

ELIGIBLE ACTIVITIES

Multi-family Rental

Applicants may request Idaho HOME Program funds for rental housing activities including rehabilitation, new construction, acquisition, and acquisition and rehabilitation. The following sections describe the requirements for each of these HOME-eligible activities.

A. Rental Housing Production

HOME funds can be used for a variety of rental activities that produce and sustain affordable rental housing for Idaho's low-income residents.

Eligible activities:

- Acquisition of existing units(Purchase of existing assets where no rehabilitation or construction is planned)
- Acquisition and rehabilitation of existing substandard units to make them suitable for habitation(Housing that is being rebuilt to meet applicable state and local building codes)
- Conversion of buildings for use as rental housing (Property where the current use is other than housing i.e. a warehouse)
- New construction(Any unit that received its first certificate of occupancy within one year of receiving HOME assistance)
- Acquisition of land for new construction (Purchase of raw land, no structures)
- On-site infrastructure costs (improvements, i.e. sewer, water, etc.)

Projects can be on a single site or scattered sites, however, all sites must be under common ownership, management, and financing.

Projects must comply with all applicable federal regulations including:

- Environmental Review
- Uniform Relocation Act (URA)
- Lead-Based Paint
- Non-discrimination
- Fair Housing and Section 504
- Affirmatively furthering Affirmative Marketing Plan
- Section 3
- Outreach to Minority Owned Businesses/Women Owned Businesses

Projects must be consistent with housing strategies of the Idaho Consolidated Plan and meet a need as evidenced by a Market Study/ Needs Analysis. See "Exhibit M" for requirements.

Minimum and Maximum HOME Investment

The **minimum** amount of HOME funds invested in a project is \$1,000 per HOME assisted unit, per HOME regulation 24 CFR 92.205(c).

Maximum per unit subsidy limit is based on the [Section 221\(d\)3](#) limits for elevator-type projects. These limits are determined by HUD's Office of Multi-Family Housing Programs. Limits for certain "base cities" are issued. However, there is no comprehensive list of these limits for all jurisdictions. The latest limit for a particular jurisdiction must be obtained from the appropriate [HUD Multi-Family Housing Hub Office or Program Center](#). The per-unit subsidy requirements are described in the HOME regulations at

[24 CFR 92.250](http://www.hud.gov/local/sea/mfh/seamlm04.html). For additional information, access the following website:
<http://www.hud.gov/local/sea/mfh/seamlm04.html>. The maximum amounts are listed in Exhibit “B”.

HOME Funds and Project Maximum limits

A project sponsor or developer is not allowed more than **three** HOME-assisted projects under development at any one time, and/or the combined commitment of HOME funds at any one time more than **\$1,300,000**. Below are the conditions to be considered if a waiver is requested:

- Is the project defined as affordable Housing Preservation
- Will the project serve a priority needs population (Elderly and/or Special Needs)
- Is the project in an underserved area and/or in a rural community (definition Chapter 1, page 5)
- Is the owner and developer an IHFA certified CHDO

Waiver requests are reviewed on a project-by-project basis.

Properties Eligible for HOME Funds

- Rental projects of one or more buildings on a single site
- Rental projects on multiple sites that are under common ownership, management and financing
- Mixed-income
- Mixed-use
- Transitional Housing
- Permanent Housing
- Group Homes
- Single Room Occupancy (SRO)
- Single-family Homebuyer on single site or multiple sites (sponsored by qualified non-profit organization)

Properties Ineligible for Investment of HOME Funds

- Projects eligible to receive assistance under Title VI of NAHA -Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA)
- Public Housing projects authorized under Section 9 of the 1937 Act (Public Housing Capital and Operating Funds)
- Engaged in “choice-limiting activity” (See Chapter 6- Environmental Review for details)
- Completed HOME projects (after first year of construction)*
- Nursing Homes
- Mental Health Facilities
- Homeless Shelters
- Uniform Relocation Act not followed

(<http://www.hud.gov/offices/cpd/library/relocation/policyandguidance/>)

*During the first year after a HOME project is completed, additional HOME funds may be provided. However, after the first year no additional HOME funds may be provided to a HOME-assisted project during the Period of Affordability.

Property Standards

All projects must meet applicable construction standards and applicable local and/or state codes. IHFA uses the following definitions to determine the type of HOME activity. Acquisition projects must meet minimum property standards set forth in the Section 8 Program for Housing Quality Standards (HQS) (24

CFR 982.401). See Minimum Property Standards for Housing (HUD Handbook 4910.1 link) Reference: <http://www.hud.gov/offices/hsg/sfh/mps/mhsmppsp.cfm>

Acquisition and Rehabilitation-

- International Energy Conservation Code published by the International Code Council.
- Cost-effective energy conservation and effectiveness standards (24 CFR Part 39 link). See Scoring Criteria in Chapter 8.
- IHFA Rehabilitation Standards as established in Exhibit “C” ;
- All applicable accessibility standards (see references below);
- Does not meet definition of Standard housing (Standard housing is defined as Section 8 program- HQS)

Acquisition Only:

- Local or state housing standards or codes
- In the absence of local or state code, housing must meet Section 8 HQS
- Must meet standards/codes at time of occupancy

New Construction:

- International Energy Conservation Code published by the International Code Council.
- Site and Neighborhood Standards (24 CFR Section 92.202 and 983.6)
All applicable accessibility standards as follows:

➤ Fair Housing Accessibility Guidelines (3/6/91)

Reference: <http://www.hud.gov/library/bookshelf09/fhefhag.cfm>

➤ Section 504 of the Rehabilitation Act

References: http://www.access.gpo.gov/nara/cfr/waisidx_00/24cfr8_00.html
<http://www.hud.gov/progdsc/s-504.cfm>

➤ Americans with Disabilities Act (ADA)

Reference: http

➤ Uniform Federal Accessibility Standards (UFAS)

Reference: <http://www.hud.gov/fha/sfh/mps/4910/4910.html>
<http://www.access-board.gov/ufas/ufas-html/ufas.htm>

If there is an identity of interest between the Borrower entity or any general partner in the Borrower entity and the Architect, or between the Architect and General Contractor, the Borrower will immediately relieve the Architect of any inspection duties, whereupon (i) the maximum Architect's fees shall be for design services only and no fees will be allowed to the Architect for inspection or administration, and (ii) Borrower will promptly engage a new architect to perform the inspection and contract administration functions.

IHFA will review all plans, drawings, and specifications to ensure that the costs and scope of work is necessary and reasonable according to IHFA benchmarks.

Eligible Costs

Project costs cannot be incurred prior to a HOME award and the completion of the Environmental Review process.

The developer and/or sponsor assumes the liability for project costs, including predevelopment, incurred without written prior approval by IHFA. Prior approval of pre-development costs should not be construed as an award of HOME funds.

- **Acquisition of Real Property** -- provided the federal regulations governing the acquisition of property with federal assistance have been followed and, in the case of land acquisition, that construction of the affordable housing is completed within one year of acquisition.
- **Demolition**
- **On-Site Improvements** -- include, but are not limited to: sewer and water hookups, power, road and sidewalks.
- **Relocation Costs** -- costs related to permanent and temporary relocation are eligible, including any related staff and overhead costs.
- **Project "Soft" Costs** -- These costs must be reasonable, necessary, and paid for by the owner as part of the project costs. They include:
 - **Finance Related Costs**
 - Origination fees
 - Credit reports
 - Title reports and updates
 - Recordation fees
 - Preparation and filing legal documents
 - Appraisal
 - Attorney's fees
 - Loan processing fees
 - Translator fees
 - Other customary fees
 - **Construction Related Costs**
 - Architectural fees
 - Engineering fees
 - Preparation of work write-ups/cost estimates
 - Builder or Developer fees
 - Environmental studies
 - Performance bonds
 - Impact Fees
 - **Project Audit Costs**
 - **Affirmative Marketing and Fair Housing Costs**
- **Project "Hard" Costs** -- actual construction costs including:
 - Codes/standards
 - Essential improvements
 - Energy-related improvements
 - Removal of lead-based paint hazards
 - Accessibility Improvements
 - Infrastructure
 - Repair or replacement of major housing systems
 - Repairs and improvements of a non-luxury nature
 - Initial Operating Deficit Reserves - For **new construction** or **rehabilitation** of rental housing only

- The operating deficit reserve fund may only be used during the initial 18 months lease-up period to pay for:
- Operating expenses; Reserve for replacement payments; Debt service
- Remaining funds may be transferred to the project's replacement reserve account or reduce the outstanding principal balance with IHFA written approval.

Ineligible Costs

- Provide project reserve accounts, except as provided in Sec 92.2 06(d)(5)
- Provide operating subsidies
- Provide Tenant-based rental assistance for existing Section 8 programs
- Provide funds to a project previously assisted by HOME funds
- Offsite infrastructure cost
- Delinquent taxes, fees or charges on properties
- Any cost not eligible under Sec. 92.206 through 92.209

Match Requirement

For every dollar of HOME funds drawn there is a .25 cents match obligation. Match credits are non-federal contribution of cash, assets, services, labor, and other resources of value to the HOME program. See Chapter 4.

Leverage

HOME funds are only one source of funding and require that applicants utilize leverage to complete the project. Leverage is all other funding sources that are part of a project or activity, not including the HOME funds. Leverage includes match and all other investments in the project. Not all leverage can be counted as Match. See Chapter 4.

Developer Fee

Maximum Developer Fee of 14%. However, this will be evaluated based on:

- Total development cost
- Size of the development
- Type of development i.e. acquisition only, acquisition and rehabilitation, new construction
- Characteristics of the development, i.e. location, priority need as identified by IHFA's Five Year Strategic Plan and/or the community

In the event of increases in development costs during the allocation process, the Developer Fee is restricted to the amount reflected on the original application. See Chapter 8.

Financing Terms

In order to maximize the benefit of HOME Program funds and create a renewable resource for the development of affordable housing in Idaho, all HOME funds invested in housing development will be **distributed as loans** with interest rates and terms to be determined in accordance with the guidelines listed below. Each application must demonstrate financial feasibility of the project using all of the following guidelines.

- Project development costs will be examined to determine their reasonableness. Any project costs, which are, in the opinion of IHFA, determined to be unreasonable will be

further reviewed by IHFA staff for acceptance, or require the cost to be paid from other grant or equity funds.

- Project income and expense projections, including any syndicator and/or partner fees, must be reasonable and customary to the area. Any exceptional expenses must receive written approval of IHFA prior to project implementation.
- The project must maximize the amount(s) of any private loan(s) used for permanent financing.
- The potential use of other leveraging or match sources must be maximized.
- The project's pro-forma must demonstrate there is a reasonable expectation that the HOME loan will be repaid within the period of affordability, as determined by IHFA.

For projects with Low Income Housing Tax Credits and a developer's fee of more than 7.5%, the repayment schedule may include a deferment of a portion of the developer's fee for a period from 5 to 10 years. The deferred developer's fee would be paid out from project income during this period. Interest on the HOME loan and payment of principal may be deferred, with the interest accrued during this period. IHFA will consider exceptions to this policy on a case-by-case basis.

- The potential for owner's equity investment will be examined and utilized to the maximum amount feasible.
- Subsidy Layering -before committing funds to a project, IHFA must evaluate the project in accordance with guidelines that IHFA will not invest any more HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing. See Exhibit "Q".
- Interest rates will be based on each project's ability to pay. Project debt service coverage ratio will not be lower than 1.05.
- Deferment of interest and principal payments may be possible until the project is stabilized and achieves a positive net cash flow.

Loan terms are determined by several factors including but not limited to: The operating pro-forma, ability to make reasonable loan payments and the overall financial viability.

Current loan terms and examples are available in Exhibit "R" of this Administrative Plan.

Designation of HOME Assisted Units

In general, the minimum number of HOME units in a project will be determined by the percentage of total development costs paid with HOME funds. Fractions of a unit will be rounded up to the nearest whole unit when making this calculation. HOME expenditure limits, rent, and occupancy rules apply only to HOME Assisted Units.

Composition of Units

For projects that have less than 51% HOME assisted units, contributions must be made to HOME assisted units in order for cash contributions to count as HOME match. Therefore, the number of HOME units

may need to be increased so that the percentage of HOME units equals the percentage of the total development costs made up of the combined HOME funds and cash contributions.

EXAMPLE A: Home Town Apartments contains 24 units, costs \$1,400,000 to develop, received a loan of \$400,000 in HOME funds and has a property tax exemption waiver valued at \$100,000 for match. The minimum number of HOME assisted units would equal $400,000/1,400,000 \times 24$ ($4/14 \times 24 = 6.86$ or **seven HOME units**).

EXAMPLE B: River View Apartments contains 20 units, costs \$1,200,000 to develop, and received a loan of \$600,000 in HOME funds and a matching grant of \$150,000 Affordable Housing Program funds from the Federal Home Loan Bank. As few as **eleven units** (one more than 50%) could be designated as HOME assisted units

HOME units must be designated as "fixed" or "floating" at the time of application. When a project has a mix of unit sizes and/ or amenities and the number of HOME units is based on prorating the HOME funds to the total development cost, the HOME assisted unit mix must match the total project unit mix.

Fixed: HOME assisted units are “fixed” when the specific units that are HOME assisted and, therefore, subject to HOME rental and occupancy requirements, are designated and never change. These units must be identified by unit number or letter (unit A, unit 3B, etc.) and will not change during the Period of Affordability.

Floating: When HOME assisted units are “floating,” the units that are designated as HOME assisted may change over time as long as the total number of HOME assisted units in the project remains constant.

- The floating designation gives the owner some flexibility in assigning units, and can help avoid stigmatizing the HOME assisted units.
- If the floating designation is used, the owner must ensure that the HOME assisted units remain comparable to the non-assisted units over the affordability period in terms of size, features, and number of bedrooms.
- The floating designation gives the owner some flexibility in assigning units, and can help avoid stigmatizing the HOME assisted units.
- If the floating designation is used, the owner must ensure that the HOME assisted units remain comparable to the non-assisted units over the affordability period in terms of size, features, and number of bedrooms.
- HOME units must be representative of the total mix of the project, in terms of size, amenities, and total bedrooms.

HOME Rents

IHFA enforces rent and occupancy requirements through Covenants running with the property and/or Deed restrictions. Every HOME-assisted unit is subject to rent limits designed to help make rents affordable to low-income households. These maximum rents are referred to as the **HOME Rents**.

Maximum HOME Rents are established annually. HOME Rents are based on Fair Market Rents (FMR and percentage of area median-incomes (AMI) as determined by HUD. The maximum HOME Rents must be adjusted for utility allowances if the tenants pay utilities.

There are two HOME Rents used in the HOME program:

High HOME Rents: Maximum HOME rents are the lesser of:

The Section 8 Fair Market Rents (FMRs) for existing housing

OR

Thirty (30) percent of adjusted income of a family with an annual income equal to sixty-five (65) percent of area median income.

Low HOME Rents: For properties with five (5) or more HOME-assisted units, at least twenty (20) percent of HOME units must have rents which are no greater than:

Thirty (30) percent of the tenant’s monthly adjusted income,

OR

Thirty (30) percent of the annual income of a family whose income equals fifty (50) percent of area median income;

OR

If a project has a federal or state project-based rental subsidy and the tenant pays no more than 30% of his or her adjusted income toward rent, the maximum rent may be the rent allowable under the project-based rental subsidy program.

Calculating HOME Rents

HUD publishes the High and Low HOME rents, available at www.ihfa.org

Example:

Pocatello, ID MSA	Efficiency	1 BR	2 BR	3BR	4BR	5BR
Fair Market Rent (FMR)	335	388	499	679	803	923
50% Rent Limit	430	461	553	639	713	786
65% Rent Limit	540	580	698	797	870	941

To Calculate High HOME Rents:

1. On the above rent chart, find the rows labeled “Fair Market Rents” (FMR) and follow this row over to the column that indicates the number of bedrooms in the unit.

Example: The FMR for a two-bedroom unit is \$499.

2. On the rent chart, find the row labeled 65% Rent Limit and follow it to the number of bedrooms.

Example: The 65% rent limit for a 2BR unit is \$698.

3. Determine which of the two rents is lower. This is the High HOME Rent.

Example: The FMR is \$499, and the 65% Rent is \$698 so the FMR would be lower than the High HOME rent.

4. Subtract any tenant-paid utilities from the High HOME rent, and this is the maximum actual rent that can be charged to the tenant.

To Calculate Low HOME Rents:

1. Start with Step #1 above.

Example: The FMR for a two-bedroom unit is \$499

2. On the rent chart, find the row labeled 50% Rent Limit and follow it to the number of bedrooms.

Example: The 50% rent limit for a 2BR unit is \$553

3. Determine which of the two rents is lower. This is the High HOME Rent.

Example: The FMR is \$499 50% Rent is \$553 so the FMR would be lower and the Low HOME rent if the Low HOME rent is higher than the High HOME Rent. Then the High HOME rent must be used.

Income Eligibility Requirements

In a project with five or more HOME units, at least 20% of the HOME-assisted rental units must be occupied by families who have annual incomes that are 50% or less of median income. These very-low income tenants must occupy units at or below the Low HOME Rent Level.

Projects with fewer than five HOME units are not restricted to the low HOME rents or the occupancy at 50% or below of the AMI.

Income eligibility is based on anticipated income and source documents must be obtained prior to occupancy of a unit.

The HOME Program Income Limits can be viewed at <http://www.ihfa.org>

The HOME Program uses annual gross household income to determine eligibility for living in units assisted with HOME funding. The definition of annual income is defined in 24 CFR 5.609. IHFA uses Definition 1: Annual income as designed in 24 CFR Part 5.

The income of each tenant must be determined initially by examining the source documents evidencing annual income (e.g., wage statement, interest statement, and unemployment compensation statement) for the family. In addition, each year during the period of affordability the project owner must re-examine the annual income of every HOME tenant.

Tenant and Participant Protections

The lease between a tenant and an owner of rental housing assisted with HOME funds must be for not less than one year, **unless by written and signed mutual agreement between the tenant and the owner.**

Prohibited lease terms:

- **Agree to be sued.** Agreement by tenant to be sued, to admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- **Treatment of property.** Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties.
- **Excuses owner from responsibility-** Agreement by tenant not to hold the owner or the owner's agent legally responsible for any action or failure to act, whether intentional or negligent.
- **Waiver of Notice-**Agreement by tenant that the owner may initiate a lawsuit without notice to the tenant.
- **Waiver of legal proceedings-**Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- **Waiver of jury trial-** Agreement by tenant to waive any right to a trial by jury.
- **Waiver of right to appeal court decision-**Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease.

- **Tenant chargeable with cost of legal actions regardless of outcome**—Agreement by tenant to pay attorney’s fees or other legal costs even if the tenant wins in a court proceeding by the owners against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

Termination of Tenancy

An Owner may not terminate a tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for:

- Serious or repeated violations of the terms and conditions of the lease
- Violation of applicable Federal, State, or local law
- Completion of the transitional housing tenancy period

The owner must provide the tenant with written eviction notice specifying the grounds for the action, with no less than thirty (30) days, prior to the action.

Maintenance and Replacement

An owner of rental housing assisted with HOME funds must maintain the premises in compliance with all applicable housing quality standards and local code requirements.

Tenant Selection

An owner of rental housing assisted with HOME funds must adopt written tenant selection policies and criteria that:

- Are consistent with the purpose of providing housing for very low-income and low-income families
- Are reasonably related to program eligibility and the applicants’ ability to perform the obligation of the lease
- Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable and the grounds for any rejection.

HOME Income Targeting Requirements

For rental projects of 5 or more HOME assisted units, at least **20%** of the HOME assisted units must be occupied by families and/or individuals whose annual income at the time of initial occupancy are **50% or less of area median income**. These very-low income tenants must occupy the units with the Low HOME Rents. The balance of the remaining HOME assisted units must be occupied by families with annual income that is **60% or less of area median income**. Project owners may agree to additional income and rent restrictions according to the goals of their project, the marketability of their units, and the requirements of other funding sources used to develop the project.

The HOME Program Income Limits are included as Exhibit “A” or at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/>

The HOME Program uses annual gross household income to determine eligibility for living in units assisted with HOME funding. The definition of annual income as used in HUD programs like Section 8 and defined in 24 CFR 5.609.

The income of each tenant must be determined initially in accordance with 92.203(a) (1) (I) by examining the source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family. In addition, each year during the period of affordability the project owner must re-examine the annual income of every HOME tenant.

A project owner who re-examines tenant's annual income through a statement and certification in accordance with § 92.203(a) (1) (ii), must examine the income of each tenant, in accordance with § 92.203(a) (1) (I), meaning an examination of source documents, every sixth year of the affordability period [§ 92.252(h)]. Therefore, an examination of source documentation of a HOME tenant's annual income must only be performed once every sixth year. During the intervening years, a statement and certification may be substituted for source documentation.

Increases in Tenant Income

The project owner must take efforts to ensure the correct number of High and Low HOME rent units is maintained. HOME units continue to qualify as affordable housing despite a temporary non-compliance caused by increases in the income of existing tenants if actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with regulations until non-compliance is corrected. In those instances, the following should be considered (also see 24 CFR § 92.252(I)):

1. If the income of a tenant occupying a Low HOME rent unit increases, but does not exceed 80 percent of the area median income, that unit becomes a High HOME rent unit. The owner must rent the next available unit (for "floating" unit projects) or HOME-assisted unit (for "fixed" unit projects) to a very low-income tenant. Subject to the terms in the lease, the rent of the initial tenant whose income has increased may be increased to the High HOME rent for the unit. The number of HOME assisted units should not be increased by this process.
2. If a tenant's income increases above 80 percent of the area median income, the unit the tenant occupies is still considered to be a HOME unit, but the tenant's rent must be adjusted as described below. In projects where the HOME units float, the next available unit in the project of comparable size or larger must be rented to a HOME-eligible tenant. The unit occupied by the over-income tenant is no longer considered HOME-assisted, and the rent of the unit can be adjusted as appropriate.
3. In units financed with both HOME and Low Income Housing Tax Credits (LIHTC), the LIHTC rules apply. Under the LIHTC program, the tenant's rent is not adjusted, and the unit does not need to be replaced by another comparable unit until the tenant's income rises above 140 percent of the LIHTC program eligibility threshold.

Fixed Units

Adjusting rents in a "fixed" unit project for over-income tenants: in HOME-assisted "fixed" units, over-income tenants (tenants with incomes over 80 percent of the area median) must pay 30 percent of their adjusted income for rent and utilities. There is no cap for rent in "fixed" units.

Floating Units

Adjusting rents in a "floating" unit project for over-income tenants: in HOME-assisted "floating units, over-income tenants must pay 30 percent of their adjusted income for rent and utilities. Rent of these over-income tenants may not exceed the market rent for comparable, unassisted units in the neighborhood. Period of Affordability

The HOME rule imposes affordability requirements. Both rent limits and income targeting requirements are enforced by deed restrictions that run with the land for a specified number of years. HUD may require repayment of HOME funds if the assisted housing fails to meet the affordability requirements for the full affordability period without regard to the term of any loan or mortgage or the transfer of ownership, even in the event of foreclosure, transfer in lieu of foreclosure, or assignment to HUD. **The HOME Program Restrictive Covenants are recorded prior to all senior lender liens.**

HOME assisted units are rent and income controlled for varying lengths of time depending upon the average amount of HOME funds invested per unit and the agreement between IHFA and the housing sponsor.

**MINIMUM PERIOD OF AFFORDABILITY-
Multi-family Rental Activities**

HOME Funds Provided	Minimum Affordability Period
<\$15,000/unit	5 years
\$15,000-\$40,000	10 years
>\$40,000	15 years
New Construction	20 Years

Monitoring Requirements and Record Keeping

Project sponsors are required to keep records that include but are not limited to the following:

1. Compliance with applicable property standards and codes
2. Income and number of the persons occupying HOME-assisted units
3. Compliance with the affirmative marketing requirements and the existence of acceptable marketing procedures
 - a) Annual Affirmative Marketing Plan must be submitted to IHFA and approved (Form is available at Exhibit T of this plan)
4. Compliance with relocation requirements, if applicable
5. Equal opportunity and fair housing practices utilized in connection with the project, including racial, ethnic group and single head of household data, Section 3 data, minority and female owned business data, and Affirmative Fair Housing actions
6. Compliance with applicable lead-based paint regulations, if applicable
7. Compliance with all applicable labor regulations
8. Compliance with applicable conflict of interest rules
9. Compliance in setting rent levels consistent with the terms of the Regulatory Agreement for HOME-assisted units
10. Compliance with income targeting requirements for the project
11. Compliance with applicable flood insurance requirements
12. Compliance with Section 504 of the Federal Rehabilitation Act of 1973 (24 CFR Part 8)

Annual requirements:

1. Maintenance of the project's ability to meet Housing Quality Standards (HQS)
2. Annual recertification of tenant income in compliance with the Section 8 definitions of income (found in 24 CFR 5.609 and 5.611)
3. Equal Opportunity and Affirmative Fair Housing records including racial, ethnic and single-head of household data
4. Section 3 data
5. Affirmative Furthering Marketing actions, including compliance with affirmative marketing requirements and the existence of applicable procedures;
6. Initial and ongoing rent levels of all tenants in project units
7. Previous year's operating income and expenses

On-site inspections occur no less than annually for all rental projects with 26 or more units; once every two years for projects with 5-25 units; once every three years for projects with 1-4 units. See Chapter 7 for additional information.

Tax Credit policies and procedures may be found at www.ihfa.org/multifamily_taxcredit.asp.

II. Rental Housing Rehabilitation

The Rental Housing Rehabilitation Program is designed to increase and sustain the livability of rental housing units across the state. The requirements and procedures are the same as for the Rental Housing Production Program with very few exceptions.

Reconstruction

Constructing a new structure on the same site, with approximately the same "footprint" as the previous structure.

Reconstruction is considered Rehabilitation.

Preservation

Is defined as a project that can or will be converted to market rate units, as determined by the Association's review, at the end of the affordability regulatory agreement. Sponsor must provide evidence that the development is at risk for conversion to market. In reviewing acquisition and/or rehabilitation projects, the IHFA HOME Department will evaluate the project application as to the project's ability to minimize the displacement of existing tenants, and meets one or more of the following requirements:

1. Applications involved with the acquisition and rehabilitation of currently occupied low-income housing developments whose eligibility for conversion to market rate housing is imminent (evidenced by an MAI appraiser's opinion letter that concludes that the Conventional Market Value exceeds the Investment Value as established by combining the capitalized restricted rent Net Operating Income and the Net Present Value of governmental assistance such as HUD Section 8, Rural Development, HOME, etc) or;
2. Applications that demonstrate the development is in danger of being lost as affordable housing due to the need for substantial rehabilitation cost (as evidenced by a third-party Physical Needs Assessment (PNA) report and an evaluation of the Lender's replacement reserve balance as described under the Physical Needs Assessment section). The scope of the substantial

rehabilitation must be sufficient for the development to function in good repair as an affordable development for a period of not less than 30 years; or

3. Address chronic property management problems or meets significant neighborhood revitalization goals.

Relocation/ Displacement (See Chapter 9 Uniform Relocation Act and Section 104(d))

Projects that include the acquisition and/or rehabilitation of existing housing units must comply with IHFA Tenant Displacement (Uniform Relocation Act) policies that seek to minimize displacement of tenants, homeowners, and/or businesses. **Extreme caution** must be taken when planning a rental acquisition and/or rehabilitation project that involves occupied units in order to avoid incurring expensive relocation costs. A tenant that is required to move in order to accommodate the rehabilitation of his or her unit (displacement) or whose rent increases as a result of the rehabilitation (economic displacement) is a potential candidate for relocation benefits. Rental assistance is not available through the HOME or the Section 8 Program as a means of mitigating this relocation expense.

Project sponsors are encouraged to consult with IHFA's HOME Program staff early in the planning process before applying for HOME funding of a rental rehabilitation project involving occupied units. Rehabilitation work must be scheduled and conducted in a manner that minimizes displacement.

If the structure is occupied at the time of application HOME funds, the Project Sponsor must provide a Tenant Survey and a Relocation Plan to the IHFA HOME Department.

The Relocation Plan must include payments of temporary or permanent relocation costs for tenants and completion of related activities, including, but not limited to tenant notifications, development of tenant impact statements and relocation plans. Costs and required activities associated with relocation are project specific, and the responsibility of the Project Sponsor. The costs associated with these requirements are generally an eligible cost for HOME funds.

Maintaining Existing Rent Subsidies

Project Sponsors using HOME funds to acquire and/or rehabilitate housing projects with existing rent subsidies are required to maintain and renew those subsidies as a condition of receiving the HOME funds. Rent subsidies may be project-based contracts or vouchers for individual tenants residing in the project. Project Sponsors are required to renew subsidies for designated HOME Assisted Units to the extent that such programs remain available to the property for the Period of Affordability of the project.

Physical Needs Assessment

A Physical Needs Assessment (PNA) is required for an acquisition and/or rehabilitation project. Additional information may be requested, at the expense of the Applicant.

Professional Credentials

The professional architect or mechanical/structural engineer preparing PNA report must be licensed in the State of Idaho and independent of the owner/developer.

Certification Statement

Architect or engineer must certify that their report is accurate and can be relied upon as a true assessment of the proposed rehabilitation budget and necessary repairs required at the property, and that such repairs will be done in compliance with Fair Housing, ADA, and UFAS requirements.

The PNA should examine and analyze the following components:

- Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities and lines;
- Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
- Interiors, including unit and common area finishes (carpeting, vinyl tile, plaster walls, paint condition, etc.), unit kitchen finishes and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors;
- Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, and fire protection; and
- Elevators

The PNA Report should address the following:

- **Critical Repair Items-** Any health and safety deficiencies/violations of housing quality standards that require immediate remediation. If the Project has existing tenants, these are the first priority.
- **Two-Year Physical Needs-** Any repairs, replacements, and significant deferred maintenance items that need to be addressed within 24 months of the date of the PNA. Include any necessary redesign of the Project and market amenities needed to restore the property to the standards outlined in this Administrative Plan for new construction projects. These repairs are to be included in the development budget and funded by construction-period sources of funds.
- **Long-Term Physical Needs-** Repairs and replacements beyond the first two years needed to maintain the Project's physical integrity over the next twenty (20) years, such as major structural systems that will need replacement during the period. These repairs are funded from the reserves for replacement account.
- **Analysis of Reserves for Replacement-** An estimate of the initial and monthly deposit to the reserves for replacement account needed to fund long-term physical needs, accounting for inflation, the existing reserves for replacement balance, and the expected useful life of major building systems. This analysis should not include the cost of the critical repair items, the two-year physical needs, or any work items that would be treated as operating expenses.

PNA Report Requirements:

- (a) Conduct site inspections of a minimum of 35 percent of all units. Units shall be randomly sampled while taking into consideration the unit size mix, e.g., one-bedroom, two-bedroom, etc. All vacant units must be inspected.
- (b) Identify any physical deficiencies as a result of (i) visual survey, (ii) review of pertinent documentation, and (iii) interviews with the property owner, management staff, tenants, community groups, and government officials.
- (c) Identify physical deficiencies, including critical repair items, two-year physical needs, and long-term physical needs. This includes repair items that represent an immediate threat to health and safety and all other significant defects, deficiencies, items of deferred maintenance, and material building code violations that may limit the expected useful life of major components or systems.

- (d) Explain how the Project will meet accessibility requirements for persons with disabilities. Identify any physical obstacles and describe methods that will make the Project accessible. List all repair items in the Rehabilitation Plan (see below).
- (e) Prepare a Rehabilitation Plan, addressing separately, the two-year and long-term physical needs.
- (f) Prepare a replacement reserve schedule, including an estimate of the initial and annual deposits, accounting for inflation and based on a twenty-year term.
- (g) Determine the cost/benefit of each significant work item in the rehabilitation plan (items greater than \$5,000) that represents an improvement or upgrade that will result in reduced operating expenses (e.g., individual utility metering, extra insulation, thermo pane windows, setback thermostats). Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of building systems.

Eligible Applicants

Includes those purchasing a rental housing project without having previously been a principal in the ownership or management of the project to be rehabilitated, or the existing owner or manager of a project that can document the need for the rehabilitation is due to reasons beyond their control, such as long term disastrous economic conditions external to the project but existing in the community as a whole.

Property managers hired on an interim basis to manage properties in receivership or foreclosure that can demonstrate meeting the conditions of the interim management agreement and that the need for rehabilitation existed prior to becoming the management agent are excluded from this restriction.

SINGLE-FAMILY ACTIVITIES

IHFA makes HOME funds available throughout the program year for the activities listed on the following pages. Applicants may apply for HOME funds throughout the year.

Applicants may request a waiver or deviation from current single-family activities through the application process. A waiver request must adequately explain the project's advantages over the current activities. IHFA reserves the right to work with the Applicant to design the program that is consistent with the housing strategies as defined in the Strategic Plan.

IHFA reserves the right to reallocate HOME funds to best meet the housing needs in a specific region and/or to ensure the annual HOME Entitlement, in its entirety, is committed to eligible activities.

Important Notice!

The HOME Down payment/Closing Costs Assistance program will follow the 2009 HOME Administrative Plan rules until March 31, 2010. Please see the 2009 HOME Administrative Plan.

The 2010 HOME Down payment/Closing Cost Assistance program as written in this plan is effective April 1-December 31, 2010.

The Applicant/Beneficiary -Program Targeting

One Hundred Percent (100%) must be used to assist families with incomes at or below 80% of the Area Median Income (AMI) Calculating total Household Income.

As defined in 224 CFR 5.609, Idaho Housing and Finance Association uses the Part 5 Annual Income, formerly known as Section 8 definition of annual (gross) income as guide to determining income eligibility. Refer to Technical Guide for Determining Income and Allowances for the HOME Program.

First Time Ownership

Must be a first time homebuyer and cannot have owned a home within the last three years.
Exception to rule: Under HOME Standard Down Payment /Closing Costs, and ADDI, displaced homemaker with custody of child (ren) or single parent with custody of child (ren)

Principal Residency

Owner(s) both owns and resides in the Property as principal place of residence and makes all payments due on loans secured by prior lien or liens on the Property

Eligible Single-Family Activities

Acquisition
New Construction
Acquisition and Rehabilitation
Land Purchase

Eligible forms of Assistance

Down Payment and Closing Cost Assistance (standard and reasonable soft costs for closing not including reserves and certain prepaids)
Gap Financing

Subsidy Limits

The maximum amount of HOME funds on a per-unit basis in affordable housing may not exceed the per-unit dollar limitations established under section 221(d) (3) (ii) of the National Housing Act (12 U.S.C. 17151(d) (3) (ii) for elevator-type projects that apply to the area in which the housing is located (Reform Act of 1989 and HOME 92.250). Refer to Exhibit "B".

Minimum HOME Investment: The minimum amount of HOME funds is an average of \$1,000 multiplied by the number of HOME-assisted units in the project. The minimum only relates to the HOME funds, and not to any other funds that might be used for the project.

Maximum HOME Investment: The maximum per-unit HOME subsidy limit varies by the Participation Jurisdiction (PJ). HUD determines the maximum amounts, which are based on the Section 221(d) (3) program limits for the metropolitan area, each year. Refer to Exhibit "B".

The maximum per-unit subsidy limit is 100% of the dollar limits for a Section 221(d) (3) non-profit sponsor; elevator-type development, indexed for base city high cost areas, and adjusted for the number of bedrooms.

Eligible Property Types

- Single-family unit
- A two-four unit
- Condominium unit
- Cooperative or mutual housing unit, if recognized by state law; and

- **Manufactured Home** – must comply with applicable state and local codes. Must have permanent utility hook-ups, be on a permanent foundation as approved by HUD, have a 99-year leasehold, Engineering Certification required on foundation, and meet the Manufactured Home Construction and Safety Standards (24 CFR Part 3280).

Property Standards

HUD regulations require that all property assisted with HOME funds must meet HUD's Housing Quality Standards (HQS). To document this, IHFA requires a Certified Appraisal and a full 3rd party Home Inspection. IHFA staff will review the inspection report in accordance with HQS for compliance.

USDA –Rural Development projects may provide IHFA with Inspection Form 1924A. In addition, new construction must meet applicable State/Local codes. If no local code applies, then International Building Code must be met. New construction must also meet Model Energy Codes.

Subsidy Layering

Before committing funds to a project, the PJ must evaluate the project in accordance with guidelines that it has adopted for this purpose and will not invest more HOME funds in combination of other governmental assistance, than is necessary to provide affordable housing. Refer to Exhibit "Q".

Monitoring

Ongoing monitoring will include annual verification that the homebuyer(s) occupies the property.

SINGLE-FAMILY ACTIVITIES

IHFA/SF HOME Down Payment/Closing Cost (DPCC) Assistance program

Program Description

Standard down-payment/closing cost assistance of a minimum \$1000 up to a maximum of 3% of the purchase price, not to exceed \$8000, in combination with an Idaho Housing and Finance Association loan product or USDA-RD loan product.

Eligibility Requirements (but not limited to)

- ✓ 18 Years or older
- ✓ Resident of the State of Idaho
- ✓ US citizen and/or Eligible Permanent Resident, Alien, and/or Non-Permanent Resident Alien with proof of documentation
First-time Homebuyer¹
Certificate of Completion from the *Finally Home!* ® homebuyer education course.

¹First Time Homebuyer: An Individual and his or her spouse who have not owned a home during the three year period prior to the purchase of the home.

E Exceptions: Displaced Homemaker; defined as: an individual who: (1) is an adult; (2) has not worked full time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and (3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

single parent: An individual who is unmarried or legally separated from a spouse; and has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

- ✓ HOME Program Income limits: Total gross household income must not *exceed* 80% of Area Median Income(AMI), based on household size and county location
Asset Limits: Non-retirement, liquid cash assets cannot exceed \$5,000.00 at closing. Assets in excess of \$5,000 must be used towards downpayment or pay off debt at closing. For the Elderly (62 years old or older), non-retirement liquid cash assets cannot exceed \$10,000. Assets in excess of \$10,000 must be used toward down payment or pay off debt at closing.
- ✓ Loan approval under standard lending programs (FHA, VA, CONVENTIONAL, USDA-RD loan product), by an IHFA approved Lender/Broker. Fixed rate loan only
- ✓ Loan must be sold to IHFA (exception: USDA-RD Loan products) and meet all FHA, VA, Fannie Mae and Freddie Mac residential lending and underwriting guidelines. This provision can only be waived by an authorized officer of IHFA's homeownership lending department.
- ✓ Completion of Request of Reservation for HOME funds through the IdaMortgage[®] Lender Connection
- ✓ Credit Score not less than 640 for FHA, not less than 680 for Conventional (excluding USDA-RD loan products).
- ✓ Current Tri-Merged Credit Report
- ✓ Judgments, Liens and Collections must be satisfied prior to or at the time of closing with supporting documentation. Medical collections on a case-by-case basis
- ✓ Bankruptcy: Chap. 7 - FHA: Discharged a minimum of 2 years; Conventional: Discharged a minimum 5 years; Chap. 13 - Conventional discharged fully; FHA: Completed 1 yr w/agency's approval
- ✓ Foreclosure on any real property to meet or exceed current industry standards
- ✓ Maximum Ratios: 35% Housing to Income Ratio -- 45% Total Debt to Income Ratio (excluding USDA-RD loan products)
- ✓ Borrower's Minimum Investment: Minimum \$500 from their own verifiable funds and not a gift
- ✓ HOME Subsidy Limit: Minimum HOME Investment of \$1,000 to a maximum of 3% of the purchase price not to exceed \$8,000
- ✓ Eligible activity: Acquisition only
- ✓ Eligible properties: Single Family Unit, Two-to-four unit, FHA-approved condominium, manufactured Home, Cooperative Unit.
- ✓ Property locations-Areas of assistance: State of Idaho excluding the city of Boise.
- ✓ HOME Program does not have Targeted Counties.
- ✓ HOME Property Value Limits: 24 CFR 92.254-Section 203b Limits (Exhibit E).
- ✓ Properties must be vacant or owner-occupied, no rental units or tenant occupied properties.
- ✓ Uniform Relocation Assistance (URA) documents must be signed by Seller at the time the purchase offer is made. NO EXCEPTIONS.
- ✓ Pre-1978 targeted homes subject to all Lead-Based Paint requirements.
- ✓ Environmental Review (HUD 24 CFR 58.35(b)): Determination of Categorical Exclusion must be completed by IHFA's approved Officer, at the time of receipt of homebuyer's application for assistance.
Appraisers/Appraisals: As of October 1, 2009, appraisers listed on the Federal Housing Administration (FHA) Appraiser Roster who are state certified (certified residential or certified general) are eligible to complete the Uniform Residential Appraisal Report (URAR). Mortgagee Letter 2008-39.Appraisal Type: FHA Appraisals
- ✓ All HOME-assisted properties must meet certain written standards. All housing acquired must meet HUD's Housing Quality Standards (HQS), State and Local housing quality standards and code requirements.
- ✓ Full Third-party Home Inspection by independent inspector. For USRD: Form 1924A Inspection.
- ✓ Manufactured Housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. 24 CFR 92.251(a)(4).
- ✓ Occupancy Requirements: Homebuyers(s) must both own and occupy residence during the term of the Period of Affordability and make all payments due on loan secured by prior liens or liens of property.

- ✓ Homeownership: The buyer(s) will take ownership in fee simple title or maintain a 99 year leasehold interest in an eligible property.
- ✓ Ownership interest: property is subject only to the restrictions on resale required under 24 CFR 92.245(a); mortgages, deed of trust, or other liens or instruments securing debt on the property as approved by the Idaho Housing and Finance Association (IHFA); or any other restrictions or encumbrances that do not impair the good and marketable nature of title to the ownership.
- ✓ The HOME Program deferred loan **must** be listed on the Preliminary Title Report and on the Final Title Report as a recorded lien against the subject property
- ✓ Purchaser(s) must occupy the home within 14 days of loan closing.
- ✓ No cash back to borrower at closing, including Earnest Money.

Pre-Conditions

No applications will be accepted unless the following are completed:

- ✓ First-Time Homebuyer.
- ✓ Meet Residency Requirements.
- ✓ Loan Approval by an eligible IHFA Lender/Broker.
- ✓ Signed and accepted Purchase & Sales Agreement
- ✓ Uniform Relocation Assistance, (URA) documents, completed and signed, at the time the Purchase Offer is made. Must be signed by Seller. 49 CFR 24.101(b)(2)(i)
- ✓ If a Pre-1978 Targeted Home, all Lead Based Paint requirements must be completed.
- ✓ HOME Funding reservation through Ida Mortgage Lender Connection.
- ✓ Certificate of Completion from the “*Finally Home!*®” homebuyer education course.

Minimum Eligibility Requirements

Details of the Minimum Eligibility Requirements are listed below:

Residency Requirements

- ✓ Borrower(s) must be eighteen (18) years or older, and
- ✓ Borrower(s) must be US Citizen, or a Permanent Resident Alien, and/or a Non-permanent Resident alien with proof of permanent residency status, eligibility, and evidence to work in the United States, and a valid Social Security Card.
- ✓ Borrower(s) must be a resident of the State of Idaho with a valid State of Idaho Driver’s License or valid State of Idaho identification.

First-Time Homebuyer- An Individual and/or spouse have not owned a home during the three year period prior to the purchase of the home. Exception: Displaced homemaker or Single-parent ¹

HOME Program Income Limits: (24 CFR 92.203 & 24 CFR 5.609)

- ✓ Part 5 Annual Income 24 CFR 5.609, formerly known as “Section 8” definition of income. Part 5 definition of annual income is the *gross amount of income of all adult household members that is anticipated to be received* during the coming twelve-month period.
- ✓ Total gross household income must not exceed 80% of the Area Median Income (AMI) based on HUD estimates of median income based on household size and location. (Exhibit A HOME Admin Plan)

Homebuyer Education

- ✓ Each borrower that will be listed on the note is required to complete the Homebuyer Education class “*Finally Home!*®” prior to the submission of the loan application to the Lender/Broker/Sponsor.
- ✓ Verification of Certificate of Completion by originating Lender/Broker prior to approval for the primary loan is required.

Note: HUD approved Pre and Post Counseling programs are recommended for all first Time Homebuyers.

Assets Limits

- ✓ Non-retirement liquid cash assets may not exceed \$5,000.00 at the time of closing.
- ✓ For an elderly household (62 years of age or older), non-retirement liquid cash assets cannot exceed \$10,000.00 at closing.
- ✓ Assets that exceed the limits stated above, the excess must be used towards down payment/closing cost or pay down debt with HOME Program's approval prior to closing with supporting documentation.

Buyer(s) Investment

- ✓ The borrower must make a minimum investment of at least \$500. The contribution must be verifiable and not gifted.

Loan Programs Allowed

- ✓ Loan approval under standard lending programs (FHA, VA, CONVENTIONAL, USDA-RD), by an IHFA approved Lender/Broker. Fixed-rate loan only.
- ✓ Loan must be sold to IHFA (exception: USDA-RD Loan products) and meet all FHA, VA, Fannie Mae and Freddie Mac residential lending and underwriting guidelines.

Programs Not Allowed

- ✓ Private land sales contracts, adjustable rate mortgages, prepayment penalties.

Ineligible Loan Types

- ✓ No refinances, ARM's, Interest-Only, or Hybrids.
- ✓ No Combo or Second (2nd) Mortgages with variable interest rates will be allowed.

Reservation of HOME Funds

- ✓ Completion of Request of Reservation for HOME funds through the IdaMortgage® Lender Connection.

Eligible Activity

- ✓ Acquisition only

Eligible Forms of Financial Assistance

Down Payment Closing Cost, (DPCC) Assistance

- Minimum of \$1,000 with a maximum of 3% of the Purchase Price, not to exceed \$8,000.

Eligible Homebuyer Costs (24 CFR 92.206)

- ✓ Hard Costs:
 - Acquisition of real property to include land and existing structure
- ✓ Soft Costs
 - Closing Costs-Standard and reasonable, as approved by IHFA HOME Program
 - Other costs incurred associated with the acquisition of the housing assisted with HOME funds as approved by IHFA HOME Program

Ineligible Costs, but not limited to:

- ✓ Prepaids
- ✓ Reserves
- ✓ Repairs/Home Warranties
- ✓ HOA dues or set-ups
- ✓ Irrigation dues or set-ups

- ✓ Collections, Judgments
- ✓ Tax Liens
- ✓ Delinquent taxes, fees or charges on property
- ✓ Homebuyer Education Fee(s)

Ineligible Use of the HOME Assistance Under DPCC

Standard DPCC subsidy funds may not be used for:

- ✓ Gap Financing.
- ✓ Payment of discount points.
- ✓ Interest Buy down.
- ✓ Repairs/Maintenance.
- ✓ Rental Assistance.
- ✓ New construction loans.
- ✓ Costs related to new construction.

Type of Loan

- ✓ Deferred Payment Loan .

Rate

- ✓ Interest: Zero Percent (0%).

Long Term Affordability - Period of Affordability

- ✓ Property is subject to the Recapture provision: all subsidy assistance will be recaptured at the time of Sale, transfer of title, default, or refinance of the first mortgage.

Repayment Obligation

The entire indebtedness of (**HOME subsidy**) is due and payable, if not paid earlier, upon any sale or transfer of ownership or title of Borrower's home located at (**property address**), or upon any event of default as defined herein. The payment shall be applied first to interest accrued on the then unpaid principal balance, at the rate of ZERO PERCENT (0%) per annum, and the balance thereof shall be applied to the principal balance. Both principal and interest shall be payable at the offices of IHFA, at the address set forth above, or such other place as IHFA may designate in writing. Borrower may prepay the principal outstanding hereunder, plus accrued interest thereon, if any, in whole or in part at any time without premium or penalty

All principle and interest payments are hereby deferred until sale of property or an event of default occurs, or transfers of property without prior consent. If default occurs hereunder, the entire principal sum and accrued interest shall immediately become due and payable without notice, at the option of the holder of the Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any continuing or subsequent default. In the event of default in the payment of this Note, and if same is submitted for collection by IHFA, its successors and assigns, the undersigned agree(s) to pay all costs of collection, including reasonable attorney's fees.

IHFA Participating Areas of Jurisdiction (24 CFR 92.201)

- ✓ Eligible properties can be located in all Counties located in the State of Idaho, **excluding the City limits of Boise.**
- ✓ The HOME Program does not have targeted counties.

Eligible Property Types

- ✓ Single Family unit
- ✓ Condominium unit (Approved HUD/FHA)

- ✓ Cooperative unit
- ✓ Manufactured Home
Must comply with applicable state and local codes Must have permanent utility hook-ups, be on permanent foundation as approved by HUD. have a 99-year leasehold. Engineering Certification required on foundation. The Manufactured Home must also meet the Construction and Safety Standards (24 CFR Part 3280). Construction and safety standards preempt State and local codes covering the same aspects of performance for such housing. 24 CFR 92.251(a) (4)

Ineligible Properties

- ✓ Multi-family
- ✓ Investment Properties
- ✓ Second Homes

Current Occupancy Status of Property

- ✓ Properties must be vacant or owner-occupied (by the Seller). No rental units or tenant occupied properties.

FHA Property Value Limits

- ✓ FHA 203(b) Limits for single family homes. (24 CFR 92.254) (Exhibit E HOME Admin Plan)

Necessary Reviews/Reports for Properties

- ✓ Uniform Relocation Assistance (URA) documents must be signed by Seller at the time the purchase offer is made. NO EXCEPTIONS.
- ✓ Lead Based Paint Requirements - Pre-1978 targeted homes subject to all Lead-Based Paint requirements.
- ✓ Environmental Review: HUD 24 CFR 58.35(b) Determination of Categorical Exclusion must be completed by IHFA's approved Officer, at the time of receipt of homebuyer's application for assistance.
- ✓ Appraisers/Appraisals: As of October 1, 2009, appraisers listed on the Federal Housing Administration (FHA) Appraiser Roster who are state certified (certified residential or certified general) are eligible to complete the Uniform Residential Appraisal Report (URAR). Mortgagee Letter 2008-39.
Appraisal Type: FHA Appraisals
- ✓ All HOME assisted properties, homebuyer properties must meet written minimum property standards. All housing acquired must meet HUD's Housing Quality Standards (HQS), State, and Local code/standards.
 - ✓ All necessary Inspections (refer to **Inspections**)

Uniform Relocation Assistance, (URA) (24 CFR 92.355) (49 CFR 24.101(b)(2)(i))

- ✓ Completion of the Uniform Relocation Assistance, (URA) Requirement that includes all forms in the URA Kit must be completed and signed by all required parties prior to or at the time the Purchase Offer is made. **No Exceptions.**

Lead Based Paint Requirement (24 CFR 92.355)

Pre-1978 Homes only – The current Lead Based Paint requirement must be fulfilled. Also, refer to Chapter six, (6) of the 2009 HOME Administration Plan.

- ✓ LBP Paint Disclosure Pamphlet notice to buyers
- ✓ HUD Visual Assessment.
- ✓ Renovate Right Pamphlet notice signed by seller (if applicable)
- ✓ EPA LBP Risk Assessment (if applicable)

- ✓ EPA LBP Clearance (if applicable)

Environmental Review (24 CFR 92.352) (24 CFR Part 58.35 b(5))

- ✓ An Environmental Review must be completed and approved by an IHFA authorized officer prior to the initial review of the HOME application.

Property Standards

- ✓ All HOME assisted properties, must meet certain written minimum property standards.
- ✓ Acquisition: The housing acquired must meet HUD's Housing Quality Standards (HQS), State and Local housing quality standards and code requirements.
- ✓ Manufactured Housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280, which preempts State and local codes covering the same aspect of performance for such housing. Must also meet HUD's Housing Quality Standards (HQS).

Appraisals

- ✓ Appraisers/Appraisals: As of October 1, 2009, appraisers listed on the Federal Housing Administration (FHA) Appraiser Roster who are state certified (certified residential or certified general) are eligible to complete the Uniform Residential Appraisal Report (URAR). Mortgagee Letter 2008-39.
- ✓ Appraisal Type: FHA Appraisals

Inspections

- These following inspections and/or reports **must** be completed:
- ✓ Lead Based Paint (LBP) reports/inspections are required**
 - ✓ Environmental review including flood plain certification,
 - ✓ Housing Quality Standards (HQS),
 - ✓ Septic & Well (if applicable),
 - ✓ Any inspections required by the first mortgage loan or as outlined in the EMA/Sales Agreement,
 - ✓ Proof that the construction was completed according to all applicable building codes, and,
 - ✓ The lender/broker/sponsor has obtained a "Notice of Occupancy" from the city/county, Certificate of Occupancy.
 - ✓ USDA-Rural Development will provide Inspection Form 1924A, if applicable.
 - ✓ Full Third Party Home Inspection by independent inspector.
 - ✓ Other inspections as a result of deficiencies reported on any other inspections.
 - ✓ Engineering Certification on foundations with manufactured homes.

** Refer to LBP Requirements.

Occupancy Requirements

- ✓ Borrower(s) must both own and occupy residence for the term of the Period of Affordability and make all payments due on loans secured by prior lien or liens of property.

Ownership

- ✓ Purchaser must occupy the home within fourteen (14) days of loan closing.
- ✓ The buyer(s) will take ownership in fee simple title or maintain a 99 year leasehold interest on an eligible property.

Ownership interest

- ✓ the property is subject only to the restrictions on resale required under 24 CFR 92.245(a); mortgages, deed of trust, or other liens or instruments securing debt on the property as approved by the Participating Jurisdiction, (PJ); or any other restrictions or encumbrances that do not impair the good and marketable nature of title to the ownership.

- ✓ The HOME Program deferred loan **must** be listed on the Preliminary Title Report and on the Final Title Report as a recorded lien against the subject property.

Cash Back at Closing

- ✓ No cash back to Borrower at closing, including Earnest Money.

Subordination

Allowed only in the case of a refinance to lower the borrower's current interest rate. Under no circumstances will IHFA subordinate the HOME Loan, when the borrower is refinancing under the following conditions: consolidating debt, taking cash out, or paying off other debts. A request for subordination must be submitted to the HOME program for approval prior to loan closing.

HOME Assumption Provisions

Assumable by a qualified buyer. A *qualified buyer* is one who purchases the Property for use as a primary residence and whose income meets the restrictions of the HOME Down Payment Assistance Program and other requirements set forth by the HOME Program.

Credit Score

- ✓ FHA/VA: minimum score of 640 (excluding USDA-RD loan products)
- ✓ Conventional: minimum score of 680 (excluding USDA-RD loan products)
- ✓ Borrower(s) must receive First Mortgage Lender/Broker approval for DPCC program.

Credit

- ✓ A copy of the Tri-merge credit report is required.
- ✓ Chapter 7 Bankruptcy
 - FHA: must have been discharged for at least 2 years prior to closing.
 - Conventional: Must have been discharged for at least 5 years prior to closing.
- ✓ Chapter 13 Bankruptcy
 - FHA: completed 1 yr re-payment with approval from "agency" for taking on new debt.
 - Conventional: Discharged fully.
- ✓ Foreclosure on any real property to meet or exceed current industry standards.
- ✓ All collections, judgments, and liens must be repaid prior to closing.

Ratios

- ✓ Minimum 25% front-end.
 - Front-end ratio of less than 25% will decrease the amount of DPCC(excluding USDA-RD loan products) .
- ✓ Maximum ratios 35% front-end - 45% back-end (excluding USDA-RD loan products).
 - First mortgage Lender/Broker/Sponsor underwriting approval.

Seller's Contribution

- ✓ FHA:
 - Allowed up to 6%, any LTV
- ✓ Conventional:
 - Allowed up to 6% for LTV of 90.00% or less
 - Allowed up to 3% for LTV between 90.01% - 95.00%

Seller-financed down payment products *cannot* be combined in a purchase transaction with DPCC. *If any create a lien, see **Primary Mortgage Amounts and CLTV.***

Combined Loan To Value (CLTV)

- ✓ 100%

Impounds

- ✓ Required for all Idaho Bond Loans

Mortgage Insurance

- ✓ As required by the primary mortgage

First Mortgage

- ✓ Term of first mortgage with a below-market fixed interest rate.

Second Mortgage Programs

- ✓ IHFA HOME assistance cannot be combined with City of Boise HOME assistance, Good Credit Rewards program, or other second mortgage loan programs determined to be ineligible by the HOME Program.

Secured

- ✓ Subordinated to the first mortgage through Idaho Housing and Finance Association.

B. SELF-HELP HOUSING

Program Description

Owner/ builder program of qualified applicants who commit to sweat equity requirements, as well as home counseling and training throughout the development of all homes.

Eligible Activities

Down Payment
Construction
Closing Cost(s)
Land Purchase

Eligibility

- ✓ First Time Homebuyer¹ (see below)
- ✓ Borrower must commit to sweat equity requirements
- ✓ No cash back to borrower at closing
- ✓ Completion of the *Finally Home!*[®] Homebuyer Education Course² (see below)
- ✓ Income at or below 80% AMI
- ✓ Non-retirement liquid cash assets in excess of \$5,000 must be used towards down payment or pay off debt at closing. For the elderly, non-retirement assets in excess of \$10,000 must be used towards down payment or pay off debt at closing
- ✓ Property must meet new construction standards, local/state building codes and Model Energy Codes
- ✓ Must occupy the home for the affordability period
- ✓ Uniform Relocation Act (URA)

¹ Exception to First Time Homebuyer Ruling: Can be a displaced homemaker with custody of children or a single parent with custody of children

² Project Sponsor may submit a waiver request with the HOME project application to use another HUD-Certified homebuyer education course instead of *Finally Home!*[®]. Alternate course is subject to IHFA approval.

Eligible Applicants/Sponsors

Applicants (through an approved Lender/Sponsor) must have low or very-low income. Very low income is defined as below 50 percent of area median income (AMI); low income is between 50 and 80 percent of AMI.

Sponsor

501(c) (3)

Assistance Level

Based on need and the following income charts as determined by the Mutual Self-Help Sponsor's underwriting. Non-retirement liquid assets above \$5,000 must be utilized to reduce the subsidy assistance. For the elderly, non-retirement liquid assets in excess of \$10,000 must be used to reduce the subsidy assistance.

Assistance Level

Based on need and the following income charts.

60% and Below AMI	61 to 65% of AMI	66 to 70% of AMI	71 to 75% of AMI	76 to 80% of AMI
Minimum \$1,000	Minimum \$1,000	Minimum \$1,000	Minimum \$1,000	Minimum \$1,000
Maximum \$20,000	Maximum \$15,000	Maximum 10,000	Maximum \$7,500	Maximum \$5,000

The need and underwriting will be determined by the Sponsor. Non Retirement Assets above \$5,000 or Elderly Individuals with Non Retirement assets above \$10,000 must be utilized to reduce the subsidy assistance.

Property Types

Single-family homes of modest size, design, and cost, per USDA-RD standards.

Value Limits

HUD FHA Section 203(b) Limits

Eligible Forms of Subsidy

Deferred Payment Loan
Interest: Zero (0%) Percent

Repayment Obligation

All principle and interest payments are hereby deferred until sale of property or an event of default occurs, or transfers of property without prior consent. If default occurs, the entire principal sum and accrued interest shall immediately become due and payable without notice, at the option of the holder of the Note. In the event of default in the payment of the Note, and if same is submitted for collection by IHFA, its successors and assigns, the borrower agrees to pay all costs of collection, including reasonable attorney's fees.

If the property is sold, the Owner shall not be required to repay more that the proceeds of the sale of the property less the repayment of any loans secured by liens prior to the Deed of Trust.

Subordination

Allowed only to refinance to lower the borrower's current interest rate. Under no circumstances will IHFA subordinate when the borrower is refinancing, consolidating debt, taking cash out, or paying off debts. A request for subordination must be submitted to the HOME program for approval prior to loan closing.

D. HOMEOWNER VOUCHER PROGRAM (HOV)

The HOV program allows Section 8 Voucher Holders with disabilities to utilize voucher subsidy as a source of income to repay a home loan. Qualified heads of households or spouses with a disability, can apply for approval to participate in the HOV program, which compliments a mortgage loan with down payment assistance from the HOME Program of at least \$1,000.

Eligible Activities

- ✓ Down Payment,
- ✓ Closing Cost(s),
- ✓ Rehabilitation for HQS, which includes accessibility Improvements

Eligibility Requirements

- ✓ Housing Authority or Rental Assistance with a Homeownership Program
- ✓ Completion of “*Finally Home!*®” homebuyer education course
- ✓ Income at or below 80% AMI
- ✓ First-time homebuyer ¹
- ✓ Must qualify under standard lending program, i.e. FHA, VA, Conventional, USDA-RD
- ✓ Non-retirement liquid cash assets in excess of \$5,000 must be used toward down payment of pay off debt at closing. For the Elderly, non-retirement liquid cash assets in excess of \$10,000 must be used toward down payment or pay off debt at closing.
- ✓ No cash back to borrower at closing
- ✓ Must be a current Section 8 Voucher Holder
- ✓ Properties must be vacant or owner-occupied, no rental units (URA)(link)
- ✓ Uniform Relocation Act (URA)
- ✓ HUD regulations require all property assisted with HOME funds to meet HUD's Housing Quality Standards (HQS). To document this, IFHA requires a Certified Appraisal and a full 3rd party Home Inspection. IHFA Staff will review the inspections in accordance with HQS standards for compliance.
- ✓ Pre-1978 Home- Must meet HUD Lead-Based Paint requirements

Eligible Applicants/Sponsors

Borrower (through an approved Lender/Sponsor)

- ✓ Current Section 8 Voucher Holder with physical or developmental disability
- ✓ Household income of 80% or less AMI

Assistance Level

¹ Exception to First Time Homebuyer Ruling: Can be a displaced homemaker with custody of children or a single parent with custody of children.

Assistance is based on need and the following income charts. Non-retirement liquid cash assets above \$3,000 or \$10,000 for Elderly must be utilized to reduce the deferred loan assistance. The need and underwriting will be determined by the Sponsor. Non Retirement liquid cash assets above

60% and Below AMI	61 to 65% of AMI	66 to 70% of AMI	71 to 75% of AMI	76 to 80% of AMI
Minimum \$1,000	Minimum \$1,000	Minimum \$1,000	Minimum \$1,000	Minimum \$1,000
Maximum \$20,000	Maximum \$15,000	Maximum 10,000	Maximum \$7,500	Maximum \$5,000

\$5,000 or Elderly individuals with Non Retirement liquid cash assets above \$10,000 must be utilized to reduce the subsidy assistance.

Property Types

- ✓ 1-4 Single-Family Unit
- ✓ Manufactured Home – must comply with applicable state and local codes. Must have permanent utility hook-ups, be on a permanent foundation as approved by HUD, have a 99-year leasehold, and meet the Manufactured Home Construction and Safety Standards (24 CFR Part 3280)

Value Limits

- ✓ HUD FHA Section 203(b) Limits for all jurisdictions

Eligible Forms of Subsidy

- ✓ Deferred Payment Loan
- ✓ Interest: Zero (0%) Percent

Repayment Obligation

All principle and interest payments are hereby deferred until sale of property or an event of default occurs, or transfers of property without prior consent. If default occurs, the entire principal sum and accrued interest shall immediately become due and payable without notice, at the option of the holder of the Note. In the event of default in the payment of the Note, and if same is submitted for collection by IHFA, its successors and assigns, the borrower agrees to pay all costs of collection, including reasonable attorney’s fees.

If the property is sold, the Owner shall not be required to repay more than the proceeds of the sale of the property less the repayment of any loans secured by liens prior to the Deed of Trust.

Subordination

Allowed only in case of a refinance to lower the borrower’s current interest rate. Under no circumstances will IHFA subordinate when the borrower is refinancing, consolidating debt, taking cash out, or paying off debts. A request for subordination must be submitted to the HOME program for approval prior to loan closing.

Homebuyer Properties Activity

Description

Eligible activities: New construction, acquisition only, and acquisition and rehabilitation of single-family units to be purchased by qualified low-income individuals/families.

- HOME funds are awarded to a Project Sponsor in the form of an Acquisition or Construction loan (see Homebuyer Properties Maximum Subsidy Tables for activity type- Page 2-32). The unit (s) are then sold to a qualified homebuyer(s), who assume all/ portion of the acquisition/construction loan as a permanent loan. Homebuyer must meet homebuyer eligibility requirements-Chapter 2, page 33.
- The homebuyer may apply for direct down-payment/closing cost assistance. However, additional eligibility requirements will apply- See Direct Down payment/Closing Cost Assistance Program (Chapter 2, pages 18-26) for eligibility requirements.
- The amount of the homebuyer's direct down-payment/closing costs assistance and all other HOME permanent loans cannot exceed the homebuyer per-unit maximum - See Homebuyer Properties Maximum Subsidy Tables- Chapter 2-page 32.
- If direct down-payment/closing costs assistance is not used, the homebuyer must meet the homebuyer properties activity eligibility requirements- Chapter 2-page 32.

Eligible Homebuyer

- Qualified low-income individual/family that has met homebuyer-eligibility requirements for the purpose of purchasing a home from the project sponsor.

Project Sponsor

- CHDO
- Qualified 501(c)(3) Organization

Project Requirements

- Project Sponsor must hold title to the property during the development process and transfer title to a qualified low-income homebuyer
- Minimum 4 units
- Maximum 8 units

Eligible Activities

- New Construction
- Acquisition Only
- Acquisition and rehabilitation

Eligible Properties

- Single-family home
- Two-four unit property
- Condominium
- Manufactured Home

Property Value Limits

- FHA 203(b)

HOME Assistance

- Loan
- 0% interest
- Due on sale

**Homebuyer Properties
Maximum Subsidy Limits**

Acquisition Only			
	Per unit Maximum HOME funds		
	Non-Profit	CHDO	Land Trust
HOME funds to project sponsor/developer -Acquisition Loan	\$30,000	\$30,000	\$40,000
HOME funds to homebuyer -Maximum Permanent Loan	\$30,000	\$30,000	\$40,000

Acquisition and Rehabilitation			
	Per Unit Maximum HOME funds		
	Non-Profit	CHDO	Land Trust
HOME funds to project sponsor/developer -Construction Loan	\$50,000	\$50,000	\$60,000
HOME funds to homebuyer -Maximum Permanent Loan	\$40,000	\$50,000	\$60,000

New Construction			
	Per Unit Maximum HOME funds		
	Non-Profit	CHDO	Land Trust
HOME funds to project sponsor/developer -Construction Loan	\$50,000	\$60,000	\$60,000
HOME funds to homebuyer -Maximum Permanent Loan	\$40,000	\$50,000	\$60,000

High Cost Areas

Projects located in the following high cost areas are eligible to apply for an additional \$10,000 per unit/per project: Blaine, Kootenai, Teton, Valley counties.

Homebuyer Activity Requirements (if no direct down-payment/closing costs assistance is used)

- ✓ First time home buyer ¹
- ✓ Pre-approval of deferred loan through the online process
- ✓ Completion of the *Finally Home!*® Homebuyer Education course¹ (see below)
- ✓ Income at or below 80% AMI

¹ Project Sponsor may submit a waiver request with the HOME application to use another HUD-Certified homebuyer education course instead of *Finally Home!*®. Alternative course is subject to IHFA approval.

- ✓ Must qualify under a standard lending program (FHA, VA, Conventional, USDA-RD Loan)
- ✓ Loan must be sold to IHFA(exception: USDA-RD loan products) and meet all residential lending and underwriting standards, unless waived by an authorized officer of IHFA Homeownership Lending Department
- ✓ Properties must be vacant or owner-occupied, no rental unit
- ✓ Non-retirement liquid cash assets in excess of \$5,000 must be used toward down payment of pay off debt at closing. For Elderly, non-retirement liquid cash assets in excess of \$10,000 must be used towards down payment or pay off debt at closing
- ✓ Owner must occupy home within 14 days of loan-closing
- ✓ No cash back to borrower at closing
- ✓ HUD regulations require all properties assisted with HOME funds to meet HUD's Housing Quality Standards (HQS). This requires a Certified Appraisal and full 3rd party Home Inspection. IHFA Staff will review the inspections in accordance with HQS standards for compliance.
- ✓ USDA-Rural Development may provide IHFA with Inspection Form 1924 A
- ✓ Pre-1978 homes must meet HUD lead-based paint requirements apply
- ✓ Uniform Relocation Act (URA)

HOME TENANT BASED RENTAL ASSISTANCE (TBRA) PROGRAM

IHFA's HOME Tenant Based Rental Assistance program is currently defined as rental assistance provided to persons/families under the following conditions:

- 1) Displaced from emergency shelters due to closure
- 2) Persons/ families displaced because of a Presidentially Declared Disaster/Governor Declared Disaster.

Should IHFA consider implementing this program in the future, a feasibility study would be conducted followed by an invitation for public comment.

General Conditions

Effective April 1, 2004, US Department of Housing and Urban Development (HUD) allocations of HOME Investments Partnership program funds may be used to provide affordable rental housing through HOME Tenant Based Rental Assistance (TBRA). TBRA is defined as a form of rental assistance modeled on the Section 8 Housing Choice Voucher Program.

IHFA's TBRA program will provide rental assistance to *homeless persons/families¹

- Displaced from emergency shelters due to closure of the shelter;
- Displaced due to a "Presidentially Declared" disaster or "Governor Declared" disaster

Eligible recipients

Displaced from emergency shelters due to closure of the shelter;

- Persons displaced due to a Presidentially Declared Disaster or Governor Declared Disasters.

¹*"Homeless" is defined for the purpose of this program as a person who, on one particular day or night, does not have a decent, safe shelter to stay or sufficient funds to purchase one. This includes families who can provide proof of imminent housing loss or are currently residing in homeless shelters. *Homeless families include persons who are pregnant or have one or more children under the age of 18.

Eligible activities

TBRA grant funds may be used for one or more of the following activities:

- Rent subsidy payments to owners on behalf of tenant for up to 12 months/ per tenant.
- Security and/or utility deposit payments for rental units. The amount of TBRA funds that may be provided for security and/or utility deposits may not exceed the equivalent of two month's rent. Utility deposit assistance may be provided only in conjunction with rental assistance.

Ineligible activities

- Providing project-based rental assistance
- Allowing the "portability" of TBRA outside of the state of Idaho
- Providing rental assistance for tenants with other rent subsidies
- Any other ineligible activities listed in the Code of Federal Regulations for the HOME Program under 24 CFR 92.214