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Homebuyer Activities (FEE SIMPLE)

This chapter describes the requirements for development of single family housing with HOME or NSP funds.

Applicability

HOME & NSP Programs

Eligible Activities

- Homebuyer Activities Owner-developer must be a qualified non-profit or unit of local government
 - [Homebuyer Properties Activity](#) (Fee Simple)

DEFINITIONS & GENERAL REQUIREMENTS**Eligible Costs (24 CFR §92.206)**

- Acquisition of real property to include land and existing structure(s)
- 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

Eligible Homebuyer Activities

Homebuyer Properties Activity-Owned and developed by HOME department approved and qualified non-profit developers or unit of local government. Owner-Developer acquires the property 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 §58.35(b)(5))

The appropriate level of Environmental Review and Clearance must be completed by the HOME department prior to a commitment of federal funds to any activity. **For additional information regarding requirements for Environmental Reviews, see Chapter 10.**

Fair Market Value

HOME defines Fair Market Value (“FMV”) as the negotiated final sales price as agreed upon to by a willing seller and a willing buyer. 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)

Financial Accountability Standards

CPA audited statements, prepared by an unaffiliated third party CPA or firm, 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 of federal resources is required to complete a single audit of the federal program within 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. Financial standards and audits must comply with the federal regulations of [2 CFR §200, Part D](#).

Should an organization have identified material weaknesses in the financial audit, the HOME department requires an update of the improvements to correct the weaknesses. Certain material weaknesses may result in the organization being denied for funds, as time is the only remedy to resolve issues.

The HOME department will determine if the recipient has adequate financial management systems and practices in place as well as sufficient financial resources to carry out the project to completion. The HOME Department reserves the right to require interim financials at its sole discretion.

Homebuyer Eligibility and Approval

Determination is made after all homebuyer information received, **including application for HOME assistance**, and prior to entering into a purchase and sales agreement with the homebuyer. **The HOME Department will review all information and make best efforts to provide a feedback on the submission within seven (7) business days. When HOME has reviewed all necessary information to make a determination, the decision will be relayed to the lender as soon as possible. This decision is final and evaluates all risks associated with the investment of federal resources.**

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 50% AMI -120% AMI or, as determined by the HOME department.

HOTMA: Effective January 1, 2024 with a minimum program compliance deadline of January 1, 2025. SF will begin using HOTMA rules for income calculation as of April 1st, 2024. More information will be made available prior to April 1, 2024.

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 Program Sales Price Limits](#).

(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.~~

Except for approved developer fee, nonprofit owner/developers cannot receive any profit or proceeds from the project, other than reimbursement of development costs. Developers may not charge any fees to eligible households. 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

Methods Used to Recapture HOME and NSP Funding

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 [24 CFR §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 a 0% interest, due on sale or unapproved cash-out refinance loan.

NSP Only-The 25% Program Rule

25% of NSP funds must target households with an annual gross income ≤ 50% AMI

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.

Period of Affordability (POA)

In the event the single family unit fails to be sold in the nine month time frame and converts to a rental unit; the following POA will apply to the developer. The Memorandum of Restrictive Covenants, Deed of Trust, and Note will remain in place with the developer.

All Homebuyer Activities	
Total Federal Funds	Period of Affordability
Rehabilitation	15 years (180 months total)
New Construction	20 years (240 months total)

Defined as the period of time a homebuyer is expected to reside in the assisted unit as their Principal 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~~ See Chapter 2D for homebuyer POA.

The Principal Residency Requirement is in effect only during the POA. It is enforced through a deed restriction with the homeowner.

Principal 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. **The HOME department does not require the Developer to provide all details related to the POA, but does request minimal information be provided to the prospective buyers.**

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)¹ **or the National Standards for the Physical Inspection of Real Estate ("NSPIRE") when officially implemented by HUD.**

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 [49 CFR 24.101\(b\)\(2\)\(i\)](#) Completion of the Voluntary Sale/Environmental Review/Uniform Relocation Assistance Disclosure forms. See [Admin Plan Exh O²](#)

Homebuyer Properties Activity**Activity Description**

Qualified non-profit development organizations and qualified units of local government who 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 at: <https://www.idahohousing.com/federal-programs/home-program/>)

Homebuyer must qualify for and accept the maximum amount of a first (1st) lien mortgage financing available and affordable to the buyer, as defined under "Maximum PITI" and "Maximum Debt-To-Income" in Chapter 2D – Down Payment Assistance and Homebuyer Qualification. In order to comply with HOME/NSP maximum ratios, the mortgage loan amount may be adjusted after the HOME department determines the amount of HOME/NSP funds to be provided to the Homebuyer. **See Chapter 2D Maximum Allowable Subsidy to Homebuyer**

¹ HUD-CPD adopted the **National Standards for the Physical Inspection of Real Estate ("NSPIRE")** as the HOME program's property standards for all housing activities **effective October 1, 2024. However, as of this date, HUD Office of Affordable Housing Programs has not implemented the standard. Until implemented by HUD, HQS remains in effect as HOME's default property/housing quality standard until NSPIRE becomes effective**, in addition to any local standards in existence.

² <https://www.idahohousing.com/documents/2023-admin-plan-exh-o-ura-voluntary-disclosure-sample-forms.pdf>

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](#)).

Developer Fee

Developer Fee is based on total cost of development as reflected in the IHFA approved budget. Final Developer Fee will be based on actual costs, and will be reduced if final costs are less than the approved budget amount. No additional Developer Fee will be paid on approved budget overages.

HOME, NSP, and/or HTF Projects (no Low-Income Housing Tax Credits)

Developer Fee is calculated based on the following:

- **Minor Rehabilitation** – 10% of total project cost (includes hard and soft costs) when rehab costs are $\leq 10\%$ of the purchase price. To be determined by physical inspection according to HOME rehabilitation standards and approved budget;
- **Moderate Rehabilitation** – 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.
- **New Construction** -15% of total eligible project costs

Developer Fee Schedule- Single Family only

Developer Fee is calculated at budget approval, and adjusted at final disbursement after the property is sold to a qualified homebuyer and all final documentation is received by IHFA. Disbursement schedule is as follows:

- 25% at acquisition
- 25% at 50% completion (drywall stage for new construction)
- 25% at Certificate of Occupancy or completion of rehabilitation work
- 25% at closeout when all necessary info has been submitted and approved by IHFA

Eligible Owner Entities

- IHFA Certified CHDOs
- Other qualified, **IHFA approved** 501(c)(3) housing development organizations
- Qualified Local unit of government, **as approved by IHFA**

Estimated Completion Schedule

Construction or rehabilitation must begin within 12 months of the date of the commitment of HOME/NSP funds, and the property must meet the applicable local and/or state code for new construction, standards, and ordinances when complete.

Developers/contractors must provide an estimated completion date for the following new construction milestones at the time the Loan and Regulatory Agreement is executed:

- Site work/infrastructure
- Foundation
- Framing
- Rough-ins (HVAC, Electrical, Plumbing)
- Drywall
- Paint
- Flooring/Counter tops
- Finish Work
- Certificate of Occupancy (CO)

For rehabilitation projects, milestones will be set on a per project basis, and will be based on the rehabilitation work required to be completed to bring the unit(s) up to code, and applicable HUD quality standards.

HOME/NSP Loan terms (Fee Simple Only)

- ~~Zero Percent (0%) interest~~
- ~~Due on sale, default, cash out refinance (unless it meets specific conditions as required by IHFA) or non-compliance with conditions identified in the Note~~

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
- See New Exhibit K of this Administrative Plan for additional general information.

Manufactured Housing

- Must comply with applicable state and local laws and codes 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 Part 3280](#)
 - 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](#)
 - Engineers Certification required for installation of manufactured housing
 - **Manufactured housing which has been moved from its original installation site may be eligible, but requires prior approval from IHFA due to financing challenges for buyers. Please contact IHFA to determine feasibility.**
 - Proof of Conversion to Real Property will be required prior to completing sale to any homebuyer. This process may vary by County or City – Developer must comply with local requirements to complete this process.
 - Developers must consult HOME/NSP before moving forward with a manufactured housing project to verify requirements.

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) in [24 CFR §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). HOME units must be sold to an eligible household for the lesser of Fair Market Value; OR, the total cost to acquire the develop the unit (includes all hard costs, soft costs, developer fees and land costs from all sources).

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 a 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.

Maximum Subsidy Limits

Defined as the maximum amount of HOME or NSP funds that can be invested on a per-unit basis.

HOME 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 Limits³](#). HOME maximum subsidy limits may never be exceeded under any circumstances. If

³ <https://www.idahohousing.com/federal-programs/home-program/>

the project is under the subsidy limit and costs increase, the HOME department may approve change orders/overages for eligible costs within 25% of the approved budget.

NSP subsidy limit is determined by the HOME department's review and approval of expected and/or actual costs. Each project will be evaluated for cost reasonableness, subsidy layering, and feasibility. Total allowable costs will be determined by the HOME department's review and approval of the project budget, plus 25%. The HOME department may approve change orders or overages for eligible costs *if* they are determined to be reasonable and acceptable.

Occupancy Status of Acquisition Property

- Must be vacant for a minimum 90 days prior to contract or owner-occupied (by the Seller)
- No tenant-occupied properties

Project or Activity Completion Date

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

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
- Uniform Federal Accessibility Standards (UFAS) - as applicable to federally-assisted homeownership housing.
- The Buy America Preference will apply to all HUD Federal Awards obligated by HUD to IHFA, on or after August 23, 2024; as guidance becomes available, the HOME Department will provide updates.

~~Newly Constructed or Rehabilitated Housing~~

~~Construction or rehabilitation must begin within 12 months of the date of the commitment of HOME funds, and the property must meet the applicable local and/or state code for new construction, standards, and ordinances when complete.~~

~~Developers/contractors must provide an estimated completion date for the following new construction milestones:~~

- ~~○ Site work/infrastructure~~

- ~~Foundation~~
- ~~Framing~~
- ~~Rough-ins (HVAC, Electrical, Plumbing)~~
- ~~Drywall~~
- ~~Paint~~
- ~~Flooring/Counter tops~~
- ~~Finish Work~~
- ~~Certificate of Occupancy (CO)~~

Rehabilitation of Existing Housing

Rehabilitation will follow HOME department 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 must have a minimum remaining useful life for a minimum of five (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.

The HOME department will use the Home Inspection Report performed by a HOME department third party inspector to identify the scope of work.

Property Inspection

An IHFA approved fully independent third party Home Inspection Report is required to be completed by an approved IHFA inspector, and must comply with HQS, UPCS, **NSPIRE (anticipated effective date October 1, 2024)** and/or any other applicable HUD or IHFA 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)
- Lead Based Paint (LBP) Risk Assessments (as applicable)
- Risk Assessments/Inspections for risk factors such as Methamphetamine or other contaminants (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

Reimbursement Request

Submitted reimbursement requests will be subject to approval by the HOME Department and must follow established procedures found in Chapter 6 and the Loan and Regulatory Agreement.

Escrow Disbursement Request - Based on the organizations board approved budget or audited financials, if the organizations' gross income is less than \$500,000 for the program year, as verified by IHFA; the organization may be eligible to have costs reimbursed through Escrow.

Substandard Condition But Suitable for Rehabilitation

Prior to acquisition, if a residential property is defined as Substandard but can be brought up to the applicable existing state and local (applicable) code for existing structures and property/housing quality standards, and the applicable property standard, at a total project cost that is less than <75% of the property's replacement cost.

Substantial Rehabilitation

- Rehabilitation costs on substandard housing with a total repair/replacement costs greater than 75% of the property's total replacement cost.
- Five percent (5%) of the all rental dwelling units or a minimum of one must be made accessible to persons with mobility disabilities. In addition, 2% of the dwelling units, or a minimum of one unit (whichever is greater), must be made accessible to persons with hearing or visual disabilities.
- At its discretion, IHFA may waive the 75% total replacement value threshold if the rehabilitation activity meets one of the following designations, and other conditions as IHFA deems appropriate
 - The property currently serves a Special Needs population as defined in the current Five-Year Consolidated Plan; or
 - The property receives Project-Based Rental Subsidy and will continue to do so during the period of affordability
- **Substantial rehabilitation projects require prior approval from IHFA**