



**IOWA FINANCE
AUTHORITY**

SIMPCO

HOME Subrecipient

**Homebuyer Acquisition
With Rehabilitation
Assistance Project**

Administrative Plan

HOMEBUYER ACQUISITION WITH REHABILITATION ASSISTANCE PROJECT:

ADMINISTRATIVE PLAN

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Organization of the Manual

This manual has been organized along the key administrative steps of program implementation and approval of homebuyer acquisition with rehabilitation assistance.

Generally, the process for qualifying homebuyers and issuing HOME assistance will include the following steps and corresponding chapters in this manual:

- Chapter 1: Definitions
- Chapter 2: Marketing & Application Intake
- Chapter 3: Household Eligibility
- Chapter 4: Property Approval
- Chapter 5: HOME Financing Approval
- Chapter 6: Final Approval & Closing
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Chapter 1 Definitions

Definitions Preface:

Several of the definitions pertaining to lead hazard reduction activity have been added and/or modified to conform with, and to be consistent with, the Iowa Department of Public Health's (IDPH's) administrative rules found at 641-Chapter 70 of the Iowa Administrative Code (IAC). For the purpose of homebuyer acquisition with rehabilitation activity performed under the Iowa Finance Authority's (IFA's) HOME program, such definitions are verbatim from the IDPH's administrative rules except for the following definitions: "certified lead professional", "dust-lead hazards", "interim controls", "hazardous lead-based paint", "soil-lead hazard", "standard treatments", and "target housing". Modifications made to these definitions were made to delete any and all reference to child-occupied facilities, housing specifically designated for the elderly or persons with disabilities, single room occupancy units, and multi-family activities, none of which have relevance to a homebuyer acquisition with rehabilitation activity performed under a HOME award.

1.1 Annual (Gross) Household Income:

The definition of annual (gross) household income, as used for the homebuyer acquisition with a rehabilitation program, is the same as the definition used in HUD's Section 8 Housing Assistance Payments programs (24 CFR, Part 813). Annual (gross) household income is used in the determination of income eligibility. (Refer to Section 3.2.1 for more detail on how an applicant's annual (gross) household income is used in the homebuyer acquisition with rehabilitation program).

1.2 Certified Lead Professional:

Certified Lead Professional means a person who has been certified by the Iowa Department of Public Health as a Lead Inspector/Risk Assessor, Elevated Blood Level (EBL) Inspector / Risk Assessor, Lead Abatement Contractor, Lead Abatement Worker, Project Designer, Sampling Technician, or Lead-Safe Renovator.

1.3 Chewable Surfaces:

Means interior or exterior surfaces painted with lead-based paint or presumed to be painted with lead-based paint that a young child could mouth or chew (previously known as accessible surfaces).

1.4 De Minimis Levels:

The application of safe work practices to rehabilitation projects by the participating contractors and subcontractors is not required when rehabilitation work and/or lead hazard reduction activities do not disturb painted surfaces that total more than:

- Twenty (20) square feet on exterior surfaces;

- Two (2) square feet in any one interior room or space, or
- Ten percent (10%) of the total surface area of an interior or exterior component with a small surface area (e.g., window sills, baseboards, trim, etc.).

1.5 Dust-Lead Hazard:

Dust-lead hazard means surface dust in residential dwellings that contain a mass-per-area concentration of lead equal to or exceeding 40 micrograms per square foot on floors, 250 micrograms per square foot on interior windowsills, and 400 micrograms per square foot on window troughs based on dust wipe samples. A dust-lead hazard is present in a residential dwelling when the weighted arithmetic mean lead loading for all single-surface or composite samples of floors and interior windowsills is equal to or greater than 40 micrograms per square foot on floors, 250 micrograms per square foot on interior windowsills, and 400 micrograms per square foot on window troughs based on dust wipe samples.

1.6 Friction Surfaces:

Friction surfaces mean interior or exterior surfaces that are subject to abrasion or friction, including, but not limited to, certain window, floor and stair surfaces.

1.7 Hazardous Lead-Based Paint:

Hazardous Lead-Based Paint means lead-based paint (known or presumed to be lead-based paint) that is present on a friction surface where there is evidence of abrasion or where the dust-lead level on the nearest horizontal surface underneath the friction surface (e.g., the windowsill or floor) is equal to or greater than the dust-lead level; lead-based paint that is present on an impact surface that is damaged or otherwise deteriorated from impact; lead-based paint that is present on a chewable surface; or any other deteriorated lead-based paint in the residential dwelling or on the exterior of the residential dwelling.

1.8 Impact Surfaces:

Impact surfaces mean interior or exterior surfaces that are subject to damage by repeated sudden force, such as certain parts of door frames.

1.9 Interim Controls:

Interim controls mean a set of measures designed to temporarily reduce human exposure to lead-based paint hazards, including repairing deteriorated lead-based paint, specialized cleaning, maintenance, painting, and temporary containment. For the purpose of this program, interim controls must address all lead-based paint hazards in the assisted housing. The lead-based paint hazards must be identified by an Iowa certified lead inspector/risk assessor or an Iowa certified elevated blood lead (EBL) inspector/risk assessor through paint testing and a risk assessment.

1.10 Iowa Department of Public Health (IDPH):

In Iowa, the IDPH is the regulatory agency overseeing, in part, the Lead-Based Paint Activities Training and Certification program. The IDPH also establishes minimum work practice standards for lead professional activities.

1.11 Iowa Finance Authority (IFA):

IFA is the primary funding source for the homebuyer with rehabilitation program through a federally (HUD) financed program known as the HOME Program.

1.12 Household:

Household means one or more persons occupying a dwelling.

1.13 Lead-Based Paint:

Lead-based paint means paint or other surface coatings that contain lead greater than or equal to 1.0 milligram per square centimeter or greater than 0.5 percent by weight. Lead-based paint is present on any surface that is tested and found to contain lead greater than or equal to 1.0 milligram per square centimeter or greater than 0.5 percent by weight and on any surface like a surface tested in the same room equivalent that has a similar painting history and that is found to be lead-based paint.

1.14 Lead-Based Paint Hazard:

Lead-based paint hazard means hazardous lead-based paint, a dust-lead hazard, or a soil-lead hazard.

1.15 Lead Hazard Reduction:

Lead hazard reduction means the reduction of lead-based paint hazards through interim controls or standard treatments. For purposes of this program, lead hazard reduction activities temporarily reduce lead-based paint hazards.

1.16 Lead Hazard Reduction Carrying Costs:

Lead hazard reduction carrying costs are basically administrative in nature. Lead hazard reduction carrying costs are the additional costs incurred by the recipient's lead professional staff to ensure that target housing is lead safe at the completion of the rehabilitation project following required clearance testing and final visual risk assessment. Lead hazard reduction carrying costs include, but are not limited to, required notifications and reports (preparation and/or conveyance), required paint testing and risk assessment (including laboratory analysis costs) or presumption of lead-based paint and/or lead-based paint hazards, visual risk assessment following the presumption of lead-based paint and/or lead-based paint hazards, revising project work write-ups to include lead hazard reduction activities and methodologies, construction oversight to ensure that safe work practices are used by participating contractors and subcontractors, and clearance testing and final visual assessment (including laboratory analysis costs).

1.17 **Lead Professional:**

Lead professional means a person who conducts lead abatement, lead inspections, elevated blood lead (EBL) inspections, lead hazard screens, risk assessments, visual risk assessments, clearance testing after lead abatement, or clearance testing after interim controls, paint stabilization, standard treatments, or rehabilitation pursuant to 24 CFR 35.1340.

1.18 **Lead Safe:**

Lead safe is the temporary condition of assisted housing immediately following the application of interim controls, paint stabilization, or standard treatments to temporarily reduce lead-based paint hazards and upon passing clearance testing and final visual assessment that meets the Iowa Department of Public Health (IDPH) standards. Lead hazard reduction measures incorporated into the recipient's target housing homebuyer with rehabilitation projects (including paint stabilization, interim controls, and standard treatments) only temporarily reduces exposure by the occupants of the dwelling to lead-based paint hazards. Lead hazard reduction activity does not result in the assisted property being permanently free of lead-based paint and/or lead-based paint hazards. Additionally, rehabilitation projects receiving \$5,000 or less in HOME assistance (for the hard costs of rehabilitation) are not considered lead safe, only those areas (components) of the dwelling specifically addressed with, or affected by, the rehabilitation work and/or lead hazard reduction activity and has passed clearance testing and final visual assessment are considered "lead safe", not the entire dwelling.

1.19 **Lead Safe Housing Regulations:**

The Lead Safe Housing Regulations are technically known as the "Requirements for Notification, Evaluation, and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance; Final Rule" found at 24 CFR Part 35 et.al.

1.20 **Median Household Income:**

Median household income means the area median household income established annually by HUD, by county or MSA, and based on household size.

1.21 **Paint Stabilization:**

Paint Stabilization means repairing any physical defect in the substrate of a painted surface that is causing paint deterioration, removing loose paint from surfaces to be treated, and applying new paint or other protective coating pursuant to 24 CFR Part 35.

1.22 **Paint Testing:**

Paint Testing means the process of determining, by a certified lead inspector/risk assessor or certified elevated blood lead (EBL) inspector/risk assessor, the presence or absence of lead-based paint on deteriorated paint surfaces or painted surfaces to be disturbed or replaced pursuant to 24 CFR Part 35 et.al.

1.23 Prohibited Methods of Paint Removal:

The following methods shall not be used to remove paint that is, or presumed to be lead-based paint:

- Open flame burning or torching;
- Machine grinding or sanding without high-efficiency particulate air (HEPA) local exhaust control;
- Abrasive blasting or sandblasting without HEPA local exhaust control;
- Heat guns operating above 1,100 degrees Fahrenheit;
- Dry sanding or dry scraping (except dry scraping in conjunction with heat guns or within one foot of electrical outlets, or in areas that fall within the de minimis levels); or
- Paint stripping in poorly ventilated space using volatile strippers.

1.24 Program Funds:

Program funds mean HUD funds awarded from IFA's HOME Program, even though there may be other HUD funds or other federal funds used in the homebuyer with rehabilitation program.

1.25 Rehabilitation Standards:

The applicable rehabilitation standards are **Iowa's Minimum Housing Rehabilitation Standards**, as revised Oct. 2018. This standard is applicable to all communities where no other local codes, standards or ordinances exist. In communities that have existing rehabilitation standards and code inspections, the local standards will be followed.

1.26 Safe Work Practices:

Safe Work Practices include a) prohibited methods of paint removal; b) occupant protection; c) work site preparation; d) worker protection; e) specialized cleaning; and f) the de minimis levels.

1.27 Standard Treatments:

Standard treatments mean a series of hazard reduction measures designed to reduce all lead-based paint hazards in a residential dwelling without the benefit of a lead-based paint inspection and a risk assessment. Standard treatments consist of the stabilization of all deteriorated interior and exterior paint, the provision of smooth and cleanable horizontal interior hard surfaces, the correction of dust-generating conditions (i.e., conditions causing rubbing, binding, or crushing of surfaces presumed to be coated with lead-based paint), and the treatment of bare soil to control presumed soil-lead hazards.

1.28 Soil-Lead Hazard:

Soil-Lead Hazard means bare soil on residential real property that contains total lead in excess of 400 parts per million for the dripline, mid-yard, and play areas. A soil-lead hazard is present in a dripline, mid-yard, or play area when the soil-lead concentration from a composite sample of bare soil is equal to or greater than 400 parts per million.

1.29 Target Housing:

Target housing means any housing constructed prior to January 1, 1978. Refer to the Lead Safe Housing regulations found at 24 CFR Part 35 for exemptions.

1.30 U.S. Department of Housing and Urban Development (HUD):

HUD is the funding source for IFA's HOME Program.

1.31 Worksite or work area

Means an interior or exterior area where lead-based paint hazard reduction activity or renovation takes place. There may be more than one worksite in a dwelling unit.

Chapter 2 Marketing & Application Intake

The subrecipient shall market its homebuyer acquisition with rehabilitation program to potential applicants, lenders, and real estate professionals.

2.1 Marketing to Applicants

Marketing shall be conducted in order to provide information about the program and to generate further interest from potential applicants. Marketing may be conducted using any of the following methods:

- Newspapers of general circulation and other local publications;
- Radio and/or television (such as local cable television channels);
- Public informational meetings held in the target area;
- Mailings;
- Postings at strategic locations accessible to the general public (e.g., the Post Office, City Hall or County Courthouse, grocery stores, schools, churches, libraries, etc.); and by
- Personal contact with potential applicants by community leaders, civic groups, etc;
- Other methods available in the market area deemed appropriate.

Marketing to potential applicants will convey basic requirements for participation in the program including eligibility criteria, the form of assistance available, information about how, where, and when to apply for assistance as well as what information will be needed. Marketing efforts will also address the requirement of making any target housing temporarily lead-safe as well as the potential for temporary relocation during such work.

2.1.1 Fair Housing

Properly applying the Fair Housing Marketing requirements in a downpayment assistance program involves adequately marketing the availability of federal assistance to a target market. The marketing steps identified in the Marketing to Applicants section above meet the HOME requirements for Fair Housing Marketing. A Fair Housing Marketing Plan covering implementation of the required elements above will be submitted to IFA for approval by the project manager prior to assisting buyers in the program. The plan will be submitted on the form provided by IFA.

2.1.2 Program Accessibility

In addition to its nondiscrimination and physical accessibility requirements, federal law requires that the program, when viewed in its entirety, is usable and accessible to persons with disabilities. This obligation includes, but is broader than, the obligation to provide accessible units in accordance with 24 CFR 8.22 and 8.23. To help satisfy accessibility requirements, the program will implement the following:

- All program activities, including public hearings, homebuyer briefings, counseling sessions, and meetings will be held in locations that are accessible to persons with disabilities.
- Information about all programs and activities will be disseminated in a manner that is accessible to persons with disabilities. Auxiliary aids and special communication systems will be used when necessary for program outreach, public hearings related to housing programs, and other program activities.
- Reasonable steps will be taken to provide information about the provision of accessible units to eligible persons with disabilities. Homebuyer programs are not required to produce accessible units; however, they are required to assist homebuyers with accessibility needs by reasonable accommodations/modifications. Program advertising will inform potential applicants that the program will provide assistance and reasonable accommodations and/or modifications for households having accessibility needs.

2.2 Marketing to Contractors

Marketing to contractors is essential to the success of the program. A sufficient amount of marketing will be geared specifically to contractors in order to generate interest in program participation.

Marketing to contractors will be accomplished using the same media resources used for marketing to potential applicants. In addition to using those resources, additional marketing efforts may include contacting:

- Local homebuilders associations, construction trades organizations, unions;
- The Better Business Bureau;
- The Iowa Department of Public Health to obtain information on contractors that have been trained in safe work practices;
- The community's building permit department for issuance data;
- Local lenders active in construction financing; and
- Other communities nearby that have, or have had similar programs.

Additionally, a good faith effort will be made to solicit and attract the interest of minority and female-owned businesses that might participate in the program.

From the contractor marketing efforts, a list of potential contractors will be compiled and referenced for bid solicitations as individual projects are undertaken.

Chapter 3 Household Eligibility

Household eligibility shall be determined and applicants pre-qualified prior to purchasing a property with HOME assistance. Income eligibility is the key HOME requirement, although other qualification criteria will be considered. All HOME income determination calculations must be conducted in accordance with the Technical Guide for Determining Income and Allowances for the HOME Program. (Technical Guide).

The determination of buyer eligibility will occur in the following steps:

Step 1: The homebuyer provides information to complete the program application documents.

Step 2: A minimum of two months of income documentation will be collected and analyzed for household members through third-party verification.

Step 3: Employer and applicant will be questioned about anticipated income changes during the coming year.

Step 4: Data collected will be entered into an income certification form compliant with the requirements of the Technical Guide as documentation of the applicant's income eligibility for the program. An applicant must certify at the bottom of the form indicating that the information provided is true and correct. Income eligibility may be documented through the [CPD Income Eligibility Calculator](#) utilizing the 24 CFR Part 5 definition of income.

3.1 Evidence of Employment, Residence, Income, and Assets

Applicants are required to submit evidence of employment, income, and assets in order to facilitate a determination of eligibility for the program.

3.2 Housing Counseling

IFA requires that each HOME-assisted homebuyer receive and complete at least eight hours of homebuyer counseling from a [HUD-approved housing counseling agency](#) before purchase. Counseling helps ensure that prospective homebuyers are prepared for and understand the responsibilities of being a homeowner and are able to:

- Find a good home that fits the needs and budget of their household;
- Negotiate the best price; and
- Find a good mortgage with a competitive interest rate and a monthly payment that the household can afford.

Buyers should be encouraged to recognize the value of the counseling and assistance in the process, and not just consider this a “federal requirement.” Counseling can provide valuable information about the buying and financing process, which can help buyers to find better properties and mortgages.

It is permissible for the program to pay for reasonable housing counseling costs. Housing counseling costs for assisted buyers are eligible HOME activity delivery costs outside of the 10 percent administrative cap. Subrecipients should note that HOME may pay for housing counseling costs for persons who do not finish the course and progress to a home purchase. In this situation, however, the counseling costs are only eligible to be reimbursed with administrative funds.

3.2.1 Referral to Counseling and Education Program

Upon notification of approval of an application for assistance, buyers will be referred to a HUD-approved housing counseling agency that offers at least eight hours of in-person pre-purchase counseling and education.

Local counselors currently HUD-approved are:

- Center for Siouxland 715 Douglas St. Sioux City, IA 51101 - 712-252-1861
- Other HUD approved Counseling agencies may be utilized.

If buyers have already completed this qualified program within the six months prior to application, IFA will allow the grantee to count this participation. If a homebuyer is unable to meet this requirement for good cause, the subrecipient may submit a request for an exception to this requirement to IFA. If the pre-purchase counseling and education submitted as a replacement do not meet IFA requirements, buyers will have to complete training delivered by a HUD-approved housing counseling agency. Counseling will expire after one year.

3.2.2 Certificate of Completion

A counseling completion certificate is required to be provided with the homebuyer completion report.

3.3 Household Income Eligibility

Income eligibility will be determined utilizing the current [HOME income limits](#) for the program's targeted area.

3.3.1 Income Limits

The applicant must have an annual (gross) household income that does not exceed eighty percent (80%) of the current area median income (AMI), based on the applicant's household size, as calculated under the requirements of Part 5 (Section 8) definition of income.

The income limit used and the date it was determined will be included in the applicant's file to document actions taken at the time their income eligibility is determined.

3.3.2 Income Definition

The [Part 5 annual income](#) (Section 8) definition of income will be used in determining income eligibility. Included in the income calculation will be all persons who will be part of the household during the time HOME assistance will be received.

Data on all liabilities including credit card debts, car payments, student loans, payday loan payments, and other debts will be collected when underwriting downpayment assistance for a client or prequalifying the client for HOME assistance.

The program application form will be utilized for collecting data on household composition, income, and asset sources. The application shall be signed and the statement sworn to by the applicant, co-applicant or both.

The following guidelines shall be utilized for determination of income:

- Calculating wage rates:
 - If paid every week of the year: Pay rate times 2080 hours (40 hours times 52 weeks).
 - If not paid every week: Pay rate times number of hours per week times number of weeks worked per year, OR multiply total quarterly pay times 4.
- Variations in pay:
 - If seasonal income, add months of pay + unemployment to project 12 months forward.
Example: 6 months of pay + 6 months of unemployment
- Other common sources of income:
 - Unemployment:
 - If a household member is currently receiving unemployment payments, the amount received will be verified.
 - If a client is not currently receiving payments, but has signed up for unemployment payments or expects to soon, the prior year tax return or last two year's returns will be used to obtain an average payment amount.
 - Self-employed: Current information will be documented, if available. If current information is not available, the prior year tax return or last two year's returns will be used to obtain average income.
 - Construction and/or seasonal: all employers shall be documented by verification letters and forms if possible.
 - Cash: Checking and/or savings account statements will be reviewed for periodic payments.
 - Zero income for one or more household members:

- The client will be questioned about household members' ability to pay rent, utilities, car payment, etc. to determine if zero income is correct. Cash and other income will be identified.
- Second, a tax return from the prior year will be reviewed. Third party verification with prior employers, benefits, etc. indicated on the household's tax return will be collected.
- Finally, if necessary, IRS form 4506 will be utilized to obtain a certified tax return. If income is indicated on the tax return, the client will be questioned to determine if any of the sources of income are still being received.

3.3.3 Income Verification

The steps to verifying income and/or assets include but are not limited to:

- Execution of a signed release form from the household to verify income via third party sources.
- Verification forms will be sent to the employer or agency. If the agency or employer is unresponsive, follow-up contact will be attempted and verification efforts will be documented in the applicant's file.

3.3.4 Income Certification

After income and asset verification have been collected either through source documentation and/or third-party verification, the household income will be calculated and certified. The head(s) of household will sign and date the certification. Utilization of the [CPD Income Eligibility Calculator](#) is a convenient method for this calculation, provides printouts of results for homebuyer certification, and retains a file on the income qualification.

Once an applicant's income has been verified, the verification is only valid for six months (180 days). The income certification will be updated if more than six months transpire since the initial certification. If there has been a change in the applicant's income during those six months, the applicant shall report the change and the income verification must be updated.

3.4 HOME Eligibility Approval or Disapproval

3.4.1 Oversight Committee

The subrecipient will establish a local oversight committee. This committee will be appointed by the chief local government official or non-profit Executive Director and be charged with certain programmatic responsibilities. At least one subrecipient representative will serve on this committee. Responsibilities of the Oversight Committee include, but are not limited to:

- Final approval authorization of all applications for assistance;
- Individual rehabilitation construction contracts approval authorization;

- Grievance and dispute resolution responsibilities;
- Representation during final inspection;
- Long-term monitoring responsibilities to ensure that assisted properties remain the principal places of residence to the assisted property owners for the prescribed affordability period based on the level of subrecipient's financial assistance;
- Coordination with IFA staff concerning amounts subject to recapture prior to an assisted buyer selling their home; and
- Oversight of any recaptured funds received.

3.4.2 Notification

Buyers will be notified in writing of their eligibility or ineligibility to proceed using a standard form letter.

The letter will indicate:

- An explanation of the HOME program in general terms and its benefits to buyers and the community.
- The HOME application approval criteria and waiting list policies.
- A summary of the applicant's household size and estimate of monthly income, with a statement that the determination is based on the information and certification provided by the applicant.
- Income eligibility has been determined on a preliminary basis and based on income information and the certification of completeness and accuracy from the applicant.
- A good faith estimate of the amount (or range of amounts) and terms of HOME assistance that applicant may qualify for, based on an analysis of applicant's financial and other data provided, including any terms of the assistance.
- If prior to execution of a contract to purchase a home, that the household can proceed with their home search. A good faith estimate will be provided indicating the required buyer down-payment and typical buyer-paid closing costs.
- A general description of a HOME-assisted buyer's residency requirements and penalty of repayment of subsidies, and resale controls.

The approval will be conditional upon completion of remaining requirements, including signing a purchase agreement for a home meeting all HOME requirements (including environmental review and all other property requirements in Chapter 4), obtaining acceptable first mortgage financing (see Section 6.2), providing the required minimum down payment amount (see Section 6.3) and other conditions (see Section 6.4).

The written notification will include the amount—or range of amounts—of HOME financial assistance that buyers qualify for and preliminary disclosures of the terms of that financial assistance. During the intake interview or subsequent face-to-face meeting, these disclosures will be reviewed with the applicant and staff of the Subrecipient will be available to answer questions about them. No application can be approved unless disclosures have been made as required.

3.4.3 Written Agreement

Once approved for participation in the program, the Subrecipient and homebuyer will execute the Homebuyer-Subrecipient Written Agreement.

Chapter 4 Property Approval

4.1 HOME Eligible Properties

Eligible properties shall meet the following criteria:

- Located in the program's target area.
- Owner-occupied or vacant with no tenant occupancy during the previous 1 year prior to an accepted offer to purchase.
- Single-family occupancy either detached, attached, condominium, cooperative, or manufactured home on its own lot and affixed to a permanent foundation.
- Must have no substantial adverse environmental factors as determined by an environmental review.
- Not located within a FEMA designated 100-year floodplain.

Special conditions exist for HOME investment in residential properties that contain businesses. Should an applicant request to utilize HOME for this scenario, **prior approval** to proceed must be received from IFA.

4.2 HOME Acquisition & Price Limits

The after-rehab value of any assisted homebuyer property shall not exceed the HOME Homeownership Value limits for single-family housing in the area [as published by HUD](#). The limit that will be utilized is the **1-unit limit** for existing homes or new homes in the county in which the property is located. These limits are available under the second tab of the Homebuyer Assistance Underwriting Form.

If rehabilitation is required for the property to meet program requirements, the value of the property **after rehabilitation** shall not exceed the HOME Homeownership Value Limit. The after-rehabilitation value estimate will be completed as part of the property appraisal prior to the investment of HOME funds.

4.3 Purchase Offers & Agreements

Any purchase offer made by a program participant must be contingent upon:

- A satisfactory inspection of the property must be conducted within 30 days.
- A satisfactory appraisal must be received within 60 days of the final offer documenting the as-is and as-completed market value of the property.

A homebuyer may enter into a purchase contract for an existing 1 to 4 unit house before the grantee has completed the environmental review, provided that:

- The purchase contract includes the following language for a conditional contract: *“Notwithstanding any other provision of this Contract, Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur, unless and until HUD has provided Purchaser and/or Seller with a written determination, on the basis of a federally required environmental review, that purchase of the property by Purchaser may proceed, subject to any other Contingencies in this Contract, or may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property. HUD shall use its best efforts to conclude the environmental review of the property expeditiously.”*
- No transfer of title to the purchaser or removal of the environmental conditions in the purchase contract occurs unless and until HUD determines, on the basis of the environmental review, that the transfer to the homebuyer should go forward, and the recipient has obtained approval from HUD.

4.4 Environmental Review

Homebuyer acquisition with rehabilitation activities are considered categorically excluded from NEPA and not subject to 58.5 Authorities. Such financing activities are subject only to 58.6, which limits the review to the items described below.

The financing program was cleared under a Tier 1 review by HUD after award of the HOME grant, but a Tier 2 Site Specific Project Review is still required for each property.

As buyers select properties and make offers, but before final purchase agreements are signed, the determination will be made that:

- The activity includes buyer financing/rehabilitation assistance only and meets the conditions for categorically excluded not subject to § 58.5 and provide HUD with the amount of HOME funds that will be used for each of these activities.

4.5 Appraisal

A full Uniform Residential Appraisal (URA) compliant appraisal of the market value of the property is required prior to closing for any property being financed under this program. An appraisal must be obtained and reviewed by IFA project manager prior to approving and closing a HOME loan.

4.5.1 Appraisal Requirements

If a purchase offer is made and a sale agreement signed, the agreement must be contingent on a satisfactory appraisal within 60 days of a final offer documenting the as-is and as-completed market values of the property.

The appraisal must meet the URA definition of an appraisal (see 49 CFR 24.2(a) (3) and the five following requirements (see 49 CFR 24.103(a) (2)) :

- An adequate description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, an adequate description of the remaining property), including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a 5-year sales history of the property.
- All relevant and reliable approaches to value. If the appraiser uses more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser's opinion of value.
- A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source, and method of financing, and verification by a party involved in the transaction.
- A statement of the value of the real property to be acquired and, for a partial acquisition, a statement of the value of the damages and benefits, if any, to the remaining real property, where appropriate.
- The effective date of valuation, date of appraisal, signature, and certification of the appraiser.

4.6 Eligible Expenditures

Program funds are intended to be used to assist with down payment, closing costs, hard costs of rehabilitation (materials, labor, and the contractor's overhead and profit) and the administrative (program implementation) costs associated with the purchase and rehabilitation of residential dwellings that meet the eligibility requirements detailed in section 4.1.

Program funds also may be used to make assisted target housing temporarily "lead safe" (or portions of the dwelling temporarily "lead safe" if \$5,000 or less in HOME assistance is invested in the hard costs of rehabilitation) following clearance testing and final visual assessment that meets Iowa Department of Public Health standards. Eligible expenditures of the program funds for this purpose include the cost of any lead hazard reduction activities, lead hazard reduction carrying costs, and temporary relocation costs.

Rehabilitation costs are considered eligible expenditures when the net result of such expenditures is the provision of safe, decent and sanitary housing that conforms to the rehabilitation standards referenced in Section 4.7.1, and, as applicable, results in housing (or portions of the housing if \$5,000 or less in assistance) that is temporarily lead safe. All construction work is expected to be of good quality and be reasonably priced.

4.7 Property Inspections

The following inspections apply as a matter of program policy:

- Initial Property Inspection. The purpose of the initial inspection is to determine the scope of work to be accomplished with the rehabilitation of that property (i.e., the hard costs of rehabilitation). The initial inspection will be conducted in order to verify the presence and condition of all components, systems, and equipment and to identify any and all items that do not conform to Iowa's Minimum Housing Rehabilitation Standards (as applicable) for inclusion in the work write-up for that dwelling.

Prior to conducting the initial inspection, the program administrator or subrecipient will convey the first of several required lead-based paint related notices (if this has not transpired prior to the initial inspection). Either the Environmental Protection Agency's (EPA's) standard pamphlet entitled "Protect Your Family From Lead in Your Home" or the Iowa Department of Public Health's (IDPH's) standard pamphlet entitled "Lead Poisoning - How to Protect Iowa's Families" will be used for this purpose.

Project files will be documented indicating that the potential property owner(s) has received this required notice. The EPA Pamphlet - "Acknowledgement of Receipt" form or the IDPH Pamphlet - "Acknowledgement of Receipt" form will be used for this purpose. The project file will be documented with a copy of the initial inspection report, signed (or initialed) and dated by the staff person who performed the initial inspection.

- Visual assessment for deteriorated (LBP) paint for pre-1978 property.
- Property standards inspection.

The project file will be documented with a copy of all inspection reports, signed and dated by the staff person or professional who performed the inspection.

4.7.1 Project Completion/Acceptance

Upon completion of a rehabilitation project, the subrecipient will conduct a final inspection of the rehabilitation work accomplished on the project (including exterior lead hazard reduction activity work if applicable).

The final inspection is made to ensure that all work was completed and was accomplished in accordance with the work write-up and any change orders that were issued and to ensure that work was accomplished in a satisfactory manner.

Should any rehabilitation work items remain unfinished or in need of rework, a punch-list will be formulated by the subrecipient (or its representative) and presented to the contractor for finalization prior to final acceptance and final payment authorization. If work or rework remains, a time frame for completion of such items will also be specified in the punch-list.

Clearance testing and a final visual assessment must follow the completion of all lead-based paint related work. Clearance testing must be accomplished in accordance with the IDPH requirements found at 641-Chapter 70 of the Iowa Administrative Code. If clearance testing fails to meet the applicable

IDPH standards, the affected work areas must be re-cleaned by the contractor responsible for this and clearance testing must be re-conducted. This process continues until the project meets IDPH clearance testing standards, including the final visual assessment.

Program funds are to be used only for the initial cost of cleaning for clearance testing. If clearance testing fails to meet the applicable IDPH standards, any and all costs associated with subsequent re-cleaning needs to be borne by the contractor responsible for this. It is extremely important for contractors to follow safe work practices and to thoroughly clean affected work surfaces with the initial cleaning so that successful clearance testing results and successful final visual assessment results are achieved with the initial clearance testing and final visual assessment.

The subrecipient will use the “Notification of Lead-Based Paint Hazard Reduction Completion and Final Visual Risk Assessment and Clearance Testing Results” form to document its clearance testing results as well as to notify the property owner as required. This form serves as the required notification as well as the IDPH (641-Chapter 70 IAC) required report.

When all work is determined to have been satisfactorily completed, the subrecipient will execute a Final Completion and Acceptance form. This form requires the actual date of completion and acceptance as well as the signatures of all parties to the contract.

Following the execution of the Final Completion and Acceptance form, the subrecipient can issue the final payment and the payment of all withholding (retainage) from previous partial payment requests paid, once all lien waivers have been executed by the contractor and are in the subrecipient’s possession.

4.7.2 HOME Property Standards

In order to be eligible for program assistance, the property must be free of garbage; debris; refuse; building materials (those not used for the rehabilitation project); abandoned, non-operational or junk vehicles; etc. Additionally, the property must not be in violation of any local nuisance ordinances.

The dwelling itself must be in such a state that permits reasonable access by the subrecipient to conduct the initial inspection and, as applicable, conduct paint testing and a risk assessment of the property, and to the contractor(s) working on the property owner’s project.

Housing that is being rehabilitated with HOME funds must meet all applicable state or local codes, rehabilitation standards, and zoning ordinances. If no state or local codes apply, the requirements of the most current version of the Iowa Minimum Housing Rehabilitation Standards will apply.

4.8 Work Write-Up (Project Specifications)

From the data and information gathered by the subrecipient during the initial inspection, a work write-up (or project specifications as they are often referred to) will be generated. All work write-ups will be written so that participating contractors that bid on the projects will submit itemized bids (i.e., an individual line-item cost for each individual line-item of the work write-up).

4.9 Cost Estimate

A written cost estimate of the hard costs of rehabilitation for each project will be prepared following the initial inspection and formulation of a work write-up. The cost estimate will also be depicted in an itemized form and will be identified as such, be signed (or initialed) by the subrecipient that prepared it, and dated. The cost estimates will be included in individual project files and will be provided to the appraiser to assist in the after-rehab value determination.

The written cost estimate is formulated to initially determine if the project is financially feasible to undertake, and secondly to ensure the cost reasonableness of contractor's bids that will be received. The primary purpose for the written cost estimate is to establish the probable cost of rehabilitation (i.e., the hard costs of rehabilitation) as well as determine the basis for what needs to be accomplished to that dwelling (if target housing) from a lead hazard reduction standpoint as lead hazard reduction requirements are based on the estimated cost of rehabilitation.

4.10 Historical (Section 106) Clearance

Assisted properties may be of historical significance. Historic preservation requirements often times have an impact on the work write-up. Individual projects assisted under the homebuyer acquisition with rehabilitation program that are not covered under the Programmatic Agreement between IFA and State Historic Preservation Office must be submitted individually to State Historic Preservation Office for Section 106 review and compliance.

4.11 Manufactured Homes

Manufactured homes may be assisted with program funds only if all of the following criteria are met:

- The age of the manufactured home is 1976 or newer;
- The manufactured home is permanently affixed to a site-built, permanent foundation and has had its towing hitch and running gear (including tongues, axles, brakes, wheels, lights and any other parts of the chassis that operate for the purpose of transportation) removed;
- The manufactured home is installed on land also owned by the potential property owner to be assisted; and or on land for which the homebuyer has a lease for a period at least equal to the applicable affordability period.
- The manufactured home (dwelling and site) is taxed as real estate (real property) by the community.

4.12 Accessibility Modifications to Units

For homebuyer programs, 24 CFR 8.29 states that any for-sale housing **assisted with Federal funds** must be made accessible upon the request of the prospective buyer if an expected occupant has a disability that requires accessibility features.

If a prospective buyer requests modifications to make a unit accessible, the program will work with the buyer to provide the specific features that meet the particular need(s) of the buyer. If the design features are covered in the accessibility standard (UFAS), those features will comply with the standard, unless otherwise requested by the buyer.

A reasonable accommodation/modification is a change, exception, or adjustment to a rule, policy, practice or service that may be necessary for a person with a disability to have an equal opportunity to use and enjoy a dwelling. A reasonable accommodation can be denied if providing the accommodation is not reasonable or would impose an undue financial or administrative burden on the program or if it would fundamentally alter the nature of the services provided.

Under the policy of reasonable accommodations/modifications, the program will determine if such accessibility modifications can be made by the program or at the additional expense of the buyer. Physical modifications needed to accommodate a buyer with accessibility needs are eligible to be reimbursed with HOME funds.

4.13 Federal Acquisition and Relocation Requirements

All of the home purchases are required to qualify as voluntary acquisitions under the applicable regulations of 49 CFR 24.101(b) and will follow Section 4.13.1 below.

4.13.1 URA Acquisition Requirements – Vacant or Owner-Occupied Property

The program will ensure that the owner is informed in writing of what the subrecipient believes to be the market value of the property, and that acquisition will not proceed if negotiations fail to result in an amicable agreement (see 49 CFR 24.101(b)(1) & (b)(2)).

At the time of purchase contract execution, the seller will receive a Voluntary Acquisition Notice Form and be asked to sign and acknowledge the notice. A copy of the signed notice will be included in the final file documentation.

If the property is not owner-occupied, the file will include documentation that the property is vacant. Documentation will include a signed and dated inspection report, photos, and notes from interviews with neighbors (if available) indicating the approximate last date of occupancy. If information from neighbors is not available, documentation should include data from a utility company or the Post Office indicating the date of service termination for the prior occupant.

The seller must complete a Seller's Occupancy Certification form stating that the property is either owner-occupied or vacant and has not been tenant-occupied in the past one year.

4.14 Contractor Requirements

In order to participate as a contractor in the program, the following minimum requirements must be met.

All contractors must:

- Be registered with the State of Iowa, Department of Labor;
- Meet any and all local or state licensing requirements;
- Be able to provide evidence (i.e., certificate of successful completion and satisfactory test results) that all workers under his / her employ (i.e., employees and/or subcontractors and their employees) who will be involved in any rehabilitation that disturbs painted surfaces (known or presumed to be lead-based paint) or any lead hazard reduction activity, have been trained in safe work practices as required by HUD's Lead Safe Housing regulations and the IDPH's 641-Chapter 70 IAC;
- Provide current and active insurance certificates that document sufficient insurance coverage; and
- Be approved by IFA as not being on the System for Award Management (SAM) list of debarred or suspended contractors.

4.14.1 Contractor Procurement

In compliance with applicable procurement standards required of the HOME Program, contractors will be procured for individual rehabilitation projects (including any lead hazard reduction activity), or various components of rehabilitation projects, where projects are broken down into components. Contractors will be procured through a competitive sealed bid procurement process.

Upon completion of the final work write-up and bid documents, the Program will publicly advertise for bids in at least one local newspaper of general circulation. In addition to publicly advertising, all known area contractors (those contractors identified through the contractor marketing efforts) will be notified, via email, inviting them to bid on the projects as they are undertaken.

The publicly advertised bidding process will allow sufficient time for contractors to compile and submit their bids. Bids will be opened publicly at a specified date, time and place. The lowest, responsible bidder will be awarded the contract subject to bid verification and acceptability. A responsible bidder is a contractor that has met the requirements of Section 4.14 above and all other material terms and conditions of the bid documents. Contractor's bids submitted in pencil will not be accepted.

Following the opening of all bids, the bids received will be verified (i.e., to ensure true itemized bids submittal, to verify and to recalculate the contractor's figures, to consider any alternate bids sought after and received, etc.). A bid tabulation (summary) sheet will then be prepared reflecting all bids received.

The successful bidder(s) will be notified, in writing, of the intent to award them a contract. All unsuccessful bidders will also be notified promptly in writing.

4.14.2 Contract Execution

Following contractor procurement, but prior to the award of a construction contract, the subrecipient will re-evaluate the amount of assistance to be applied toward that project, secure all non-program funds and finalize its financial commitment of program funds to that property owner.

Following notification of award to the successful contractor, arrangements will be made with all parties to formally execute the rehabilitation construction contract. Where projects are accomplished with several individual contracts in lieu of one general contract, the timing and coordination of issuing notices to proceed will need to be considered and handled accordingly.

4.14.3 Pre-Construction Conference

Prior to the start of construction, the subrecipient will hold a pre-construction conference with the property owner and the contractor. During the pre-construction conference, the final work write-up (project specifications) will be reviewed by all parties, line item by line item, to ensure a thorough understanding of the work to be accomplished. Additional topics to be discussed at the pre-construction conference include, but are not limited to:

- Timing and coordination of the sequence of the work (especially when and where lead hazard reduction activity or rehabilitation work that disturbs painted surfaces, known or presumed to be lead-based paint, are to be accomplished, and/or if the project entails multiple contracts covering various components of the entire project);
- Temporary relocation, limited access to living areas, and coordination of household schedule with lead-based paint work activity issues, as applicable (i.e., conveyance of the details of the subrecipient's temporary relocation offering and options, responsibilities, timing and coordination, packing and moving, storage, secured property owner non-access to work area(s) during interior lead hazard reduction work, specialized cleaning, clearance testing and final visual assessment, and the subrecipient's authorization of re-occupancy following completion and successful clearance testing); and
- Safe work practices and OSHA requirements, as applicable.

Additionally, the responsibilities of all parties to the contract need to be thoroughly discussed. The various processes and procedures involved in completing the project also need to be covered (e.g., change order procedures, contractor payment processes, various lead hazard reduction requirements, grievance/dispute resolution procedures, etc.).

The required pre-construction conference, where all parties to the contract are together, provides the contractor an opportunity to issue the required Iowa Department of Public Health's Pre-Renovation Notification (all target housing) if this has not transpired before this meeting. The subrecipient should

ensure that this takes place and obtain a copy of the executed pre-renovation notification form for its project files.

4.14.4 Change Orders

During the course of construction, the subrecipient may find it necessary to change the work write-up on any given project. Changes occur with any addition to or with any deletion of items to be accomplished, or with any other change that may occur to the original, as-bid, work write-up that alters the scope of work in any way. Change orders are needed for any and all substitutions that are made to the project as well, even if the dollar value of that work item remains unaffected. Change orders are also needed for time extensions to a rehabilitation construction contract.

Any and all changes to the contract work write-up require a fully executed change order signed by all parties to the contract. Change orders need to be contained in individual project files.

Change orders are an extension of the original project specifications (work write-up). Change orders need to detail all changes, be clear, concise and accurate, and be prepared individually listing all items if more than one item is included in the change order. The contractor's costs associated with all items listed within change orders must also be itemized.

4.14.5 Contractor Payment Procedures

All payments to contractors will be based on work completed at the time of the payment request. With all payment requests received, the subrecipient will make an inspection to verify that work (work for which payment is sought) has been completed. No payment requests will be honored prior to conducting an inspection.

All materials, supplies, and equipment purchased by the contractor(s) (including subcontractors) for a particular rehabilitation project will be satisfactorily installed prior to making payment for those items on that project. Payment requests for materials, supplies, and equipment stockpiled on a job site and not yet installed will not be honored until the contractor (or subcontractor) has satisfactorily installed them.

Contractors may be paid a lump sum at the completion of projects or may seek partial payments throughout construction with a final payment request at the completion of the project. A minimum of ten percent (10%) will be withheld from all partial payment requests received from contractors. All construction contingency funds withheld from partial payment requests will be paid to the contractor with the final payment request.

Prior to making payment to contractors, fully executed lien waivers must be received from contractors for all materials and supplies, equipment, and labor costs for which payment is being sought. When partial payment requests are made, fully executed partial lien waivers are also necessary prior to honoring the contractor's partial payment request.

All lien waivers received from contractors (partial and final lien waivers) will be reviewed and checked against the “Project Subcontractors / Suppliers” list submitted by the contractor prior to the start of construction.

Any target housing assisted with program rehabilitation funds will require thorough, specialized cleaning and clearance testing and final visual assessment following the completion of such work. Final payment(s) to the contractor(s) will not occur prior to successful clearance testing and final visual risk assessment results meeting IDPH standards.

The property owner’s concurrence and acceptance of all work for which payment is being sought must be obtained prior to making any partial or final payments to contractors.

4.15 Target Housing – Lead Hazard Reduction

All target housing properties assisted with HOME must comply with HUD’s Lead Safe Housing Regulations. All lead-based paint hazards must be identified and subsequently addressed (reduced) in target housing assisted with HOME. Lead hazard reduction activity will be conducted in conjunction with the rehabilitation work determined from the initial inspection and included in a final, revised work write-up prior to the procurement of a contractor(s). All assisted target housing (i.e., the entire dwelling and the property as a whole) with a HOME investment greater than \$5,000 must be made at least temporarily “lead safe” at the conclusion of clearance testing and final visual assessment.

The subrecipient must retain all original work write-ups and cost estimates and include them in the respective project files. Individual project cost estimates of the rehabilitation work items specified in the original work write-ups are the basis for determining what needs to be accomplished from a lead hazard reduction standpoint for each project.

The determination of lead-based paint hazards, regardless of the estimated cost of rehabilitation, can only be accomplished by certain Iowa-certified lead professionals. Paint testing and risk assessments can only be accomplished by lead professionals certified in Iowa as Lead Inspectors/Risk Assessors or Elevated Blood Lead (EBL) Inspectors/Risk Assessors. The determination of presuming that lead-based paint is present in target housing may be made by lead professionals certified in Iowa as Sampling Technicians or Lead Inspectors Risk Assessors or Elevated Blood Lead (EBL) Inspectors/Risk Assessors. The required clearance testing and final visual assessment that follows completion of projects where lead hazard reduction activity occurred (regardless of the estimated cost of rehabilitation) may be conducted by any of the certified lead professionals referenced above. The subrecipient will employ all necessary Iowa-certified lead professionals.

4.15.1 Notification Requirements

There are notification requirements associated with the identification of lead-based paint hazards in target housing assisted with HOME (and/or other HUD funds).

Where the subrecipient conducts paint testing and risk assessments to determine the lead hazard reduction need, the subrecipient must convey to the assisted property owner the “Notification of Lead-

Based Paint Inspection and Risk Assessment” form. This notification must be conveyed to the assisted property owner no later than 15 days after the testing results have been received by the subrecipient (if applicable) and the evaluation (risk assessment) has been completed. A Lead-Based Paint and Risk Assessment report must be prepared in accordance with the requirements found in the IDPH’s 641-Chapter 70 IAC.

Where the subrecipient presumes that lead-based paint and/or lead-based paint hazards exist in assisted target housing, the subrecipient must convey to the assisted property owner the “Notification That Lead-Based Paint or Lead-Based Paint Hazards are Presumed to be Present” form. This notification must be conveyed to the assisted property owner no later than fifteen days after the presumption determination was made. A Visual Risk Assessment report must be prepared in accordance with the requirements found in the IDPH’s 641-Chapter 70 IAC.

Any rehabilitation work that disturbs painted surfaces (i.e., paint that is known or presumed to be lead-based paint) and any other lead hazard reduction activity not accomplished with the rehabilitation work items (excluding the allowable de minimis areas), can only be accomplished by contractors who have been trained in safe work practices.

Chapter 5 HOME Financing Approval

5.1 Types of Buyer Assistance Available

The type(s) of buyer purchase assistance the program will provide are:

- Rehabilitation with downpayment and/or closing cost assistance;

5.2 Rehabilitation Assistance

HOME assistance for single-family housing activities involving rehabilitation is capped at \$37,500. The \$37,500 per-unit limit includes all applicable costs including but not limited to:

- hard costs of rehabilitation;
- down-payment and closing cost assistance;
- technical services costs, including lead hazard reduction carrying costs;
- lead hazard reduction costs;
- temporary relocation.

All rehabilitation hard costs funded with HOME funds are limited to \$24,999. All applicable technical services costs, including any lead hazard reduction carrying costs, are limited to \$4,500 per unit.

Project hard costs in excess of the maximum amount of program assistance available must come from sources other than the HOME funding.

Utilizing the Homebuyer Assistance Underwriting Form, the homebuyer will be notified of the maximum amount of HOME downpayment/closing cost assistance to assist with their housing search. Prior to closing, the Homebuyer Assistance Underwriting form must be updated with the final underwriting terms and the final purchase price, closing costs, and downpayment assistance section at the bottom of the form must be completed and certified by the homebuyer.

5.3 Underwriting HOME Assistance

5.3.1 Review of Cost Reasonableness

Every home purchase assisted with HOME must have an eligible buyer and property, but the “due diligence” does not end with eligibility. HOME assistance also needs to be “underwritten” to ensure that the assistance is “reasonable and necessary”, and that it is appropriate to achieve and sustain the affordability for the “longest feasible term.” This requires evaluation of all costs and the assistance amount for reasonableness and the sustainability of homeownership.

The following underwriting checklist will be used for review of each loan before final approval.

The purchase price is reasonable:

- The purchase price must be supported by HOME-required appraisal

Rehab or repair costs (if applicable) are reasonable:

- The costs have been reviewed and independently estimated; or
- The work has been competitively procured

Other purchase costs have been reviewed and determined reasonable, including:

- Lender fees and closing costs.

5.3.2 Amount of HOME Assistance

The homebuyer is required to contribute a minimum of \$500 for the first mortgage underwriting. The amount of HOME assistance that will be offered to each eligible household will be based on the following criteria:

- A variable amount of down-payment and/or closing cost assistance based on the gap between the affordable first mortgage determined in the homebuyer assistance underwriting form and the purchase price, and
- Rehabilitation assistance based on qualified and approved work write-up capped at \$37,500.

The administrator must review the amount of assistance to determine if it is reasonable, using the following checklist:

Affordability – The household will be able to afford ownership:

- The first mortgage amount is reasonable under current lending standards (i.e., the effective front end ratio is not too low or too high);
- The HOME assistance amount is adequate to make homeownership affordable but is not an excessive subsidy; and
- The buyer down-payment and buyer-paid closing costs are reasonable in relation to buyer funds.

Sustainability – The household will be able to maintain homeownership over the HOME affordability period, including:

- The mortgage is fixed rate and long term;

- Projected taxes and insurance are reasonable;
- Projected utilities costs are reasonable; and
- The property contains no physical conditions that can be expected to cause unusual maintenance expenses in the next five years.

5.3.3 Terms of HOME Assistance

Based on the local program design, the following terms apply to the HOME assistance:

Interest rate:

- The loan rate is 0%
- The term equal to the period of affordability

Subordinate position:

- May be subordinated to mortgages that meet the terms in Section 6.2.

Repayment terms:

- Deferred, due on sale, forgivable on a pre-determined schedule
- Full amount due on non-compliance with the residency requirement. Should the homeowner not continue to occupy the home as their primary residence, all HOME investment in the property (including technical services costs) will be immediately repaid by the subrecipient to IFA.

5.4 Affordability Requirements

5.4.1 Affordability Period

HUD requires HOME funding to be expended on activities where continued affordability is ensured. The “affordability period” is the period of time that the unit is required to remain in owner-occupancy by eligible buyers. The affordability period is based on the amount of HOME direct subsidy that was provided to the Buyer as determined on the Homebuyer Direct Subsidy Calculation worksheet.

Duration of the Affordability Period for Homebuyer Projects:

HOME Direct Subsidy Assistance to the Buyer (recapture)	Minimum Affordability Period
Under \$15,000	5 years
\$15,000-\$40,000	10 years

The total amount of HOME assistance that enabled the buyer to purchase the unit includes:

- Any HOME down payment ;
- Any HOME closing cost assistance;
- The difference between the as-completed fair market value of the property and the sales price.

During this period, buyers are required to remain in occupancy. If the buyer sells during this period or fails to comply with the occupancy requirement, the buyer will need to follow the steps described below.

5.4.2 Recapture

The recapture requirements of HOME Final Rule 92.254 will be enforced. A mortgage and restrictive covenants will be recorded at the time of purchase reflecting the amount of direct HOME assistance provided to help purchase and/or improve the property. If the assisted property is sold or otherwise transferred at any time during the affordability period, repayment of the principal amount, based on the above affordability period schedule, is immediately repayable to IFA. Prior to the closing on the resale of the property, the Subrecipient must notify IFA of the homebuyer's intent to sell the property and reach an agreement with IFA on the amount to be recaptured. Should there be a failure to notify IFA prior to closing, the Subrecipient is responsible for repayment of the required recapture amount determined by IFA regardless of the amount collected at closing.

The amount required to repay will be:

A declining balance based upon the proportion of years of the affordability period completed. The term of the promissory note and mortgage lien is for the length of the affordability period, remaining at one-hundred percent of the loan amount for the first full year and decreasing each year thereafter. The anniversary date of the promissory note and mortgage lien is the date of project completion and final acceptance.

The buyer will have to repay an amount out of the net proceeds from the sale. Net proceeds are the funds remaining from the sale of the property by the original homebuyer less the repayment of the outstanding balance on any superior mortgage and typical seller closing costs. To the extent that net proceeds are available at closing, all or a portion of the HOME funds are due and payable.

- If there are not enough net proceeds upon resale to repay the entire amount of the HOME subsidy that is subject to recapture, the homebuyer is not required to pay any such amount not available from the sale.
- This does not limit the buyer's ability to sell the home. The buyer may sell the HOME-assisted property at any time to any other buyer, at any price the market will bear. It only requires that the buyer repay some or all of the HOME assistance, depending on the net proceeds of the sale.

- The failure to comply with occupancy requirement or other program requirements will require the subrecipient to repay the full amount of HOME assistance provided for the activity, regardless of the limitations noted above.
- In the event of foreclosure, HOME funds will be recaptured subject to forgiveness and remaining net proceeds.

Once the sale has occurred, and any HOME funds have been recaptured, the long-term affordability period terminates and the HOME requirements no longer apply to the property.

Chapter 6 Final Approval & Closing

6.1 Legal Documents

The recapture provision is enforced through execution of a mortgage recorded at closing, the covenants identify the period of affordability, primary residency requirement, and term and conditions required when using the recapture provision.

A mortgage secured through a receding forgivable loan will be recorded at the time of closing for the amount of direct subsidy determined on the Preliminary HOME Mortgage Worksheet that enabled the homebuyer to purchase the property. The receding forgivable loan is technically a conditional grant, whereby; the full amount of the receding forgivable loan is completely waived (or released) over time. The conditional part of this form of assistance is that the property assisted with program funds must remain the assisted property owner's principal place of residence for the affordability period following the completion and acceptance date of the acquisition with rehabilitation project in order to be fully forgiven.

Applicants must be given the opportunity to rescind the assistance offered due to the fact that a lien, mortgage or other security interest will be filed against their property as a result of the assistance.

6.1.1 Mortgage & Covenants

As the closing approaches, the legal documents to secure the HOME investment and record the legal obligations of the buyer, including the recapture obligations, must be prepared and transmitted to the IFA project manager, closing attorney, and escrow agent or other persons in charge of the closing. The amount of the mortgage attributable to HOME investment will be calculated on the Preliminary HOME Mortgage Worksheet.

6.2 First Mortgage Qualification

HOME funds are intended to fund a portion of the home purchase, in most cases the difference between the price of the property and what the buyer can afford (as determined by the homebuyer assistance underwriting form and approved by the HOME administrator as described in Section 5.3). The terms of the first mortgage, therefore, are critical to determining the amount of assistance.

The following requirements apply to the first mortgage:

- Fixed Rate
- Points and origination fees cannot exceed 1.5%
- Interest rate APR cannot exceed the Fannie Mae 90-day yield + 0.75% on the 30-year rate

- 25 - 33 year amortization period; no balloons
- No interest only, negative amortizing or option payment loans
- No stated income, no doc or low doc loans
- Closing costs cannot exceed 2% (excluding pre-pays and interest points)
- No yield spread premiums, or broker/origination fees in excess of \$800
- No prepayment penalties
- Mortgage insurance – if required by the lender
- Front end ratio (% of income for housing cost – PITI) not exceeding 35%
- Back end ratio (% of income for housing cost plus other installment debt) not exceeding 50%
- LTV cannot exceed 98%

6.3 Down-payment and Buyer Cash

HOME rules do not require a buyer down-payment, but they do limit HOME buyer downpayment assistance to the underwritten amount. Down-payments are important in reducing the amount of debt on the property and for ensuring the buyer has something at risk in the transaction. For these reasons, a buyer down-payment is an IFA program requirement. Buyer funds for down payment shall be no less than \$500.00. IFA has not imposed additional buyer downpayment requirements based on available assets.

6.4 Other Buyer Requirements

In addition to income eligibility, buyers assisted with HOME must meet the following criteria:

- The applicant must maintain the property as their principal place of residence throughout the period of affordability. Subsequent sale of the property during the affordability period will be subject to recapture provisions.
- Ownership must be held in fee simple title to the property

- Applicant must be a first-time homebuyer as defined by HUD or a veteran as defined under the Iowa Administrative Code.
- The home to be purchased and or rehabilitated must be located in the SIMPCO and Western Iowa Community Improvement Regional Housing Trust Fund housing service area: Cherokee, Ida, Monona, Plymouth, or Woodbury (excluding the City of Sioux City) Counties.

6.5 Closing

The following procedures will be followed for closings on properties acquired under this program:

- Obtain a title policy binder or clear title opinion for the property. The preliminary title opinion must be provided to and reviewed by the IFA project manager.
- Prepare the legal documents for the closing (e.g., note and mortgage). Complete legal review and approval of the closing documents.

When the closing is completed, assure that documents are recorded and placed in the homebuyer file.

Chapter 7 Project Closeout

7.1 Request for Reimbursement

Following closing and rehabilitation, a first and final draw request will be provided to the IFA project manager for reimbursement of all HOME assistance provided. The final draw request form must be accompanied with the Homebuyer Completion Form and required attachments on the last page of the form.

7.2 Homebuyer File

All documents associated with the homebuyer qualification and assistance will be retained in the homebuyer file. A completed copy of the Homebuyer File Checklist will be placed in the project file for review by the IFA project manager to assist with monitoring efforts.

Chapter 8 Recordkeeping & Post Purchase Monitoring

8.1 Recordkeeping

All documents pertaining to the buyer shall be retained in the file to document compliance with all requirements. These files are required to be available for HUD inspection.

Buyer files will be maintained for a period of five years after closing, except that mortgages, covenants, written agreements and other legal documents enforcing the long-term provisions will be maintained for five years after the termination of the affordability period.

8.2 Post-Purchase Counseling

Post-purchase counseling and support to homebuyers is not a program requirement but is an important service that should be provided where possible.

8.3 Loan Monitoring and Enforcement

Annually, verification of continued occupancy will be documented by the following methods:

- Returned certification signed by the buyer along with a copy of the most recent utility bill demonstrating the NAME and ADDRESS of the buyer
- “Do Not Forward” letter sent to the owner
- Annual certificate of homeowner insurance

An annual report will be submitted to the IFA long-term compliance staff detailing the status of residence of all assisted homebuyers and will provide documentation evidencing continued primary residency in the home purchased.

In the event that an owner does not continue to occupy the unit as their principal residence, or is otherwise in non-compliance, the following procedures will apply:

- Notify IFA monitoring staff immediately upon discovery if the Subrecipient was unaware of the sale.
- A Notice of Noncompliance will be mailed by certified and/or return receipt by U.S. Post to last known address to inform the owner of the violation(s).
- Mailed notice will include a description of the violation and describe the necessary actions to return to compliance.

- Mailed notice will describe the next actions if the assisted owner remains in noncompliance after thirty (30) days from receipt of the letter up to and including calling the note or exercising repurchase rights.

The assisted property must be covered by property insurance (homeowner's hazard and liability insurance) throughout the term of affordability in an amount equal to, or greater than, the current assessed value of the property (land and buildings). In addition, SIMPCO will be named as a beneficiary on hazard insurance policies and will receive an annual certificate of insurance and be notified of modifications or cancellations of insurance coverage.

8.4 Recapture Procedures

Specific procedures for the handling of sales subject to recapture should be inserted here, including:

- Within seven (7) days of receipt of settlement request, the SIMPCO Housing Division shall review and respond to the request by telephone or in writing.
- The SIMPCO Housing Division shall input the anticipated closing date, original loan amount, and original loan amortization start date to determine the appropriate recapture amount.
- Upon receipt of the recapture amount, the SIMPCO Housing Division shall prepare the lien release and shall provide it to the requestor upon proof that the recapture payment has cleared the bank.
- The closed out project file shall include all closing documentation and shall be retained with the grant's active project files.