Idaho Housing and Finance Association
HOME Programs Department
2023 Single-Family Homebuyer & Rental Activities
Proposal Guidance and Requirements

Funding for single-family activities is limited in 2023; therefore each non-profit's current project commitments, approved activities (underway and not yet underway), performance, and capacity will be a factor in determining 2023 funding awards.

Questions/Technical Assistance Regarding the Proposal contact LauraL@ihfa.org or KimberlyD@ihfa.org

PROPOSAL DEADLINE

5:00 p.m. Friday February 3, 2023

RFP SUBMISSION REQUIREMENTS

- Electronic submission through Procorem SF RFP Work Center Only

OWNER-DEVELOPER QUALIFICATIONS

- IRS Non-profit designation
- Registered business entity with the State of Idaho
- Good standing with State of Idaho and IHFA (as determined by IHFA)
- Demonstrated development experience of the same scope, size, and complexity of the proposed activity

ELIGIBLE ACTIVITIES

1. Acquisition and/or rehabilitation/new construction of Single-family properties to be sold to income-eligible households (Fee Simple), or approved Community Land Trust Activity (Resale)

SPECIFIC 2022 AWARD CONDITIONS & LIMITATIONS

1. The Award expires on September 30, 2023, and Nonprofits must have all projects identified, have a budget approved by IHFA, and an Executed Loan and Regulatory Agreement by September 30, 2022. At that time all or a portion of the 2023 award may be rescinded by IHFA for use in the 2024 RFP. A 30-60 day extension request may be submitted in writing if a site is identified, all pre-construction processes, including but not limited to, budget preparation, Section 3 outreach, bid collection and selection, etc. are nearing completion, and the project can reasonably close in that timeframe. Requests for extensions may be denied at IHFA's sole discretion.
2. Geographic Locations
    - HOME funds- Anywhere in Idaho except Boise (exceptions for Boise projects may be approved by the HOME Programs Manager on a case-by-case basis)

ANNUAL ADMINISTRATIVE PLAN OF RECORD

The 2023 Annual Administrative Plan is the official plan of record for all activities under this RFP. IHFA anticipates formal adoption of the 2023 Administrative Plan in March/April 2023. Applicants should continue to use the 2022 Annual Administrative Plan until further notice. To prepare a proposal, applicant should refer to this document and the 2022 Annual Administrative Plan online at: HOME Program - Idaho Housing and Finance Association, except for Community Land Trust (CLT) Activities.
Please follow new guidance attached to this document to apply for CLT projects for 2023.

HOMEBUYER REQUIREMENTS

Homebuyer Investment

- $500 minimum contribution – must be verified
- Cash gift(s) allowed if fully documented and verified
- If "sweat equity" is ≥ $500, no additional cash investment is required – must be verified and shown as a credit on the final CD/HUD-1 at purchase

Maximum Subsidy Limit to Homebuyer

- Assistance is determined by buyers need, and evaluated by calculating back end Debt-to-Income (DTI) and Housing Expense ratio. The amount of assistance provided to a qualified household is based on IHFA's determination of need. The amount of assistance will serve as the mechanism to ensure buyers are within IHFA's stated limits, to make the buyers mortgage payment affordable for the household, or to provide the assistance required for the first loan to be approvable for the primary lender. Please reference Housing Expense Ratio and Debt-to-Income sections later in this document for details.
- IHFA *may* approve higher DTI or Housing Expense Ratio on a case-by-case basis, and only if buyer has good credit, minimal debt, and stable employment.
- Back-end DTI is all debt (including housing) divided by monthly gross income. *For buyers with student loan debt, IHFA will calculate 1% of loan balances, regardless of being in a deferred status at time of application.*

Initial Purchase/Credit Requirements (Homebuyer)

- HOME/NSP must review and income qualify every potential buyer. **This is a separate review from the first loan process. Lender approval does not guarantee approval from HOME or NSP** Questions and submissions must be sent to Kim Deming at kimberlyd@ihfa.org.
- Credit Score consistent with the 1st lien guidelines – HOME/NSP reserves the right to decline if borrower is determined to be high risk by federal standards.
- Borrower(s) must receive First Mortgage approval by IHFA, IHFA-approved Lender/ Broker or USDA-RD.
- Current Tri-merge credit report required and reviewed by the HOME program.
- Pay-off collections, judgments, liens per Automated Underwriting findings within the past 12 months are subject to HOME Program's Department review and approval. HOME will require payoff or proof of payment plan, even if not required by the primary lender.
- Automated or manual underwriting approval by the primary lender **does not guarantee qualification or approval by the HOME Programs Department.**

1.

Homebuyer Maximum Liquid Assets

<u>Includes household members</u>:

- Household liquid assets will be limited to no more than 12 months of monthly household expenses at closing. IHFA will evaluate each household to determine the maximum amount for the individual household based on documentation provided by the buyer and the buyer's lender at the time of review (excluding retirement accounts); *Household expenses are defined as reoccurring i.e. mortgage expense, installment loans, revolving debt, average utilities, average transportation, and food expenses. IHFA may use the established budget from the Homebuyer Counseling session to assist with determining the limit.*

- If IHFA determines household assets exceed allowable limits, the excess funds must be invested in the home. Households may also choose to pay off/pay down debt with excess funds.
- ASSETS MAY NOT BE TEMPORARILY WITHDRAWN OR MOVED IN ORDER TO APPEAR UNDER THE ASSET LIMIT. ATTEMPTS TO HIDE ASSETS OR INTENTIONAL NON-DISCLOSURE WILL DISQUALIFY THE BUYER FROM PURCHASE.
- Buyers will be required to sign a certification they have disclosed all assets from all sources to IHFA.
- Income from assets over $5,000.00 (interest, dividends, etc.) is required to be included in the income calculation.
- Age 62+ (Elderly) households must be able to qualify for and accept a primary mortgage on the unit
- Age 62+ (Elderly) households *may* be eligible to keep more in liquid assets than non-elderly households (excluding retirement accounts). Eligibility is determined at the time of income and asset review.

Homebuyer Education & Counseling Requirements

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

- Complete an IHFA-approved Homebuyer Education course, i.e. *Finally Home!*® (Finally Home! Homebuyer Education) within 24 months of closing.
- Complete at least one individual (one-on-one) homebuyer counseling session (Finally Home! Housing Counseling):
  - 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.
  - Must be completed within six (6) months of closing. A new session and certificate of completion will be required if initial session was completed more than six (6) months before closing.

Homebuyer PITI (Housing Expense Ratio)

The HOME programs provide assistance to help acquire **affordable** housing. Affordable is defined as no more than 35% 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 35% 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 Debt-To-Income (DTI) Limits

Maximum back end DTI allowed by the HOME Programs is 45%. HOME and NSP Programs are committed to affordability, and in most cases, assistance is denied if the homebuyer's DTI is greater than 45% of the household's annual gross income. On a case-by-case basis, and solely at HOME/NSP's discretion, a request for DTI higher than 45% *may* be reviewed if the homebuyer has good credit history, minimal other debt and stable employment. ***The HOME program will include 1% of student loan debt, regardless of loans being in a deferred status.*** Meeting these minimum requirements is not a guarantee of HOME approval to exceed stated limits.

Income Calculation

- As defined in 24 CFR 5.609, HOME/NSP follow Part 5, also known as Section 8 definition of annual (gross) income when determining household income. **ALL** income for all household members 18 years of age and older is required to be included in the household income calculation.
    - A household member who is 18 or older enrolled in full time school (either high school or post-secondary) may be eligible to exclude their income from the calculation, except the first $480. If household member is not in high school, member must be able to prove full time enrollment in post-secondary education to exclude any portion of enrollee's income.
- HOME is required to include all types of income including regular wages, overtime, bonuses, commissions, tips, child support, alimony, and most of other types of income. THE HOME INCOME CALCULATION ROUTINELY DIFFERS FROM THE FIRST LENDER'S DUE TO FEDERAL PROGRAM REQUIREMENTS. HOME PROGRAMS **<u>DO NOT</u>** CONFORM TO INDUSTRY LENDING STANDARDS. THOUGH CERTAIN TYPES OF INCOME ARE NOT REQUIRED TO BE USED (ex. child support, alimony, etc.), OR ALLOWED TO BE USED BY THE FIRST LENDER DUE TO LENDING GUIDELINES (i.e. overtime, bonus, secondary employment, etc.), HOME **MUST** INCLUDE ALL TYPES OF INCOME TO COMPLY WITH FEDERAL REGULATIONS.
- HOME **<u>projects income</u>** for the next 12 months by collecting and reviewing the most recent two months of pay stubs and/or any other type of income for the household in most cases.
- For variable employment income, seasonal employment income, or other variable sources of income, HOME may collect a 12 full months of income, or use Year-To-Date (YTD) income. HOME will determine the most appropriate length of time to review based on the circumstances of the household and type of income.
- For self-employment, HOME will collect the most recent three (3) years of federal tax returns.
- Social Security, Supplemental Social Security, Disability, Pensions, etc. require submission of the official letter from the Social Security Administration or source of pension/other income stating the amount the recipient receives on a monthly basis. *We do not verify this type of income via bank statements.*
- Income from liquid assets (interest, dividends, etc.) in excess of $5,000 is required to be added to

the income calculation in order to comply with [24 CFR 5.609.](#) Most often, this is calculated using the posted passbook savings rate (https://www.idahohousing.com/documents/passbook-saving-rate.pdf), but may occasionally use actual interest/dividends earned if that information is clearly stated on all statements provided.

Below is an example of base pay figured using YTD income due to variability in base pay, overtime estimated based on YTD received, child support received (only child support *received* in the last 12 months is counted), short term disability income, and imputed income from assets (figured separately and then added to the calculation) to arrive at the total household income.

A	B	C	D	E	F	G	H
[redacted] - Paid bi-weekly - using YTD thru 7/9/2022 (26 wks) totals as hours vary	OT ($18.73 thru 7/9/2022)	Short Term Disability	Child Support from [redacted]	Child Support from [redacted]		Unofficial Child Support from [redacted]	Imputed Income from Assets
$19,906.10	$18.73	$464.27	$200.00	$1,547.48	15-Jul	$250.00	$203.77
					2-Jun	$250.00	
$765.62 Avg.	$0.72 Avg.				2-May	$250.00	
($19,906.10 / 26 weeks)	($18.73 / 26 weeks)				31-Mar	$250.00	
					2-Mar	$250.00	
					1-Feb	$250.00	
					3-Jan	$250.00	
					3-Dec	$250.00	
					3-Nov	$250.00	
					5-Oct	$220.00	
					14-Sep	$220.00	
					4-Aug	$220.00	
			$16.67	$128.96		$242.50	
Total avg base			Per month avg.	Per month avg.		Per month avg.	
$39,812.20	$37.46	$464.27	$200.00	$1,547.48		$2,910.00	$203.77
(Annual)	(Annual)	(Annual)	(Annual)	(Annual)		(Annual)	(Annual)
$45,175.18	TOTAL INCOME FROM ALL SOURCES						

DEVELOPMENT ACTIVITY INFORMATION & REQUIREMENTS

- ***How to Determine Estimated Fair Market Value (Fee Simple only)***

  HOME defines Fair Market Value ("FMV") as the negotiated final sales price as agreed upon by a willing seller and a willing buyer for recapture (fee simple) activities. There are three methods to establish Estimated Fair Market Value for non-CLT homebuyer activities.

  1. Appraisal
  2. Property Valuation / Comparative Market Analysis (must be completed by an independent licensed realtor familiar with local market conditions

3. Brokers Price Opinion (must be completed by an independent licensed broker familiar with current local market conditions)

See 2023 Annual Administrative Plan, Chapter 2-B for additional information HOME Program - Administrative Plans. Developers should use any draft guidance provided by IHFA, and continue to use the 2022 Administrative Plan for any activities draft guidance was not provided for until 2023 Administrative Plan is effective.

- **How to Determine Fair Market Value (Community Land Trust Only)**
  1. Appraisal completed by an independent third party licensed appraiser familiar with local market conditions required under resale

Property Valuation/Estimated Market Value/Seller Acknowledgement of Appraised Value Forms – Exhibit O: HOME Program - Administrative Plans (Required for both Fee Simple and CLT)

- ***Homebuyer Sales Price Limit***

  HOME (Fee Simple) – Assisted property must be sold at the lesser of Fair Market Value[1] or the HOME Maximum Homeownership Sales Price Limit.

  HOME (CLT) - Land Trust Activity must use approved Sales Price Calculation model. Refer to 2023 HOME Administrative Plan Chapter 2C.

- ***Developer Fee Calculation***

  1. **Minor Rehabilitation** – up to 10% of total project cost (includes hard and soft costs) when rehab costs are ≤10% of the purchase price. To be determined by physical inspection according to HOME rehabilitation standards and approved budget;
  2. **Moderate Rehabilitation** – up to 15% of total project costs when total rehab costs (hard and soft costs) do not exceed 75% of the replacement value of the unit. Units requiring 75% or more in rehab costs will not be eligible for funding, and will be denied.
  3. **New Construction** –up to 15% of total eligible project costs

  ***Full developer fee will not be paid if project funding reaches applicable maximum subsidy limit**

- ***Developer Fee- Timing and Distribution***

  1. 25%- At Acquisition
  2. 25%- At 50% completion (drywall stage of new construction or 50% of total scope of work on rehabs, as determined by IHFA, at its sole discretion)
  3. 25%- When Certificate of Occupancy is issued for new construction or completion of rehabilitation work as determined by final clean inspection report from an IHFA approved and contracted third party inspector
  4. 25%- When all required closeout documentation has been submitted and approved by IHFA within 45 days of sale

[1] Fair Market Value defined as the negotiated sale price between a willing buyer and a willing seller

- ***Pre-78 housing (Lead-Based Paint)***

  Allowed under following conditions

  (a) If LBP is present, Owner-developer **and** general contractor must be an EPA-Certified Renovation Firm at the time the sales (acquisition) contract; and

  (b) Subcontractors/workers must be EPA-Certified Renovation Worker(s) working under the EPA-Certified Renovation Firm supervisor.

  (c) **Federally-funded hard rehabilitation costs, excluding all LBP hazard reduction activities, i.e. risk assessment, inspection, interim controls, clearance, etc. cannot exceed $24,999 per unit. Rehabs that do not disturb surfaces that contain LBP (with the exception of tile, as tile is not regulated by EPA or HUD) may be considered, but there are no exceptions to this restriction for any activity that disturbs LBP or requires mitigation or abatement of any kind. This is due to increased requirements and oversight for both the nonprofit, and IHFA.**

- ***IHFA Visitability Components (rental and homebuyer)***

  Each unit (new construction and rehabilitation) should include to the maximum extent feasible:

  (a) 32" clear opening to one main floor bathroom;

  (b) One exterior door with at least a 32" clear opening to allow entrance to the unit.

- ***Section 504***

  To the *maximum extent feasible*[2]

  Owner-developer must comply with requests for reasonable modification/accommodation in a federally-assisted unit; applies to both homebuyer and rental. See Chapter 6 of the annual administrative plan for additional information https://www.idahohousing.com/documents/admin-plan-ch6-crosscutting-federal-regulations.pdf

- ***Maximum Per-Unit Subsidy Limits***

  Program Limits in effect at the time funds are committed to the activity. HOME limits are available https://www.idahohousing.com/federal-programs/home-program

SUBMISSION REQUIREMENTS

The 2023 proposal must include the following:

1. *Narrative*

Describe any current (2022 and earlier) awards or commitments for any activity(s) currently underway or approved but not yet underway. This includes all Single Family, Multi-Family, Tax Credit, or any project that is funded by IHFA. Please *also* describe other awards, commitments, activities, partnerships, etc. not handled/funded by IHFA that are currently underway/in process,

[2] Federal funding requires a written procedure that defines the process when a request is received and how it will be approved, denied, or modified, based on feasibility. The process shall include providing other reasonable options if the initial request is deemed infeasible. Retain records for 5 years.

approved but not yet underway, applications that have been submitted but not yet awarded, programs in which the organization participates, or any other activity in which the organization engages. This includes any development projects, special projects, local partnerships, initiatives, or any other ventures currently being handled by the organization or affiliated organizations run by some or all of the same staff as the requesting organization, or that *will* be handled by the organization if/when approved.

A. Describe proposed (2023) activities and include:
   i. Number of units to be developed
   ii. Type of units (single-unit, duplex, triplex, four-plex)
   iii. Primary market area (census tracts, neighborhoods, city, etc.)
   iv. Contiguous or scattered sites
   v. Preference populations (not required, but must be included in loan and regulatory agreement – generally only applicable on Community Land Trust activities)
   vi. If properties identified, currently under contract, currently owned, donated

B. Describe your Sales Plan in detail. At a minimum, it must include the following in detail:
   i. Development timeline (acquisition, rehab/construction, for sale, sold within 9 months of completion)
   ii. Development schedule – at the time funds are committed, organization must provide estimated completion dates for the following milestones: Site Work/Infrastructure, Foundation, Framing, Rough-In's, Drywall, Paint, Flooring/Counter Tops, Finish Work, and Certificate of Occupancy.
   iii. Method and types of advertising, marketing, and outreach to be used
   iv. Section 3, MBE/WBE and Affirmative Marketing Outreach
   v. Proximity to area schools, major employers, essential services, other standard amenities or services

2. ***Written Procedure to Determine the Feasibility of a Section 504 reasonable accommodation/modification request & Visitability Procedure***
   Submit written procedure that describes the steps to be taken when the organization receives a request for reasonable accommodation/modification, and how "maximum extent feasible" will be determined

3. ***Market Analysis***

   See Attached Market Analysis Checklist for requirements [3]

4. ***Affirmative Marketing Plan***

5. ***See Exhibit T of the current Administrative Plan at [HOME Program - Home Page]()***

6. ***Section 3 Developer Plan – please refer to the current Administrative Plan Chapter 6 and the Exhibit G for Section 3 regulations, guidance, sample developer plan, and resources - [HOME Program - Home Page]() or the Section 3 website - [HUD Section 3 Resources]()***
   Section 3 Developer plans must include (at minimum):

   - How organization will attempt to solicit bids from Section 3 business concerns.

[3] Owner-developer can complete the market analysis

- What method(s) of outreach will be utilized
- Minimum length of time organization will post opportunities
- How bids will be selected (outside of HUD required bid procurement and selection, and preferences for Section 3 business concerns and MBE/WBE businesses)
- How developer will ensure ongoing compliance with Section 3 regulations and collect required documentation from contractors, subs, and internally
- How developer will track Section 3 labor hours and other required documentation
- Action to be taken in the event of noncompliance by GC and/or subcontractors
- Complaint Procedure
- Plan must be reviewed and approved by organizations board

The organization's submitted outreach and documentation provided at the time of budget approval/commitment of funds will be compared to their approved plan submitted with the application to evaluate compliance. If deficiencies are present, budget approval and commitment of funds will be delayed until the organization proves compliance with their approved plan.

IHFA will notify the developer if the organization's plan is found to be deficient at the time of application. Awards will be delayed until an acceptable plan has been submitted, and accepted by IHFA.

7. ***Estimated Budget & Sources and Uses***
   - Submit one estimated total budget per project for all proposed units to be acquired and/or rehabilitated or constructed under the award (total amount of funds requested). Per unit budgets may be sent at the time of application if available, and will be required prior to funds commitment (L & R Agreement) if award is received for project Current versions will be required at the time budget approval/commitment of funds.
   - Submit all sources of funding, i.e. donations, reduced fees, other financing/funds (federal or private), etc. See Exhibit Q-Budget and Sources forms
     HOME Program - Home Page
8. ***Copy of Organization's IRS Non-Profit Designation***
9. ***Current IRS standing***
   Tax Exempt Organization Search
10. ***State of Idaho Business Entity Registration and Current Standing***
    IDSOS Search for Business Entities
11. ***Resumes/Statement of Experience***
    All staff involved in the project/activities
12. ***Affirmatively Furthering Fair Housing Resolution***
    Resolution adopted by the local unit of government in which the proposed project/ unit(s) will be located.
13. ***Rehabilitation Standards***
    If the unit(s) will be rehabilitated, then submit a signed copy of rehabilitation standards. Authorized Signatory acknowledges Owner-Developer is aware of these standards as well as how to develop a

scope of work, rehab budget, and meet all the requirements identified in the Standards:

- HOME Program (Exhibit C-1) - HOME Program - Home Page

14. ***Financial Statements***

CPA audited statements must be provided, for the most recent fiscal year, and must be for a period no more than 12 months prior to submission. If audit was completed as required, but is over 6 months old, interim financials will be required. Interim financials may be company-prepared with IHFA's approval. Any organization receiving $750,000 or more is required to complete an audit of the organization. Organizations whose audits are for a period more than 12 months prior to submission, or who have not completed the required audits in a timely manner will not be considered for award funding.

15. ***Additional Submission Requirements***

- All proposals are required to be complete and formatted as requested in this document at the time of submission. **Even if items have been sent in previous applications, all items on the checklist are required to be provided in this submission.**
- Any proposal received after 5:00 pm on Friday February 3, 2023, will be automatically declined
- IHFA will notify applicant of missing items or additional information needed. The applicant then has ten (10) business days to submit requested information. If not received within 10 business days, and no acceptable request for extension is received, the application for funding will be declined. If there are excessive deficiencies in the application upon submission, as determined by IHFA, the application may be declined without further notice.

GENERAL ACTIVITY INFORMATION

1. Materials and Workmanship

- Must enhance quality of life (safe, decent, affordable) of homebuyer
- At completion, the unit must meet the Idaho Residential Code in effect when the unit was constructed and local codes, standards, ordinances, and the funding program's housing quality standard (HQS)
- If rehabilitation, then the scope of work and budget must be based on the IHFA-contracted Home Inspection Report. See IHFA Program Rehabilitation Standards HOME Program - Idaho Housing and Finance Association @ Administrative Plan- Exhibit C1

2. New Construction Requirements

Applicable state and local laws, current Idaho Residential Code, local codes, zoning, and other requirements relating to construction, and housing safety, quality and habitability standards

3. Federal Housing Quality Standards at Project Completion

- Homebuyer- (Section 8) Housing Quality Standards(HQS)

4. Rehabilitation Requirements

The IHFA-Contracted Home Inspection Report determines scope of rehabilitation work

- **Inspectable Components**
  a) Site, includes topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities
  b) Where relevant, assess and document potential impact of natural disasters, (e.g. earthquake, flooding, wildfires) in accordance with State and local codes/ordinance
  c) Estimate the useful remaining life of all Major Systems based on their age and condition.
  d) Major Components: Structural support, roofing, cladding and weatherproofing, plumbing, electrical, heating, and air conditioning.
- **Major Systems/Components-Homebuyer**

  All major components must have a useful remaining life of at least 5 years, as determined by manufacturer's specifications, or a professional in that field for major components without a usable life rating. Component must be replaced if remaining useful life is less than five years (i.e. 30 year roof in year 27, etc.). Definition of Major Components is found in *Exhibit C-1- Annual Administrative Plan*. HOME Program - Home Page
- Rehab items identified in the Home Inspection Report or by a professional's follow-up, must be included in the scope of rehabilitation, according to IHFA Rehabilitation Standards
- HOME (Exhibit C-1) - HOME Program - Home Page Any cost item not identified in the Home Inspection Report (except IHFA Visitability Components and Lead-Based Paint Hazard inspections, clearance, and interim control costs) may be deemed unnecessary, and therefore ineligible for reimbursement

PROPOSAL DOCUMENT PREPARATION

- Electronic Procorem Work Center Submissions only – No email or hard copies will be accepted
- Items must be added to the folder corresponding with items #1-14 of RFP Submission Requirements (Click here: HOME Program - Home Page and select 2023 Single Family RFP Guidance and Requirements under NOFA/RFP) and any additional documentation or sections.
- Specific requirements must be clearly labeled if the requirement itself is not an entire document (i.e. this market demand is found on page 10, paragraphs 3 - 7 of the market study)

LOAN/REPAYMENT TERMS (Fee Simple Only – See CLT Section for CLT repayment terms)

- Funds awarded to Owner-developer as a 0% interest loan.
  - HOME Homebuyer- Due-On-Sale, 0% interest loan

- Developer Fee
  - Included in the total subsidy limit. Developer fee will be reduced if subsidy limit threshold is reached.

- If other private or public funds are used, the distribution of proceeds or loss will be shared on a proportionate basis.

- If land is partially or wholly donated, then the value must be established by appraisal or an independent third-party professional valuation prior to a commitment of funds.

METHODS USED TO RECAPTURE HOME HOMEBUYER ASSISTANCE

Two methods IHFA uses to recapture program funds whenever an assisted unit is sold, or otherwise no longer occupied by the assisted homebuyer:

- Recapture Option (Fee Simple)

The assisted homebuyer may sell their HOME unit at any time, to any willing buyer, for Fair Market Value, with no resale restrictions. When the title is transferred, IHFA will attempt to recapture the full amount of the homeowner's loan as available from the net proceeds of the sale, as defined under the HOME Program's Recapture Option §92.254 (a)(ii)(A).

IHFA will attempt to recapture the total amount of the Homebuyer's loan if the homebuyer fails to comply with the primary residency requirements, or otherwise defaults on requirements during the period of affordability.

- Resale Option (For Community Land Trust Only)

For Community Land Trust activities, IHFA uses the Resale Provision when a nonprofit rehabilitates or constructs a homebuyer unit located on land either owned by the nonprofit, or owned by another entity with a long-term leasehold secured by the nonprofit of at least 50 years, but preferably 99 years.

COMMUNITY LAND TRUST ACTIVITY

General Homebuyer Requirements

IHFA follows the HOME program's ***Resale Provisions*** when a homeowner holds title to the HOME-assisted unit, but has a long-term land lease of at least 50 years. The HOME program's primary residency requirements during the period of affordability are enforced through a Memorandum of Restrictive Covenants and Deed of Trust with the nonprofit, who is responsible for overseeing these requirements; a ground lease and addendum between the IHFA, the CLT, and the homeowner; and a Note and Deed of Trust between IHFA and the homeowner. The period of affordability is based on the project type:

- New Construction = 20 years
- Rehabilitation = 15 years

The HOME period of affordability and the primary residency requirement do not exceed the regulatory minimum.

Homebuyer Provisions

There is no presumption of affordability as defined at 24 CFR 92.254(a)(5)(i)(B).

The HOME program's Resale Provisions are enforced through restrictive covenants with the nonprofit; a ground lease and addendum approved by IHFA and executed between IHFA, the CLT and the homeowner; and a Note and Deed of Trust between IHFA and the homeowner.

IHFA's Note, Deed of Trust, and Memorandum of Restrictive Covenants with the CLT will require, during the period of affordability, all homebuyers (household income) must be ≤ 80% AMI at the time the purchase contract is signed. IHFA must verify the potential buyer is income qualified and approve the sale to proceed both for initial sale, and any resale.

The CLT will use a long-term ground lease with the homeowner(s) and an Addendum to the Ground Lease to enforce the HOME income limit, primary occupancy and sales price restrictions; and include the corrective actions IHFA or the CLT will take if the homeowner violates the requirements. These legal instruments may include additional restrictions, including the nonprofit's use of a purchase option, right of first refusal, and/or other legal means to intervene and preserve the affordability of an assisted unit.

CLT may execute additional agreements with the buyer for provisions not found in the ground lease or Addendum the CLT would like to enforce. CLT must obtain IHFA's approval before executing any such agreement. IHFA will not withhold approval unless the presented agreement conflicts with HOME regulations or IHFA requirements during the POA, or creates undue burden or limitation for CLT homeowners.

During the period of affordability, the CLT is required to repay the HOME development subsidy:

- When the unit is rented, leased, or otherwise vacated, owner refuses to return to the unit to occupy as their primary residence, and the owner and has not received an IHFA-approved Primary Residency Exemption (click here HOME Program - Home Page;
- The title to the unit is transferred to a homebuyer who is not defined as low-income (≤80% AMI); or
- The unit is foreclosed, title transferred in lieu of foreclosure, or the FHA insured mortgage is assigned to HUD
- IHFA determines, at its sole discretion, that the loan is due and payable

After the period of affordability has expired, the subsidy loan with the CLT will be forgiven by 1/10th each year. For new construction, this is year 21-30; for rehab, year 16-25. *Please note the Development Subsidy does NOT factor into the sales price to the buyer – Please see instructions and examples below for initial and subsequent sales price calculation.* The CLT will repay the current balance of the HOME development subsidy during the forgiveness period if the land on which the assisted unit is located is no longer owned by an affordable housing land trust or nonprofit, or title to the land is otherwise transferred., . If sale occurs after the forgiveness period, the developer is not required to repay the development subsidy.

Resale Option Definitions

- **Development Subsidy**

$20,000.00 per unit as a development subsidy at the time of the initial sale of the unit to a low-income homebuyer. This subsidy is the sole responsibility of the CLT and does not require repayment during the POA as long as the unit continues to be owned by a low-income homeowner during the period of affordability, and the land continues to be owned by an affordable housing land trust or nonprofit who ensures compliance with HOME requirements. *Please note the Development Subsidy does NOT factor into the sales price to the buyer.* After the period of affordability ends, the subsidy will be forgiven by 1/10th each year. For new construction, this is year 21-30; for rehab, year 16-25.

- **HOME Subsidy during Period of Affordability**

1) No additional HOME subsidy provided to the nonprofit for the assisted unit
2) IHFA will provide a direct Down Payment Assistance (DPA) to the initial homebuyer of a CLT unit, based on individual need. The DPA ***must*** be assumed by a subsequent income eligible (80% AMI or less) household each time the unit is sold during the POA

- **Down Payment Assistance to Homeowner after POA**

1. After the POA is met, the direct down payment assistance (DPA) to the homeowner is forgiven at 1/10th per year in years 21-30. At the end of year 30, the balance will be zero.

- **Deed of Trust and Restrictive Covenants**

During the period of affordability, IHFA will enforce the primary residency requirement and the 80% AMI homebuyer requirement through a restrictive covenant with the CLT, a ground lease and addendum with the CLT and homeowner, and a Note and Deed of Trust with the homeowner. The CLT is responsible for ensuring HOME requirements are met.

A deed of trust will be used to secure IHFA's right to recover the HOME development subsidy from the CLT in the event the nonprofit does not utilize a purchase option, 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 until full repayment of the development subsidy is received, or the development subsidy has been forgiven based on the 1/10th per year schedule.

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

- **Fair Return on Investment ("FRI")**

When the assisted unit is sold to another low-income (80% AMI) homebuyer during the period of affordability, the seller is entitled to a fair return on their investment if available from the net proceeds of the sale.

- **Low-Income Seller's Investment Defined**

1) Seller's Original Purchase Price (captures initial investment - earnest money, down payment, etc. - and equity paid down by homeowner); **plus**
    25% of the increase in value between initial purchase and resale (established by subtracting the appraised market value of the unit at the time of initial purchase from the appraised market value of the unit at the time of resale

- **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 nonprofit shall use purchase option, right of first refusal, and other approved means to intervene and preserve the affordability of the unit.

- **Homebuyer Preference Populations**

Under this RFP, Owner-developer is allowed a homebuyer preference if the population is defined as 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 are education providers, firefighters, law enforcement, or medical/care service providers. A preference is allowed only if it is identified in the HOME written agreement and the memorandum of restrictive covenants, and the preference has been approved by IHFA.

- **Initial Investment**

Earnest money and down-payment/closing costs paid directly by Seller when they purchased the HOME-assisted unit.

- **HOME Income Limit**

At the time an 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 HOME Program - Home Page

- **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, which is typically defined as 50%-80% AMI. In some cases, IHFA may accept a lower AMI if the amount of assistance needed from HOME funds and other sources to make the home affordable to that household is considered reasonable, the homebuyer has good credit and a stable work history, or other proof of affordability/feasibility can be established.

- **Maximum Housing Expense Ratio or PITI (Principal, Interest, Taxes, Insurance) Payment**

During the period of affordability, the typical PITI at the time of purchase is no more than 35% of household's gross monthly income. However, under certain circumstances, IHFA may allow a higher ratio when the homebuyer has good credit, stable work history, minimal other debt, and 1st mortgage approval from an IHFA-approved lender.

- **Net Proceeds**

The amount remaining after repayment of the senior lien(s) and the Seller's closing costs.

- **Primary Residency Requirement**

During the period of affordability, the homeowner/household is required to reside in the assisted unit as their primary residence. IHFA currently 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. Extended/frequent absence(s) for work (i.e. seasonal work that requires the homeowner to be away from the unit or jobs that require frequent travel for employment purposes, in excess of 60 days within a 12 month period) may be permitted with documentation and approval from IHFA and the nonprofit. If a homeowner has vacated the unit without written approval from IHFA and the nonprofit, the homeowner is out of compliance. Homeowner must return to and occupy the unit, must qualify and be approved for one of the above exemptions, or the title must be transferred to the nonprofit or another HOME-eligible homebuyer.

- **Sales Price Determination during the HOME Period of Affordability**

During the HOME Period of Affordability:

- **Initial Sales Price Determination**

Step #1 Determine the Market Value of property (value of land and unit combined) using an Appraisal completed by a licensed third party appraiser. Appraisal must also provide a separate value for the land only;

Step #2 Deduct the appraised land value from the Appraised Value of the property (land AND unit):

Step #3 The sales price of the unit is the Calculated Sales Price , as established using Steps #1 and #2 above, or the current Maximum Homeownership Sales Price Limit for the county/metro area in which the unit is located, whichever is less.

The sales price may NEVER exceed the maximum sales price limit in effect at the time the contract is signed, OR the appraised value. If calculated price exceeds one or both of the limits, the sales price must be adjusted to the maximum sales price limit, or the appraised value, whichever is less.

*Add-ons, reductions for any purpose other than meeting the maximum sales price allowed by HUD, or other adjustments to the sales price are not allowed. CLT's and lenders *must* follow the sale price calculation to determine the sale price.

**Please note approved household will receive direct down payment assistance from HOME funds to bridge the gap between sales price and first mortgage loan amount to make the mortgage payment affordable to the household. Affordability is determined by the loan amount, not the sales price.

**This sales price model not only aligns with other large CLT's in region 10, but also potentially prevents federally funded CLT units from negatively impacting comp values of other homes in the geographic area. HUD does not want federally funded homes to bring down the values of nearby housing by selling for drastically below market value. HOME bridges the gap between sales price and affordability by offering down payment assistance instead.

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

- **Subsequent Sale Price Determination**
  - 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 original sales price (this captures initial investment –

earnest money, down payment, etc. - and equity paid down by homeowner), 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 - Determine Fair *Market* Value of the unit, including the land, using an Appraisal completed by a licensed third party appraiser. Appraisal MUST include the value of the land and unit together, as well as provide the market value of the land only.
  - Step #2 - Determine Owner's Investment- Total the following:
    - Homeowner's original Purchase Price (captures mortgage equity paid down by owner))
    - Determine 25% of the increase in value between initial purchase and resale (established by subtracting the appraised market value of the unit at the time of initial purchase from the appraised market value at the time of resale)
    - Add owner's share of increase in value to the original purchase price owner paid for the unit. This equals the sales price to the next buyer, unless the calculated price exceeds the current Maximum Homeownership Sale Price Limit in effect at the time of sale. If calculated price exceeds this limit, go to Step #3.
  - Step #3 - When calculated price using steps #1 and #2 exceeds the Maximum Homeownership Sales Price Limit, the sales price must be reduced to the sales price limit in place at the time of the sale. The sales price can ***never*** exceed the HOME Maximum Homeownership Sales Price Limit. Maximum Homeownership Value Limits can be found here: HOME Program Resources CLT must use the calculated sales price following steps #1 and #2, or the homeownership value limit; whichever is *less.*
  - *****IMPORTANT NOTES*****

1. ***Sales price can NEVER exceed the maximum sales price limits in effect at the time the contract is signed, OR the appraised value.***
2. ***Sales price MUST be determined using the calculation above, or adjusted to the Maximum Homeownership Sales Price limit, whichever is less.***
3. ***Increases due to market/cost during construction, addition of buyer down payment/closing costs, or any other costs not accounted for in the approved sales price calculation are not allowable.***

Examples of Initial and Resale Calculations

Initial Sale- May 2017	
Appraised Value (land and unit) = $256,000 Value or cost of Land = -$51,000 **Initial Sales Price to be shown on Purchase and Sales Agreement**	**$205,000.00**
Direct Down Payment Assistance to Buyer (Based on household need)	-$41,000.00
Mortgage Loan Amount Needed by Buyer (Does not include earnest money, or, buyer or other down payment contributions)	**$164,000.00**
Subsequent Sale- March 2022	
Seller's Equity (mortgage paid down based on 3.99% average interest rate in 2017)	$15,402.12
New appraised value March 2022	$380,000.00
Change in value between initial and resale appraisal	$124,000.00
25% of increased value between initial and resale appraisal (assuming value increases – if value decreases this will be zero)	$31,000.00

APPRECIATING Housing Market Sold March 2022			**DEPRECIATING Housing Market** Sold March 2022	
Appraised value (land and unit) at time of sale 2022	$380,000.00		**Appraised value (land and unit) at time of sale 2022**	$210,000.00
Change in value (Net Proceeds) **THIS IS NOT THE BUYERS RETURN** **DETERMINES CHANGE IN VALUE ONLY**	$124,000.00		**Change in value (Net Proceeds)** **THIS IS NOT THE BUYERS RETURN** **DETERMINES CHANGE IN VALUE ONLY**	-$46,000.00
Owner's Investment Purchase price paid by homeowner (captures owners initial investment)	$205,000.00		**Owner's Investment** Purchase price paid by homeowner (captures owners initial investment)investment)	$15,402.12
Owner's Portion of Increased Value 25% of increase in value (if available from net proceeds)	$31,000.00		**Owner's Portion of Increased Value** 25% of increase in value (if available from net proceeds)	No increase in value – Owners portion is $0.00
Total Fair Return on Investment to Owner Owner's Investment plus 25% of increased value, as available from net proceeds ($41,000.00 in DPA assumed by next buyer – this equals total paid down on owner's $164,000.00 mortgage plus the 25% increase in value)	**$46,402.12**		**Total Fair Return on Investment to Owner** Owner's Investment plus 25% of increased value, as available from net proceeds (owner cannot receive full amount of equity - current appraised value cannot be exceeded – reduced by $10,402.12) **$5,000 is calculated by subtracting current appraised value from purchase price of current owner*	**$5,000.00**
Maximum Sales Price to next Low-income Buyer – Owner's original sales price plus Fair Return on Investment, or current maximum HOME sales price limit, whichever is less.*	$236,000.00		**Maximum Sales Price to next Low-income Buyer** – Owner's original sales price plus Fair Return on Investment, or current maximum HOME sales price limit, whichever is less.* Sales price to buyer may *never* exceed appraised value	$210,000.00

***THE FINAL SALES PRICE OF ANY HOME UNIT CAN <u>NEVER</u> EXCEED THE HOME MAXIMUM SALES PRICE LIMIT IN EFFECT AT THE TIME OF SALE, OR APPRAISED VALUE OF THE UNIT. IF THE SALES PRICE PRODUCED BY THE SALES PRICE CALCULATION EXCEEDS ONE OR BOTH OF THESE LIMITS, THE LOWER OF THE HOME MAXIMUM SALES PRICE OR APPRAISED VALUE IS THE SALES PRICE OF THE UNIT.**

- In the event the calculated price is above the maximum allowed by the HOME Program, the sales price must be reduced to the maximum sales price allowable for the County/metro area in which the unit is located. The Fair Return on Investment to the seller (if available from net proceeds) must be reduced accordingly to ensure the resale price does not exceed the HOME Maximum Sales Price Limit.

- If value has decreased, owner may receive a reduced return based on what proceeds are available. Owner will receive no return if there no available net proceeds after payoff of the primary mortgage loan.

- The maximum sales price for a new construction unit is higher than the maximum allowed for an existing unit. Make sure to utilize the limits for *existing homes* before completing the sales price calculation for any resale.

ANNUAL ADMINISTRATIVE PLAN REFERENCES

- Annual Administrative Plan
- Property Standards at project completion
- Chapter 2B- Homebuyer Activities HOME Program - Home Page
- Chapter 6- Federal Cross-cutting Regulations and Requirements - HOME Program - Home Page
- Chapter 7- Long term Compliance and Monitoring Requirements for rental and homebuyer properties - HOME Program - Home Page
- Chapter 9- Voluntary Acquisition and Uniform Relocation HOME Program - Home Page
- Exhibit C1- HOME Rehabilitation Standards HOME Program - Home Page
- Exhibit E- Maximum Homebuyer Sales Price Limits HOME Program - Home Page
- Exhibit G- Section 3 HOME Program - Home Page
- Exhibit O- URA & Voluntary Disclosure Sample Forms HOME Program - Home Page
- Exhibit T- Affirmative Marketing Plan HOME Program - Home Page

ADDITIONAL REQUIREMENTS- HOMEBUYER

- **60-Day Rule (HOME)**

  Any unit not under contract after 60 days on the market requires an updated property valuation and marketing consultation with IHFA
  Property Valuation Form (Exhibit O) - HOME Program - Home Page

Rehabilitation Standards

If the activity includes rehabilitation of the unit, then submit a signed copy of rehabilitation standards. Authorized Signatory acknowledges Owner-Developer is aware of these standards as well as how to develop a scope of work, rehab budget, and meet all the requirements identified in the Standards:

- HOME Program (Exhibit C1) - HOME Program - Home Page HTF Program (Exhibit C2) - HOME Program - Home Page

MARKET ANALYSIS CHECKLIST

Is The Market Area Clearly Defined?	Does the proposal include market area maps, census data, local economy, growth rate, net in-migration, and net out- migration?	
Is There Market Demand?	Does the proposal include socioeconomic conditions, predictions, demographics, of potential buyers, # of income-eligible households in market area? Is there potential competition for the project, i.e. rental market, other affordable housing in the area?	
What Is The Condition Of The Current Housing Stock?	Does the proposal describe the physical condition and age of current housing stock in the proposed market area?	
Is There A Need For The Type And Number Of Housing Units Proposed?	Does the proposal include Sales activity information for the previous 6 months that clearly indicates the comparable housing market grown or contracted?	
What Is The Market Area Absorption Rate?	Does the proposal include the following information? • What is the overall supply of comparable housing to overall housing in the market and how many months of supply? • What is the average number of listing days of comparable housing? • What is the percentage of low-income households compared to overall population? • What are other homeownership options already available in the area (including your current projects in the pipeline)? • What are the price, location, amenities, and financing of units in the area that is most directly comparable to the proposed housing (Project pricing needs to be competitive, but are there factors that could offset your program advantages)?	

☐ 1. Narrative

☐ 2. Written Procedure to Determine Feasibility of a Section 504 reasonable accommodation/modification request & Visitability Procedure

☐ 3. Market Analysis

☐ 4. Affirmative Marketing Plan (if applicable)

☐ 5. Section 3 Developer Plan

☐ 6. Estimated Budget & Sources and Uses

☐ 7. Copy of IRS Non-Profit Designation

☐ 8. Current IRS Standing

☐ 9. Resumes/Statement of Experience – all staff involved in project/activities

☐ 10. Affirmatively Furthering Fair Housing Resolution

☐ 11. Signed Rehabilitation Standards (Rehab projects only)

☐ 12. CPA audited financial statements

I certify I have verified all above documents have been submitted, as applicable, and are true and accurate to the best of my knowledge. I understand I will be notified by IHFA if additional information is required to finish review of my application. I agree to provide any additional information requested within the specified timeframe. I understand if my application is not complete, or if requests for additional information are not resolved within the timeframe requested, my application may be denied.

_____________________________________ _______________

Authorized signature Date