareness, acquiring budget management skills, learning about mortgage products and guidelines, the selection of a property and the post- purchase responsibilities of home ownership. Each counseling agency provides monthly educational home buying seminars and provides ongoing one-on-one counseling with clients, as needed.

The HOME Consortium selects housing counseling agencies through an RFP process administered by Waukesha County's procurement department. Qualified agencies are placed on a Preferred Provider List, and are contracted to provide services for one year, renewable for two more years. Counseling agencies are required to provide 6 or more hours of a combination of private and group or class counseling to each homebuyer. Counselors are paid by the HOME Consortium when a loan closes. The participating lender submits verification from the counseling agency that the household has completed training. At this point reimbursement is made to the counseling agency.

Program Costs:

Costs	Expenditure purpose
$5,000	Down payment assistance
$650	Homebuyer counseling
$800	Loan processing and servicing
$125	Inspection
250	Marketing
$6,825	**TOTAL COST TO HOME PROGRAM**

Appendix D: Detailed description of Home Owner Rehab Program

OVERVIEW

HOME CONSORTIUM REHAB PROGRAM, 2014

Description of Program:

If an individual needs rehab on their home, they contact WPHD for an application. The application requests information to determine whether an individual is eligible for the program. Minimum eligibility requirements are:

- have an annual income below 80% CMI
- live in a single family home which they occupy or intend to occupy, which does not exceed the HUD after-rehab limits and which will not after repairs are made
- Must pass HOME Consortium code requirements inspection after repairs are completed

The Board may establish additional requirements in order to make sure that the money available is targeted toward projects of highest priority. For example, the Board could make grants only available when health and safety or accessibility are an issue, or continue to make the loans on a first come/first served basis.

In addition, loans can only be made if all of the repairs to be made will result in the home meeting HOME Consortium code requirements.

Once eligibility is determined, the homeowner must attempt to get bids from three contractors for each part of the work they wish to have completed. The homeowner selects the contractor and submits the bid(s) to WPHD. At this point, assuming the contractor is not on the debarred list, the loan is closed and the funds are reserved. Once work is complete, the contractors are paid for their work, and funds are expended.

The rehab loans are set up as a deferred loan, meaning that they will get repaid upon sale or transfer of the home.

Eligibility:

- Properties must be:
    - Owner-occupied
    - Single family or detached units (such as condominiums)
    - Post-rehab value must be below HUD limits (listed below)

- Households must:
    - Have an annual income below 80% CMI
    - Have front end debt ratio no lower than 18%
    - Have back end debt ratio no higher than 45%

- Allowable repairs include:
    - Roofs
    - Mechanical systems (e.g. furnaces and hot water heaters)
    - Plumbing
    - Windows
    - Foundations
    - Siding
    - Bathroom and kitchen improvements
    - Accessibility improvements
    - Other administrator-approved health and safety issues

Program Costs:

Cost	**Expenditure Purpose**
$15,000	Payments to contractors or home owner for materials
$150	Inspection
$75+	Re-inspection upon work completion. Additional inspections may be needed if multiple projects are being done
$1,500	Processing and administration
$250	Marketing
$25	Flood certification
$23+	Lead-based paint lab fees (if applicable)
$17,023+/-	**TOTAL COST TO HOME PROGRAM**
$ 55	Title reports
$15—25	Credit Report
$ 70-80	**TOTAL COST TO BORROWER**

Appendix E: Detailed Description of Purchase Rehab Program

OVERVIEW

HOME CONSORTIUM PURCHASE REHAB PROGRAM, 2014

Description of Program:

The purchase rehab program helps low- and moderate-income households purchase a home and make modest, necessary repairs to the building. This program provides two separate loans:

- **Down Payment Assistance**: Up to $5,000 provided as a five-year forgivable loan to be used for down payment and closing costs. This loan carries 0% interest and no monthly payments. 20% of the loan value is forgiven each year the household remains in the home.

- **Homeowner Rehab**: Up to $17,000 provided as a deferred loan to be used for eligible repairs to the home. This loan carries 0% interest and no monthly payments. The full value of the loan is repaid to the HOME Consortium upon sale or transfer of the property.

Eligible homebuyers must apply for this program as they do for the DPA program, through a participating lender of their choice. The lender will receive a loan commitment from the HOME Consortium program administrator once the applicant's income has been verified. The home is then inspected by the HOME Consortium's qualified inspector to identify any violations of HOME Consortium Code Requirements. Any violations must be fixed.

Once the inspection has been completed, the homeowner obtains bids for the rehab work from contractors. These bid estimates make up the total of the Rehab loan. The DPA and the Rehab loan are closed at the applicant's home purchase closing. The new homeowner has a maximum of 6 months to complete the repairs on the home after the loan is closed. WPHD staff will work with the homeowner to obtain bids and monitor construction until the work is finished. Another inspection is required at that time to ensure the work meets HOME Consortium Code Requirements. Contractors are paid by WPHD after the work is completed and passes inspection.

Potential home buyers apply for down payment assistance through a participating lender. The lender takes the application, and if the borrower is eligible, they reserve the funds (meaning the funds are held for that individual). Upon closing, the funds are actually expended. As a result, when we report monthly activity to the Board, we will report both funds that have been reserved, and funds that have been expended.

Eligibility:

- Properties must be:
  - Owner-occupied
  - Single family or detached units (such as condominiums)
  - Post-rehab value must be below HUD limits (listed below)

- Households must:
  - Have an annual income below 80% CMI
  - Have front end debt ratio no lower than 18%
  - Have back end debt ratio no higher than 45%
  - Participate in homebuyer counseling program

- Allowable repairs include any code violations noted in the inspection report, and other administrator approved health and safety issues

Homebuyer Counseling:

In accordance with the 2013 HOME Final Rule, homebuyers using this program are required to receive housing counseling. The counseling agencies provide a complete package of supportive counseling services throughout the home buying process, which empowers participants to achieve the dream of home ownership.

Services include credit awareness, acquiring budget management skills, learning about mortgage products and guidelines, the selection of a property and the post- purchase responsibilities of home ownership. Each counseling agency provides monthly educational home buying seminars and provides ongoing one-on-one counseling with clients, as needed.

The HOME Consortium selects housing counseling agencies through an RFP process administered by Waukesha County's procurement department. Qualified agencies are placed on a Preferred Provider List, and are contracted to provide services for one year, renewable for two more years. Counseling agencies are required to provide 6 or more hours of a combination of private and group or class counseling to each homebuyer. Counselors are paid by the HOME Consortium when a loan closes. The participating lender submits verification from the counseling agency that the household has completed training. At this point reimbursement is made to the counseling agency.

Program Costs:

Cost	Expenditure purpose
	Down Payment Loan
$5,000	Down payment assistance
$ 650	Homebuyer counseling
$ 800	Processing and servicing
$125	Inspection
$250	Marketing
$6,825	**TOTAL COST TO HOME PROGRAM**
	Rehab Loan
$17,000	Payments to contractors or home owner for materials
$150	Inspection
$ 75	Re-inspection upon work completion. Additional inspections may be needed if multiple projects are being done.
$1,700	Processing and administration
$25,750	**TOTAL COST TO HOME PROGRAM**

Appendix F: Detailed Description of Housing Development Program

OVERVIEW

HOME CONSORTIUM HOUSING DEVELOPMENT PROGRAM, 2014

The HOME Consortium will accept applications for CHDO projects or regular HOME-funded projects when funds are available. Developers are encouraged to meet with Waukesha County staff, review the HOME Consortium's Developer Framework document, and fill out an application. Developers must submit an application to Waukesha County staff at least two weeks before a HOME Board meeting. Staff review the applications for program eligibility and forward them to the HOME Board.

The application for a project is an agenda item for the HOME Board meeting. The developer is invited to the meeting to present their project and answer any questions from Board members and staff. If funds are available, the HOME Board forwards the application to the Executive Committee. The Executive Committee does not have regularly scheduled meetings, but convenes depending on need.

The Executive Committee members review the application, and score it individually using the HOME Consortium's Developer Framework and scoring sheet. The developer is invited to the Executive Committee meeting, and also presents their own scoring sheet for the Board members to review. The Executive Committee members discuss the project, review the individual scoring, and determine one score and recommendation to the HOME Board.

The application for the project is an agenda item at the subsequent HOME Board meeting, for approval.

Description of Program:

The housing development program provides loans to developers in order to build new or rehab existing rental or owner-occupied affordable housing. This program can provide up to $51,000 per affordable unit. The following terms and conditions apply to all units produced through this program:

- Homes may not exceed HUD's purchase price or after-rehab limits
- All housing and buildings codes must be met
- HOME funds will not be allocated to more than 11 units
- Projects may not exceed 110% funds-to-value ratio from all funding sources
- HOME loans retained in a property may not exceed a loan-to-value ratio from all sources of 100%
- At least 85% of HOME funds must be used for capital costs such as acquisition, construction, labor, and materials
- No more than 15% of HOME funds may be used for staffing, administration, and other project delivery costs

Funds available through this program are provided primarily as loans. For-profit developers that receive HOME funds will repay the loans in full along with an interest rate established by the HOME Board. Typically the loans have a deferral period of up to 3 years, and then annual payments of principal and interest are required. Non-profit developers, however, may either receive a grant, a loan with annual repayments, or a loan that is deferred until the end of the affordability period or the sale of the property..

Federal HOME rules require PJs to allocate at least 15% of their annual HOME allocation to designated Community Housing Development Organizations (CHDOs). In accordance with this regulation, the HOME Consortium will give priority to designated CHDOs and ensure that the 15% CHDO set aside is met.

Eligible projects will be required to meet the following subsidy layering guidelines:

- HOME funds may not exceed 50% of total projects costs
    - However HOME funds may exceed 50% of cost of affordable units with a mixed-income development
- Overall developer fee may not exceed 10%
- Ratio of soft costs to hard costs may not exceed 25%
- Gross profit margin of homebuyer projects may not exceed 15% of total project costs
- Gross profit margin of CHDO homeowner projects may not exceed 15% of total project costs
- For a CHDO rental project, developer fee may not exceed 15% of total project development costs
- For a for-profit rental project the internal rate of return may not exceed 12% of developer equity invested in the project

Projects that meet the subsidy layering guidelines described above will then be evaluated based on a set of ranking factors such as siting, design, scope, affordability, and leverage, as outlined in the HOME Consortium's Developer Framework. The HOME Consortium Board will consider these factors and allocate funding based on its programming priorities and the likelihood of the project's success.

Appendix G: Responsible Lending Policy

HOME Consortium Responsible Lending Policy

The HOME Consortium works to increase the provision and accessibility of quality, affordable housing. Establishing fair, responsible lending standards is an important component of this goal. The anti-predatory lending policy described here ensures that borrowers are not subject to undue financial burden or unreasonable terms as a result of their loan.

First mortgage loans that are supported by funds provided by the HOME Consortium must comply with these minimum responsible lending requirements:

- Interest rates charged to borrower may not exceed 2 percentage points above the WHEDA Conventional and FHA-Insured rates.

  These rates are available at: http://www.wheda.com/root/advantage/
- The interest rate must remain fixed for at least five years
- Loan term (retention period) must be at least five years
- No interest-only loans
- Borrower's total debt-to-income ratio may not exceed 45%
- Points and fees charged in connection with the loan will not exceed 5% of the total loan amount
- No prepayment penalties

In addition to the requirements listed above, lenders and lending policies must not employ overtly predatory practices including, but not limited to:

- Making loans based predominantly on the foreclosure or liquidation value of a borrower's collateral rather than on the borrower's ability to repay the mortgage according to its terms
- Inducing a borrower to repeatedly refinance a loan in order to charge high points and fees each time the loan is refinanced ("loan flipping")
- Engaging in fraud or deception to conceal the true nature of the mortgage loan obligation, or ancillary products, from an unsuspecting or unsophisticated borrower

Appendix H: HOME Consortium Subordination Policy

HOME Consortium Subordination Policy

The HOME Consortium will consider requests for subordination only when the lien requiring subordination will be used for the following eligible purposes:

- Refinance an existing mortgage to obtain a reduced or comparable (fixed) interest rate or more favorable terms which results in a lower monthly payment for the borrower.
- Obtain a home equity loan for the sole purpose of rehabilitating the borrower's primary residence. *PLEASE NOTE: this refinance is only possible if all funding used for repairs is escrowed by lender.*

It is important that The HOME Consortium manage its loan portfolio in a responsible manner so as not to subject HOME funds to unnecessary risks. As such, The HOME Consortium **will not** consider requests to subordinate for the following:

- Consolidation of consumer debt, such as credit cards or vehicle loans
- Home equity loans or lines of credit (unless used in situation mentioned above)
- Any other "cash to homeowner" transactions
- PLEASE NOTE: The HOME Consortium will not subordinate to any transaction where the Loan to Value ratio exceeds 120% of the appraised property value.

All requests for subordination should be facilitated by the borrower's lender and must include the following documents:

1. Signed statement from lender requesting The HOME Consortium subordinate its lien to a new mortgage and stating the purpose of the new loan.
2. A complete and current appraisal performed on subject property. Appraisals must be performed by a Wisconsin certified appraiser and contain the appraiser's URA certification number. An appraisal is not necessary if the new loan is through a government sponsored or funded program that does not require an appraisal.
3. Good faith estimate of closing costs.
4. Copy of 1003
5. Copy of letter report or title commitment.
6. If performing rehabilitation activities, copies of estimates for all work to be completed with loan proceeds.