

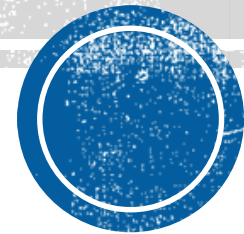
# Common HOME Monitoring Findings

**NCD A Fall Conference**

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**Amy Yuhasz, Adam Ploetz, HUD Region I CPD**



# Overview

- HOME is a difficult program to administer and the new Final Rule has increased its difficulty.
- Administrative/technical challenges associated with the program have manifested themselves in monitoring findings.
- We're going to look at findings that are persistently common when CPD monitors grantees' HOME programs.



# Agenda

- HOME PJ as asset manager
- Commitment requirements
- Cost allocation
- Environmental review
- Written agreements
- Utility allowances
- On-going inspections
- Income determinations



# HOME PJ as asset manager

## Homeownership resales

- Even a PJ using recapture now may have used resales in its past. Be Prepared!
- Using resale to preserve affordability was popular until PJ's recognized challenges.
- Including having to repay HUD if a foreclosure.
- Old resale covenants poorly constructed.



# HOME PJ as asset manager cont.

## Resale challenges

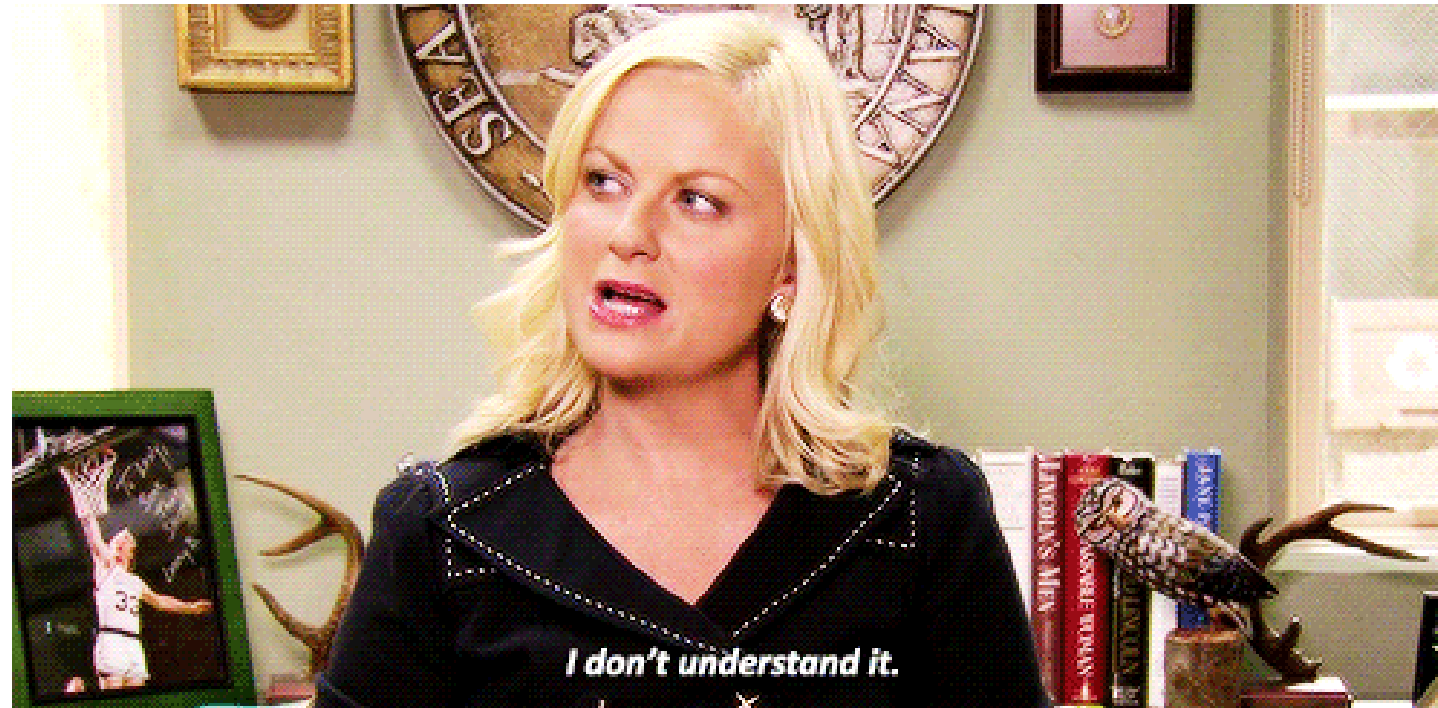
- Unhappy owners have forgotten what they signed.
- PJ must calculate resale price, educate seller, monitor marketing process – lots of work.
- PJ must certify buyer income – more work.
- Beware old covenants.
- Policies and Procedures must cover capital improvements & how to make unit affordable.



# Home PJ as an asset manager cont.

## Rental monitoring requirements

What? I have to monitor them?



# HOME PJ as asset manager cont.

## Rental monitoring requirements

- A system for monitoring [92.504(a)]
- On-site inspections [92.504(d)(1)]
- Tenant income and rents [92.252(f)(2)]
- Filling vacancies and maintaining unit mix – High and Low Home Rents [92.252(i) and (j)]
- New rent approvals [92.252(f)(2)]
- Owner certification building condition [92.504(d)(1)]
- Financial condition, 10 or more [92.504(d)(2)]



# HOME PJ as asset manager cont.

## Rental monitoring common problems

- Owner has been raising rents without asking.
- Unit mix, Low HOME and High HOME units out of whack.
- Owner does not understand what to do with over income tenant.
- Owner confuses floating vs fixed unit adjustments.
- State and HUD undertake their own oversight. Owners confused and frustrated. Opportunities for coordination?





# Commitment Requirements

## Cause

- ER not complete and the written agreement does not include “conditional commitment language.
- All necessary financing has not been secured.

## Correction

- Commitment Checklist for “Specific Local Projects” - <https://www.hudexchange.info/resource/4838/notice-cpd-15-09-requirements-for-committing-home-funds/>
- Safe harbors.



# Cost Allocation

## Cause

- Proration used when units are not comparable.
- Mixed-use.

## Correction

- HOME Cost Allocation Tool - <https://www.hudexchange.info/resource/5190/home-cost-allocation-tool/>
- Notice CPD 16-15: Allocating Eligible Costs and Identifying HOME-Assisted Units in Multi-Unit HOME Rental and Homeownership Development Projects



# Written Agreements

## Cause

- Required provisions are not included in agreements – see 24 CFR 92.504.
- Old OMB Circular references have not been replaced with 2 CFR 200 citations.

## Correction

- <https://www.hudexchange.info/resource/2960/home-written-agreement-checklists/>



# Utility Allowances

## Cause

- Tenants are responsible for paying utilities but are not provided a utility allowance.
- PJs are using Housing Authority utility allowances – no longer allowed per the 2013 HOME Final Rule.
- Other HUD utility allowance rules.

## Correction

- HUD Utility Schedule Model - <https://www.hudexchange.info/news/hud-utility-schedule-model-calculating-utility-allowances-for-home-webcast/>
- <https://www.hudexchange.info/resources/documents/HOMEfires-Vol13-No2-Guidance-on-How-to-Establish-Utility-Allowances-for-HOME-Assisted-Rental-Units.pdf>



# On-Going Inspections

## Cause

- PJs are using HQS to conduct property inspections and have not established property standards in accordance with 24 CFR 92.251.
- Guidance...will it ever materialize?

## Correction

- [https://www.hudexchange.info/on\\_ecpd/assets/File/HOME-FAQs-Program-Requirements.pdf](https://www.hudexchange.info/on_ecpd/assets/File/HOME-FAQs-Program-Requirements.pdf)



# Income Determinations

## Cause

- Math errors are made in calculations.
- Income source documentation is incomplete.
- Assets.

## Correction

- <https://www.hudexchange.info/incomecalculator/>
- <https://www.hudexchange.info/resource/786/technical-guide-for-determining-income-and-allowances-for-the-home-program/>



# Resources

- HOME Agreement, Affordable Housing Restriction (AHR), and IDIS
- HUD Exchange
- Webinars
- HUD Rep



# Fin.

- Q&A

