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## HOMEBUYER ACTIVITIES

### Applicability

HOME & NSP Programs

### Revised- Eligible Activities

- Homebuyer Activities Owner-developer must be a qualified non-profit or unit of local government
  - [Homebuyer Properties Activity](#)
  - [New! Homebuyer Activity- Community Land Trust](#)

### Suspended Activity

- Downpayment-Closing Cost Assistance

## DEFINITIONS & GENERAL REQUIREMENTS

### Assets and Calculating Income

Income generated from an asset is recognized as a component of HUD's Annual Gross Income calculation for HOME/NSP program eligibility purposes.

- To comply with 24 CFR 5.609, IHFA first determines the assets, then compute the market and/or cash value of each asset, then determines the income from the asset which is included in the annual income calculation [Technical Guide for Determining Income and Allowances for the HOME Program-3<sup>rd</sup> Addition; January 2005: Pg. 13]

### Revised- Asset Limitation

#### **Under Age 62 (all household members)**

- Household liquid assets at the time of application may not exceed \$30,000.00, excluding retirement accounts, **except when the overage is based solely on the recent sale of the homebuyer's principle residence.**
- Household liquid assets at closing may not exceed \$15,000.00 (excluding retirement accounts);
- Liquid assets greater than \$15,000.00 can be used to pay down existing debt or invested into the property prior to loan closing. Other uses must be approved by IHFA or will be counted. Receipts from asset expenditure and new bank statement showing a new balances at or below \$15,000.00 is required prior to loan closing;
- Income from assets over \$5,000.00 (interest, dividends, etc.) is required to be included in the income calculation.

#### **Age 62+ (at least one household member)**

- Household liquid assets at the time of application cannot exceed \$100,000.00, excluding retirement accounts, except when the overage is based solely on the recent sale of the homebuyer's principle residence.
- Borrower must qualify for and accept a 1st mortgage
- The household must be able to document need for the assistance

### Buy-Back Liability for Lender/Broker

Required when 1<sup>st</sup> mortgage is not purchased by IHFA or USDA-RD

**Cash Back at Closing**

Any projected or proposed refund of eligible closing costs paid by the Borrower prior to closing must be fully documented and approved by IHFA-HOME Programs Department prior to loan closing.

**Credit Requirements (Homebuyer)**

- Credit Score consistent with the 1st lien guidelines
- Borrower(s) must receive First Mortgage approval by IHFA, IHFA-approved Lender/ Broker or USDA-RD.
- Current Tri-merge credit report
- Pay-off collections, judgments, liens per Automated Underwriting findings within the past 12 months are subject to HOME Program's Department review and approval
- Automated or manual underwriting approval by the primary lender **does not guarantee qualification or approval by the HOME Programs Department.**

**Deed of Trust & Note**

Will subordinate to approved first lien as evidenced by a recorded Deed of Trust

**Default Events - Defined**

An event that requires the homebuyer to repay the loan.

- During the period of affordability, the homebuyer rents or no otherwise longer occupies the assisted unit as a principle residence (without HOME Program's Department approval See **Revised Principal Residency** Exemptions)
- Provides materially false or inaccurate information or statement in connection with the loan, including, representation of borrower's household income
- Gives materially false or inaccurate information or statements regarding the occupancy of the assisted unit

**Combined Loan to Value (CLTV)**

Follows LTV / CLTV of the 1<sup>st</sup> lien

**Eligible Homebuyer Activities**

- (Currently Suspended) Down-payment/Closing Cost Assistance (DP/CC)
- Homebuyer Properties Activity-Owned and developed by IHFA-approved and qualified non-profit developers or unit of local government. Owner-Developer acquires the land then constructs or rehabilitates single-family unit (s), then sold to HOME/NSP qualified homebuyers within 9 months of completion of development activity.

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

The appropriate level of Environmental Review and Clearance must be completed by IHFA prior to a commitment of federal funds to any activity.

**Fair Market Value**

The negotiated final sales price as agreed to by a willing seller and a willing buyer. There are two methods to establish Estimated Fair Market Value for homebuyer activities. See [Fair Market Value](#) under Definitions Section of this Chapter.

**Revised Financial Accountability Standards**

CPA-Reviewed Financial Statement submitted with each proposal (RFP) or application (NOFA). IHFA will determine if the owner, developer has adequate financial management systems and practices in place as well as sufficient financial resources to carry out the project to completion.

**Homebuyer Minimum Investment**

- \$500
- Can be a gift with proper documentation

**Homebuyer Eligibility and Approval**

Determination made after all homebuyer information received and prior to entering into a written agreement with the homebuyer for HOME-assistance.

**Revised Homebuyer Education**

Prior to loan closing, all persons who will be on the title must:

- Complete an IHFA-approved Homebuyer Education course, i.e. *Finally Home!*®
- Complete one individual (one-on-one) homebuyer counseling session:
  - HOME Program- No minimum number of hours for one-on-one counseling, however each homebuyer-household must complete a 'recurring' monthly expenses budget, which is submitted to HOME program staff as part of the homebuyer application.
  - NSP Program- Minimum 2 hours of one-on-one counseling that includes the completion of a 'recurring monthly expenses' budget to be submitted to HOME program staff as part of their application evaluation process.

**Homebuyer Minimum Investment**

- \$500 Contribution must be verifiable.
- Cash gift(s) allowed if fully documented and verifiable
- If "sweat equity" is  $\geq$  \$500, than no additional cash is required

**Impounds**

As required by primary mortgage guidelines

**Income Targeting**

As defined in 24 CFR 5.609, Idaho Housing and Finance Association follows Part 5 known as Section 8 definition of annual (gross) income when determining household income.

- HOME- Homebuyer household must be at or below 80% of the Area Median Income (AMI).
- NSP- Homebuyer household must be at 120% AMI or 50% AMI, as determined by IHFA

**Income Calculator**

Lending partners and owner-developers are strongly urged to use the HUD-CPD Income Calculator when income qualifying homebuyers and tenants. To create a secure account, go to [Search - HUD Exchange](#)

**Ineligible Loans & Programs**

- Interest-Only
- Hybrid
- Combo
- Variable Interest Rate
- Private land sales contracts
- Adjustable rate mortgages (ARM)
- Prepayment penalties

**Loan terms**

- Zero Percent (0%) interest
- Due-on-sale, default or non-compliance with conditions identified in the Note

**Maximum PITI**

The HOME and NSP programs provide assistance to help acquire **affordable** housing. Affordable is defined as no more than 30% of a household's annual gross income spent on principal, interest, property taxes, and insurance (PITI). In most cases, assistance is denied if the homebuyer's PITI is greater than 30% of a household's annual gross income. On a case-by-case basis, an exception may be made if the homebuyer has a good credit history and minimal other debt.

Owner-developer may request a waiver (of a requirement) as identified in the plan if the waiver would be beneficial to the overall project, including the homebuyer. A waiver request should be submitted in writing to HOME Programs Department. Program regulatory requirements cannot be waived.

**Maximum Sales Price Limits**

Established and updated on an annual basis by HUD-CPD, maximum sales price limits are based the median sales price of homes in the area over a certain period. See [HOME Homeownership Value Limits - HUD Exchange](#)

(NSP)-The property must be sold to a NSP-eligible homebuyer at a price that is the lesser of the estimated fair market value or the total cost to acquire and develop the unit. This sales price cap helps ensure the price the homebuyer pays for an abandoned (vacant and substandard condition based on local property standards) or foreclosed unit after rehabilitation/ redevelopment is affordable and reasonable given the investment in the unit.

- **NSP Program prohibits IHFA and the owner-developer from making profit on the sale of the property.**

If a property is assisted with both HOME and NSP funds than the sales price (to low-income homebuyer) cannot exceed the HOME Maximum Sales Price Limit or the total cost to acquire and develop the unit whichever is less

**New! Methods Used to Recapture HOME and NSP Funding****1. Recapture Option**

HOME/NSP= Under the Recapture Option, the homebuyer can sell their assisted unit at any time to any willing buyer for whatever the market will bear, with no restrictions.

When title to the unit is transferred, IHFA will attempt to recapture the full amount of the homebuyer subsidy (loan) as available from the net proceeds of the sale as defined under at §92.254 (a)(ii)(A).

IHFA will also attempt to recapture the total amount of HOME subsidy provided to the homebuyer if the homebuyer fails to comply with the program's primary residency requirements during the period of affordability. These requirements and conditions are described in the homebuyer's Deed of Trust Note.

When the period of affordability expires, the homebuyer is no longer required to comply with the primary residency requirements; however, the loan remains in place as 0% interest, due on sale.

**2. Resale Option (HOME Only)**

Used only when a nonprofit entity develops a homebuyer unit on land that will remain under the ownership of the non-profit for at least 99 years. Under the IHFA's Resale Option, the land trust will repay the development subsidy only if the unit is rented to a non-household tenant without an IHFA-approved exception, or a low-income homebuyer no longer owns the unit, or the land on which the unit sits is no longer held in trust, or the title to the land under the unit is transferred.

Through the land-lease with the homebuyer and the Deed of Trust and MORC with IHFA, the land trust is required to use "first right of refusal" and other resale restrictions in order to keep the unit affordable in perpetuity. See [Homebuyer Properties Activities](#) for additional information on this activity.

**Minimum Eligibility Requirements**

- (HOME) Total household income cannot exceed 80% of the Area Median Income (AMI)
- (NSP) Total household income cannot exceed 120% or 50% AMI depending on activity and IHFA's approval
- Borrower(s) must be eighteen (18) years or older
- Can demonstrate need for assistance

**NSP Only-The 25% Program Rule**

25% of NSP funds must target households with an annual gross income  $\leq$  50% AMI

**Net Proceeds of Sale**

Defined as the sales price minus the repayment amount of all superior loan(s) and homeowner's closing costs at the time of the sale [§92.254(a)(5)(ii)(A)(1)]

1. IHFA will attempt to recapture the entire amount of the homebuyer assistance whenever the unit is sold. However, IHFA is limited to only the amount available from the Net Proceeds of the sale.
2. Any excess Net Proceeds, defined as the amount remaining after IHFA has recaptured the HOME/NSP homebuyer assistance, belongs to the homebuyer.

**Occupancy Monitoring**

IHFA will conduct annual verification the homebuyer or homebuyer's household continues to occupy the assisted property as a principle residence. Verification will continue during the affordability period. See Deed of Trust Note.

Principle residency temporary exemptions- click here [Principal Residence Requirement Hardship Exemption](#)

**New! Origination Fees/Charges**

Limited to 0.5% -1.0% of the loan amount

**Passbook Saving Rate- Liquid Assets**

Passbook Savings Rate is used to calculate household income from liquid assets over \$5000. HUD periodically updates the passbook rate. Current rate is available on the IHFA website at <https://www.idahohousing.com/federal-programs/home-program>

**Primary Mortgage**

A homebuyer must have a primary mortgage offer from an IHFA participating lender or mortgage broker prior to the application for funds. Standard Lending Program (FHA, VA, CONVENTIONAL, USDA-RD)

<https://www.idahohousing.com/homebuyers/find-a-lender-broker>

- Fixed rate
- Non sub-prime
- Buy-back liability if the mortgage is not purchased by IHFA or USDA-RD

**Property Standards**

At the time of occupancy (defined as loan closing), the unit must meet State and local codes, local property standards, ordinances, and zoning, state or local disaster mitigation requirements and Section 8 Housing Quality Standards (HQS)<sup>1</sup>

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<sup>1</sup> HUD-CPD adopted the Uniform Physical Condition Standards as the HOME program's property standards for all homebuyer activities in the 2013 Revised HOME Rule. However, as of this date, HUD Office of Affordable Housing Programs has not implemented the standard. Until implemented by HUD, HQS remain in effect as HOME's default property/housing quality standard if no local standard exists.



**Properties- Eligible**

- Single-family structure
- 2-4 unit structure
- Condominium
- Manufactured Home<sup>1</sup>

**Properties- Ineligible**

- Rental
- Investment Properties
- Second Homes

**Period of Affordability (POA)**

All Homebuyer Activities	
Assistance to Homebuyer	Period of Affordability
Less than < \$15,000	5 years & 3 months (63 months total)
\$15,000-\$40,000	10 years & 3 months (123 Months total)
Greater than >\$40,000	15 years & 3 months (183 months) total)

Defined as the period of time a homebuyer is expected to reside in the assisted unit as their Principle Residence because they received the benefit of the program funds, either through direct or indirect assistance. During the POA, the unit cannot be rented or left vacant except as approved by the HOME Programs Department. There are two **Revised** **Principal Residency** Exemptions

The Principle Residence Requirement is in effect only during the POA. It is enforced through a deed restriction.

**Principle Residence Requirement**

Assisted homeowner or homeowner's household is required to reside in the property through the Period of Affordability (POA) as a principal residence.

**Revised Principal Residency Exemptions**

Granting a temporary exemption requires the submission of a written plan to the HOME Programs Department for approval. The plan must include a date of return to occupy the assisted unit as a primary residence, and independent documentation of the hardship (military transfer papers; full-time class schedule). Plan should include a request to rent the unit; lease term cannot be longer than 6 months. The exemption will be rescinded if the homeowner's military status or student status changes.

**1. Service Member**

Homeowner or Spouse- With prior approval from the HOME Program's Department, the principal residency requirement can be temporarily suspended if a homeowner or homeowner's spouse is active duty military and is deployed or transferred out of the area with plans to return to the assisted unit within 30 days of the end of active duty or deployment. With the HOME Program Department's prior approval, the unit can be rented. However, the term of the lease should be no more than 6 months.

**2. Full-time Post-Secondary Education**

Homeowner or Spouse- The principal residency requirement can be temporarily suspended if the homeowner or spouse is **enrolled full-time** (≥12 credit hours) in a post-secondary education institution that is **located more than 50**

<sup>1</sup> Idaho law allows manufactured home park community residents to purchase an ownership share of the real property to accumulate necessary equity for the acquisition from the current owner.



highway miles from assisted unit, and there's an approved the plan in place that includes a date to return to the assisted unit no more than 15 days after the end of academic year, or the status is no longer full-time. This exception request must be resubmitted to the HOME Programs Department each academic year (see 1-3 above for additional requirements).

With the HOME Program Department's approval, the unit can be rented while the homeowner is temporarily absent. However, the term of the lease can be no more than 6 months.

### **Recapture Option**

As defined at §92.254.5(ii), the Borrower(s) may sell the property at any time to any willing buyer for whatever the market will bear, without any limitations. When the Property is sold, the Borrower(s) is required to repay no more than the amount of the HOME/NSP 2nd Lien as available from the Net Proceeds of the sale. See Net Proceeds of the Sale.

### **(New!) Resale Option**

See [New! Homebuyer Activity- Community Land Trust](#)

### **Reservation of HOME Funds**

Copy of the 1<sup>st</sup> lien lock-in obtained through [www.Idahohousing.com](http://www.Idahohousing.com)

### **Refinancing, Home Equity Loans, Subordination**

Note: If a Borrower with a HOME/NSP loan is planning to refinance the first lien, the HOME Programs Department must be contacted **prior** to loan approval. **Home equity line-of-credit, debt consolidation, or cash-in-hand not allowed.** Home equity loans or cash-out refinancing of the primary mortgage is allowed under certain circumstances with prior approval by IHFA's HOME Programs Department:

- Lower interest rate or payment
- Remove PMI
- Medical hardship and/or death of homebuyer/immediate family member
- Emergency home repairs for assisted unit
- Capital improvements for assisted unit

Documentation is required to substantiate all claims and disbursements. Disbursement(s) must be paid directly to a third party through a Title Company. Borrower allowed a (one) single disbursement. Must use an IHFA-approved lender and loan product.

### **Seller Contribution/Financing**

Seller-financed down payment products cannot be combined in a purchase transaction with DP/CC. If any create a lien, see Primary Mortgage Amounts and Combined Loan to Value (CLTV).

### **Senior Lien Approval**

HOME/NSP will accept the senior lien approval process when completed through [www.idahohousing.com](http://www.idahohousing.com) or USDA-RD when homebuyer's PITI is ≤ 30% annual gross income

### **Uniform Relocation and Voluntary Sales Disclosure (VSD)**

#### **Required Documentation**

- Seller and buyer prior to or at the time the purchase offer is made must sign VSD & URA Form. There are no exceptions to this requirement.
- Voluntary Sale Disclosure - Voluntary Acquisition Informational Notice as required by 24 CFR 92.355 and 49 CFR 24.101(b)(2)(i) Completion of the Voluntary Sale/Environmental Review/Uniform Relocation Assistance Disclosure forms. See [Admin Plan Exh O](#)

## Homebuyer Properties Activity

### Activity Description

Qualified non-profit development organizations and qualified units of local government serve as owner-developers under this activity. Eligible activities are acquisition and/or new construction, acquisition and/or rehabilitation of single-family housing units to be sold to income eligible, IHFA qualified households. Each assisted unit must be sold (defined as under contract) within 9 months of the Completion Date of the construction or rehabilitation work.

HOME/NSP funds are awarded to qualified non-profit owner-developers in the form of a loan (see Homebuyer Properties Maximum Subsidy Tables for activity type Click here: <https://www.idahohousing.com/federal-programs/home-program/>)

Homebuyer must qualify for and accept the maximum amount of a first (1<sup>st</sup>) lien mortgage financing available *before* IHFA determines the amount of HOME/NSP funds to the Homebuyer (see [maximum allowable subsidy to homebuyer](#))

### Developer Fee

Up to 15% of total development costs, based on the following factors:

- Total development cost (includes eligible and ineligible costs)
- Size of the development (ex. single unit vs 4 units )
- Type of development i.e. acquisition and/or rehabilitation or new construction
- Characteristics of the development, i.e. location, serving a priority housing population and/or rural community

### Lead-Based Paint Requirements

- Owner-Developer/ Developer must be an EPA-Certified Renovation Firm.
- Funding proposal must include evidence the area in which the property is located has an adequate supply of EPA-Certified Risk Assessors/Renovation contractors and workers. This requirement will help ensure the project is completed within the specified timeframe and within the approved budget.
- The Federally funded hard rehabilitation costs minus any Lead-based Paint costs (i.e. Lead-based Paint Inspection, EPA- Certified Risk Assessment, Interim Control of lead hazards, and clearance testing) cannot exceed \$24,999 per unit.
- A project assisted with HOME, HTF, NSP funds must comply with rules and guidelines of the EPA Renovation, Repair and Paint Rule and HUD's Lead-Safe Housing Rule, as amended @ 24 CFR Part 35, subparts B-R.
- Additional LBP requirements under HUD's Lead Safe Housing Rule:  
[https://www.hud.gov/sites/documents/RRP\\_LSHR\\_GUIDANCE.PDF](https://www.hud.gov/sites/documents/RRP_LSHR_GUIDANCE.PDF)
- See New Exhibit K of this Administrative Plan for additional general information.

### Property Standards

At project completion, the unit must meet the following requirements:

- ***New Construction***
  - State of Idaho's current Residential Building Code for new construction
  - Local property/housing quality standards, codes, ordinances, zoning, as applicable
  - Where required, housing must be constructed to mitigate the impact of potential disasters such as earthquakes, hurricanes, flooding and wildfires, in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.
  - Section 504 as applicable to federally-assisted homeownership activities
  - Development should consider each request for a reasonable modification/accommodation. Owner-Developer will determine if the request is feasible based on written policy.

- Americans with Disabilities Act (ADA) as applicable to federally-assisted homeownership housing applicable to federally-assisted homeownership housing
- Uniform Federal Accessibility Standards (UFAS)- as applicable to federally-assisted homeownership housing
- ***Newly Constructed or Rehabilitated Housing***

Constructed or rehabilitated within 12 months of the date of the commitment of HOME funds, the property must meet the applicable local and/or state code for new construction, standards, and ordinances.

- ***Rehabilitation of Existing Housing***

Rehabilitation will follow IHFA Rehabilitation Standards as identified at Exhibit C of Annual Administrative Plan (See Admin Plan Exh.C1 or C2 depending on program funding source). Includes residential code requirements, property standards, ordinances, crosscutting regulations.

All major systems to have a remaining useful life for a minimum of 5 years or for such longer period specified by the participating jurisdiction, or the major systems must be rehabilitated or replaced as part of the rehabilitation work. Any identified deficiencies will require repair or replacement prior to the sale to the homebuyer.

IHFA will use the Home Inspection Report to identify the scope of work.

### **Project or Activity Completion Date**

- (NSP)- Defined as the date when all necessary development (construction or rehabilitation) work has been completed, the unit has received a final inspection as required by IHFA, all close-out documentation submitted to the satisfaction of IHFA.
- (HOME/HTF)- Defined as the date all necessary development (construction or rehabilitation) is complete, unit inspected, all close-out documentation submitted to the satisfaction of IHFA, and the project is closed out in IDIS (HUD's Integrated Disbursement and Information System).

### **Conversion of Homeownership Unit to a Rental Unit**

(HOME)24 CFR §92.254(a)(3) requires IHFA to convert any homebuyer housing unit to a permanent rental housing unit if the unit is not sold to an eligible homebuyer within nine (9) months of the (construction/rehabilitation)completion date (defined above)

If conversion is required, the rental unit must comply with all provisions of the HOME rental-housing program during the period of affordability [24 CFR 92.252].

### **New! Maximum Origination Charge**

**Lender is limited to a maximum 1.5% origination fee or charge on each lien**

### **Maximum Subsidy Limits**

Defined as the maximum amount of HOME or NSP funds that can be invested on a per-unit basis. These limits are determined by HUD-CPD on an annual basis, and based on Section 234-Condominium Housing basic mortgage limits for elevator-type projects. For additional information see [Under Resources see most current Per Unit Subsidy Limits](#)

### **Maximum Sales Price Limits to Low-Income Homebuyers**

- **HOME Program**

Section 215(b) of National Affordable Housing Act requires the purchase price of homeownership units not exceed 95% of the area median sales price, as determined by HUD-Community Planning and Development (CPD). Section 92.254(a)(2)(iii) of the Revised HOME Rule established new homeownership value limits for HOME-assisted units. These new value limits apply to homeownership housing at the time the HOME funds are committed (See Exhibit E of this Plan for most current homeownership value (purchase price) limits).

### ○ NSP Program

NSP-assisted property must be sold to an NSP-eligible homebuyer at a price that is the lesser of the appraised value or the total cost to acquire and develop the unit. The sales price limit helps ensure the price the homebuyer pays for an unit is affordable and reasonable given what was invested in the unit.

The NSP regulations prohibit IHFA and Owner from making a profit on the final sale of the property to a NSP-eligible homebuyer

### **(Revised) Maximum Subsidy Limits to Homebuyer**

Minimum Homebuyer Investment	Maximum Assistance to homebuyer
\$500	Up to 10% of sales price
\$1,000	Up to 15% of sales price
0.50% of sales price	Up to 20% of sales price

### **Eligible Owner Entities**

- IHFA Certified CHDOs
- Other qualified 501(c)(3) housing development organizations
- Qualified Local unit of government

### **(New) Homebuyer Activity- Community Land Trust**

As approved by HUD, IHFA follows the HOME program's *Resale Provisions* when a homeowner holds title to a HOME-assisted unit developed by a community land trust and situated on land owned by a community land trust.

The HOME program's primary residency requirements are enforced during the period of affordability through the land trust's covenants on the land, a ground lease with the homeowner, and IHFA's Memorandum of Restrictive Covenants and a Deed of Trust with the land trust. The period of affordability is based on the total amount of HOME funds expended on the activity, which includes rehabilitation/construction costs, developer fee, and IHFA's project costs. Period of affordability and the primary residency requirements do not exceed the HOME regulatory minimum.

Land trust will use a long-term ground lease of at least 99 years, restrictive covenants running with the land as well as deed restrictions enforce the HOME income limit, primary occupancy and sales price restrictions; and include the corrective actions the land trust will take if the homeowner violates the restrictions.

These legal instruments will include additional restrictions, including the land trust's use of a purchase option, right of first refusal, and other legal means to intervene and preserve the affordability of an assisted unit. Under this activity, the CLT can choose to provide a homebuyer preference to education, medical, fire fighters, law enforcement, or others deemed essential to the local community.

### **Requirements**

1. IHFA does not allow HOME funds to be used to purchase the land on which the unit(s) is/will be located.
2. CLT must hold title to the land prior to the commitment of funds to the activity.
3. No presumption of affordability as defined at 24 CFR 92.254(a)(5)(i)(B).

#### **During the period of affordability:**

- All homebuyer households must be  $\leq 80\%$  AMI at the time the purchase contract is signed;
- Sales price includes a price reduction equal to the HOME development subsidy and the estimated market value of the land;
- Homeowner/household must reside in the unit as a principle residence or have an IHFA-approved Principle Residency Temporary Exemption.

- CLT will submit an Income Verification and Certification to HOME Program's Department for each new homebuyer prior to final approval.
- The land trust will repay the HOME development subsidy if the unit is rented or leased, or otherwise vacated, by the homeowner who has not received an IHFA-approved Primary Residency Exemption (click [here](#) Primary Residency Requirement) and refuses to return to the unit and occupy it as a primary residence;
- Title to the unit transferred to a homebuyer who is not low-income ( $\leq 80\%$  AMI);
- Foreclosure, transfer in lieu of foreclosure, or assignment of an FHA insured mortgage to HUD

**After the period of affordability**

- CLT repays the development subsidy to IHFA only if the land on which the assisted unit is located is no longer owned by the CLT.

**Capital Improvements**

When calculating the homeowner's investment during the period of affordability, the following requirements and definitions apply:

- (a) As approved by the CLT, a major structural component or system that exceeds \$3000 in total cost.
  - i. Structural: An addition of a bedroom, bathroom, or additional square footage;
  - ii. System: New or replacement roof, shingles, HVAC, electrical, energy efficient windows, doors, and insulation, paving, roadway(s), fencing, irrigation system, gas lines, landscaping, and earthwork;

**Estimated Value of the Unit**

Equals the *Estimated Market Value of the Property* (determined by appraisal or broker's opinion) minus the Estimated Value of the Land and the HOME Development Subsidy.

**General Repairs, Updates, and Minor Improvements**

Normal repairs, updates and other minor improvements are not defined as a capital improvement for the purpose of calculating the seller's fair return on investment.

**Other Mortgages and Notes**

IHFA may allow the use of other notes and mortgages in addition to, but not in lieu of, the HOME covenants and deed restrictions.

**Fair Return on Investment (Homebuyer)**

See Homeowner's Investment- Defined

**HOME Development Subsidy**

Up to \$40,000/unit provided to the CLT as development subsidy at the initial sale of the unit to a qualified low-income homebuyer. This subsidy remains with the CLT, to help reduce the sale price, equal to the subsidy to low-income homebuyers, as long as a low-income homeowner owns the unit. After the period of affordability, the subsidy will remain with the CLT as long as the land under the unit remains in an affordable housing land trust.

- No additional HOME subsidy is available to the land trust for the assisted unit for as long as the development subsidy remains with the CLT
- No direct subsidy is ever provided to a homebuyer for a CLT unit as long as the development subsidy remains with the CLT.

**IHFA's Deed of Trust and Restrictive Covenants**

A deed of trust is used to secure IHFA's right to recover the HOME development subsidy from the land trust in the event the land trust does not utilize its purchase option rights, right of first refusal, or other means to intervene and preserve the affordability of the unit. The deed of trust remains in place after the period of affordability as long as the land is owned by the CLT.

### Homeowner's Investment- Defined

At the time of subsequent sale, the homeowner's investment is the total of the following:

- 1) Seller's equity (mortgage paid down);
- 2) 50% of eligible Capital Improvement(s) as defined in the ground lease<sup>1</sup>;
- 3) Up to 1.5% CPI Inflation Rate (as determined by the Consumer Price Index) (×) Seller's purchase price (×) the number of years the seller owned the unit;
- 4) Seller's (subsequent sale) closing costs

### Foreclosure, Transfer In Lieu Of Foreclosure, Or Assignment of an FHA Mortgage

As described at 92.254(a)(5)(i)(A), the HOME resale restrictions may be extinguished by a senior lender in the event of foreclosure, transfer in lieu of foreclosure, or the assignment of an FHA mortgage in order to clear title. The land trust shall use purchase option, right of first refusal, and other approved means to intervene and preserve the affordability of the unit.

### Homebuyer Preference Populations

IHFA will allow a homebuyer preference whenever the population is deemed essential to the local community, and does not violate Federal Fair Housing and Equal Opportunity laws, executive orders, or regulations. Examples of an essential population would be education, firefighter, law enforcement, and medical. A homebuyer preference is allowed only when identified in the land trust's HOME written agreement and the memorandum of restrictive covenant.

### HOME Development Subsidy

Up to \$40,000/unit provided to the CLT as development subsidy at the initial sale of the unit to a qualified low-income homebuyer. This subsidy remains with the CLT, to help reduce the sale price, as long as a low-income homeowner owns the unit. After the period of affordability, the subsidy will remain with the CLT as long as the land under the unit is owned by a community land trust. .

- No additional HOME subsidy is available to the land trust for the assisted unit for as long as the development subsidy remains with the CLT
- No additional HOME subsidy is provided to a homebuyer in a CLT unit, as long as the development subsidy remains with the CLT.

### Homebuyer Income Limit

At the time a homebuyer application is received, homebuyer household income must be at or below 80% AMI as defined at 24 CFR 5.609. IHFA annually publishes an asset limitation, maximum PITI and other requirements, which are reviewed along with the monthly budget prior to approval. Current limits and requirements are available on the IHFA website in the Annual Administrative Plan, found at <https://www.idahohousing.com/federal-programs/home-program/>

### IHFA's Deed of Trust and Restrictive Covenants

A deed of trust will be used to secure IHFA's right to recover the HOME development subsidy from the land trust in the event the land trust does not utilize its purchase option rights, right of first refusal, or other means to intervene and preserve the affordability of the unit. The deed of trust will remain in place after the period of affordability as long as the land continues to be owned by a community land trust.

### HOME Funds- Development Subsidy

Up to \$40,000 per unit provided to the CLT as a development subsidy at the time of the initial sale of the unit to a qualified low-income homebuyer. The subsidy must be used by the CLT to reduce the sale price of the unit

<sup>1</sup> Normal repairs, updates and minor improvements are not defined as a capital improvement for the purpose of calculating a seller's fair return on investment.



each time the unit is sold to another qualified low-income homebuyer. After the period of affordability, the subsidy can remain with the CLT as long as the land under the unit continues to be owned by a community land trust.

- No additional HOME subsidy of any kind is available to the land trust for the assisted unit for as long as the development subsidy remains with the CLT
- No direct HOME subsidy is available to any homebuyer as long as the development subsidy remains with the CLT.

### **IHFA's Deed of Trust and Restrictive Covenants**

A deed of trust will be used to secure IHFA's right to recover the HOME development subsidy from the land trust in the event the land trust does not utilize its purchase option rights, right of first refusal, or other means to intervene and preserve the affordability of the unit. The deed of trust will remain in place after the period of affordability as long as the land remains in trust.

### **Maximum PITI (Principal, Interest, Taxes, Insurance)**

During the period of affordability, the typical PITI is 35% of household's gross monthly income. However, under certain circumstances, IHFA may allow a higher PITI when the homebuyer has good-exceptional credit/history, a stable work history, approval from an IHFA-approved lender and the land trust.

### **Primary Residency Requirement**

During the period of affordability, the homeowner-household is required to reside in the assisted unit as a primary residence. IHFA allows two temporary exemptions from the HOME primary residence requirement: (1) Active military deployment or transfer (homeowner and/or spouse), and (2) Full-time post-secondary education. The homeowner must submit a plan in writing that includes a date the homeowner intends to return and reside in the unit as a primary residence, and other supporting documentation such as class schedule, or proof of deployment. Without written approval from IHFA and the land trust, the homeowner is considered out of compliance with this requirement and must return to the unit or the transfer title to the land trust or another eligible homebuyer.

### **Reasonable Range of Low-Income Homebuyers**

An assisted unit to remain affordable to a reasonable range of low-income homebuyers during the period of affordability typically defined as 50%-80% AMI. In some cases, IHFA may allow a lower AMI if additional subsidy is provided by another source and the homebuyer has good credit and a stable work history.

### **Sales Price Determination During HOME Period of Affordability**

The following procedure is used to determine the maximum sales price of the assisted unit during the HOME Period of Affordability:

#### **• Initial Sale of Unit**

- Step #1 Determine the Market Value of property (value of land and unit combined) using one of three IHFA-approved methods: (1) Comparative Market Analysis, (2) Broker's Price Opinion completed by a licensed real estate professional who is familiar with the local neighborhood market conditions, or (3) Appraisal;
- Step #2 Deduct the following values from the Estimated Market Value of the property:
- Estimated value of the land, using the same method as Step #1; and
  - HOME Development Subsidy
- Step #3 The maximum sales price is the lesser of the Estimated Fair Market Value of the Unit as established in Step #2, or the current Maximum Homeownership Sales Price Limit.

Current Maximum Homeownership Sales Price Limits <https://www.idahohousing.com/federal-programs/home-program/>



- **Subsequent Sale Price Limit**

The subsequent sales price is limited as an attempt to remove some of the volatility of the market in high cost areas of Idaho. Therefore, after the initial sale of the unit, each subsequent sales price of the unit is limited to the total of the current homeowner's senior liens, estimated closing costs, and the homeowner's Fair Return on Investment (see [Homeowner's Investment- Defined](#) as available from the net proceeds [Sales Price Determination- Examples](#)). It is in this way the housing market is allowed to play a part in the sales price of the unit, but is limited in a way that maintains ongoing affordability of the unit for future low-income homebuyers.

**Determining the Maximum Sales Price for Subsequent Sale**

Step #1 Total the following

- Primary Mortgage payoff
- Other Senior Lien(s)
- Seller's Closing Costs

Step #2 Determine Owner's Investment- Total the following:

- Mortgage Equity (amount homeowner paid)
- Seller's Estimated Closing Costs (at subsequent sale)
- 50% of Eligible Capital Improvement Costs
- Up to 1.5% CPI (based on the homeowner's original purchase price of the unit and current CPI).

Step #3 The *subsequent maximum sales price* cannot exceed the combined total of Step #1 & 2 above or the HOME Maximum Sales Price limits, **whichever is less**.

In a depreciating housing market, the fair market value of the unit at the time of the subsequent sale may not be sufficient to allow the seller to recover all or any of their investment (see definition of Investment above [Homeowner's Investment- Defined](#)).

In a stable or appreciating housing market, the fair market value of the unit at the time of the subsequent sale may be such that it will allow the seller to recover some or all of their investment (see Homeowner's Investment- Defined). However, the maximum sales price sets a hard limit on how much equity the seller receives, which is no more than a "fair return on investment".

**Sales Price Determination- Examples:**

## Two Examples of Resale Calculations

Initial Sale- 1 <sup>st</sup> Qtr. 2013	
Estimated Market Value of Property=	\$200,000
Value of Land=	-\$45,000
IHFA Subsidy=	-\$40,000
<b>Initial Sales Price</b>	<b>\$115,000</b>
Subsequent Sale- 2 <sup>nd</sup> Qtr. 2018	
Seller's Investment	
Seller's Equity (mortgage paid down)	\$15,000
Senior Lien payoff	\$100,000
Capital Improvements (50% within 5 yrs.)	\$2,500
Seller's Closing Costs	\$8,000
Maximum 1.5% CPI (x) Initial Sales Price	\$8,625

[https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm)

Subsequent Sales Price Calculation							
No.	APPRECIATING Housing Market Sold 2 <sup>nd</sup> Qtr. 2018			No.	DEPRECIATING Housing Market Sold 2 <sup>nd</sup> Qtr. 2018		
	Estimated Value Of Property-	\$225,000			Estimated Value Of Property-	\$190,000	
	Less Value of Land-	\$45,000			Less Value of Land-	\$20,000	
	Less IHFA Subsidy-	\$40,000			Less IHFA Subsidy-	\$40,000	
	Estimated Value of UNIT in 2018		\$140,000		Estimated Value of UNIT at time of sale		\$130,000
1	Less Seller's Senior Lien Repayment-	\$100,000		1	Less Senior Lien Repayment-	\$100,000	
	Less Seller's Closing Costs-	\$8,000	-\$108,000		Less Seller's Closing Costs-	\$8,000	-\$108,000
	Estimated Net Proceeds (equals estimated value of unit + No. 1 above)		\$32,000		Estimated Net Proceeds (equals estimated value of unit + No. 1 above)		\$22,000
2	Owner's Investment			2	Owner's Investment		
	1 <sup>st</sup> - Mortgage Equity-	\$15,000			1 <sup>st</sup> - Mortgage Equity-	\$15,000	
	2 <sup>nd</sup> - Capital Improvements-	\$2,500			2 <sup>nd</sup> - Capital Improvements-	\$2,500	
	3 <sup>rd</sup> - CPI 1.5% inflation rate-	\$8,625			3 <sup>rd</sup> - CPI 1.5% inflation rate-	\$8,625	
	4 <sup>th</sup> -Seller's Closing Costs (same as above)-	\$8,000			4 <sup>th</sup> - Seller's Closing Costs (same as above)-	\$8,000	
			\$34,125				\$34,125
	Owner's Fair return on Investment as available from Net Proceeds equals (the lesser of Return on Investment in No. 2 or Net Proceeds)		\$32,000		Owner's Fair return on Investment as available from Net Proceeds equals (the lesser of Return on investment in No. 2 or Net Proceeds)		\$22,000
	Maximum Sales Price to next Low-income Buyer (cannot exceed the total of No. 1+2 above)		\$142,125		Maximum Sales Price to new Low-Income Buyer (cannot exceed total of No. 1 + 2 above)		\$142,125

## Suspended-Down Payment and Closing Cost Assistance Program

### Program Suspended

DP/CC assistance is limited to the following areas: Boise, Coeur d'Alene, Post Falls, and Pocatello.

### General Requirements

- Direct assistance to the homebuyer
- Standard reasonable soft costs at loan closing
- 0% Interest
- Soft second lien

- Due-on-sale or default
- Principle Residence Requirement during period of affordability

**Maximum Subsidy Limit**

Standard HOME down-payment/closing cost assistance is a minimum HOME investment of \$1,000.00 up to a maximum of 10% of the purchase price, not to exceed \$14,999 (*based on need of gap financing*) HOME requires the homebuyer to qualify for and accept the largest first lien available.

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).

**Occupancy Status of DP/CC Property**

- Must be vacant for a minimum 90 days prior to contract or owner-occupied (by the Seller)
- No rental units or tenant-occupied property<sup>1</sup>

**Manufactured Housing**

- Must comply with applicable state and local laws and codes as stated above with the following additional requirements:
- Must be connected to permanent utility hook-ups
- Attached to a permanent foundation and other site/foundation conditions as identified at 24 CFR 203.43(f)
- Located on land that is owned fee simple or a 99-year leasehold by the manufactured housing unit owner
- Must comply with manufacturer's written instructions for installation
- New Manufactured Housing must meet HOME Construction and Safety Standards of 24 CFR Part 3280

**Subsidy Layering**

- Lender is required to sign Form 10 – Lender's Certification of Borrower's Maximum Capacity
- IHFA will invest HOME/NSP funds only in the amount needed in combination with other funding, to help a qualified homebuyer purchase a safe, decent (defined a Standard Condition) single-family unit. HOME/NSP funds will be the last funds added to the financing equation unless prior approval received from IHFA-HOME.

**Scope of Activity**

Acquisition only of standard condition single-family residential housing to be occupied by homeowner as their principle residence. See [Standard Condition Housing](#)

**Eligible Costs (24 CFR 92.206)**

- Acquisition of real property to include land and existing structure
- Closing Costs-Industry standard and reasonable as approved by IHFA HOME Program
- Other costs incurred associated with the acquisition of the housing assisted with HOME/NSP funds as approved by IHFA HOME Program

**Ineligible Costs**

- Reserves
- Repairs
- HOA dues or set-ups

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<sup>1</sup> A rental unit may qualify as an exception if the tenant is the prospective homebuyer

- Irrigation dues or set-ups
- Collections/Judgments
- Tax Liens
- Delinquent taxes, fees or charges on property

### **Property Inspection**

A full independent third party Home Inspection Report is required that complies with HQS requirements. IHFA staff will review the inspection report and additional property repairs may be required. A second inspection is required to verify repairs were made. The Home Inspection Report will not be approved until the HOME/NSP-assisted unit meets local applicable code, local property/housing quality standards, and *Section 8 Housing Quality Standards*.

The following reports **must also** be submitted prior to approval:

- Septic & Well (as applicable),
- Professional Wood Stove, Fireplace insert (as applicable)
- Any inspections required by the first mortgage loan or as outlined in the sale agreement,
- Proof that the construction was completed according to all applicable building codes, and,
- Certificate of Occupancy from the city/county, -see property standards listed above
- **Form 09-Local Property Standards**
- \*USDA–Rural Development will provide Inspection Form 1924A, as applicable.

### **Property Standard**

At loan closing the property must meet

- Idaho Residential Code for Existing structures
- Local housing quality standards
- If no local housing quality standards exist, then Section 8 Housing Quality Standards<sup>1</sup>
- Must be inspected by IHFA no earlier than 90 days before the commitment of HOME/NSP funds
- Property must meet this standard at the time of loan closing
- If the property was originally constructed within 12 months of project completion date, it must meet New Construction Code and HQS<sup>1</sup> property standards)

### **Principle Residence Requirement**

As defined in the homebuyer's Deed of Trust Note, the homebuyer must occupy the assisted property during the [period of affordability](#). If the homeowner is absent without an IHFA-approved exemption, IHFA will attempt to get the homebuyer to return to the unit as principle residence. Failure to return is defined as a default event with the subsidy to the homeowner due and payable. If the property is sold, IHFA will attempt to recapture the subsidy amount (loan), only as available from the Net proceeds of the sale. See [Net Proceeds- click here](#)

IHFA allows two temporary exemption to the principle residence requirement: Active military transfer/deployment and full-time post-secondary education located >50 miles from residence. Click here for more information [Principle Residency Exceptions](#)

### **Ownership**

Purchaser must occupy the home within thirty- (30) days of loan closing. The buyer(s) will take ownership in fee simple title or maintain a minimum 99-year leasehold interest on an eligible property.

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<sup>1</sup> The Office of Affordable Housing Programs has not replaced the Section 8 Housing Quality Standard with (Uniform Physical Condition Standards) as of the date this plan is drafted for the 2018 calendar year. When OAHF implements the new HUD-prescribed physical inspection procedure for the HOME program, it will go into effect immediately for all new HOME commitment of funds.

For property held on Indian Lands Trust, Restricted Indian Lands, or Community Land Trust, homeownership includes a ground lease of at least 50-years (see 24 CFR 92.2 “Homeownership”)

**Ownership Interest**

The property is subject only to the restrictions on resale as required at 24 CFR 92.254(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 loan **must** be identified on the final title report as a recorded lien against the subject property.

**HOME 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 HOME down payment/closing cost assistance.

**Eligible Activity**

Down Payment Assistance/Closing Cost Assistance for Section 8 Voucher holders with disabilities

**Homebuyer Eligibility Requirements**

- Must be a current Section 8 Voucher Holder or Public Housing Authority Section 8 rental to homeownership Assistance Program
- HOME Homebuyer education requirements for all homebuyers
- Income  $\leq$  80% AMI
- Standard lending programs such as FHA, VA, Conventional, USDA-RD