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Homebuyer Activity (Down Payment Assistance – DPA)

IHFA continues to recognize the importance of creating and preserving single family homeownership opportunities due to:

Increasing costs to develop housing for a range of incomes,

Changing federal regulations which are more administratively burdening, and

Forthcoming changes to Affirmatively Furthering Fair Housing.

DPA assists income eligible households, meeting all program requirements with a **down payment and closing cost assistance loan** for the purchase of an eligible housing unit. If not for the assistance and opportunity to use HOME funds, the household would not be in a position to purchase the house. HOME DPA funds are used to directly assist the buyer in the acquisition of the housing unit. Funds will be sent on behalf of the eligible buyer to a title company for disbursement. ~~HOME DPA funds do not go to a partner directly, rather may be reserved on behalf of a development or partner who will construct or assist in identifying a housing unit, free of federal development/acquisition funds; if funds are available.~~

Unless outlined as a “pilot program”, DPA reservations will be made available through a competitive request for proposal (RFP) as funding allows, ~~or at IHFA’s discretion and should funding be available, HOME DPA may be made available on the open market for homeowners to apply directly with HOME for assistance.~~

Applicability

HOME Program

Eligible Activities

Homebuyer Down Payment Assistance:

- Direct Down Payment Assistance to qualified households of Fee Simple housing (NO CLT or Resale)
- Homeowner Rehabilitation for FSS recipients
- Homeowner Rehabilitation – possible limited pilot with partners or buyer direct (IF permitted based on funds availability, capacity, and successful FSS Pilot)
- Subrecipient awards for DPA, as authorized by HOME

DEFINITIONS & GENERAL REQUIREMENTS**General Requirements**

- Direct assistance to the homebuyer ~~for down payment and/or closing costs, and for eligible repairs (FSS program or as otherwise permitted and approved by HOME for a limited pilot)~~
- 0% Interest
- Second loan ~~second/junior lien~~ (when amount provided is less than primary mortgage loan – if more than primary mortgage HOME may not accept second position - see Maximum Subsidy Limits to Homebuyer)
- Due-on-sale, transfer, cash out/equity withdrawal ~~(including reverse mortgage)~~, or default
- Principal Residency requirement ~~during period of affordability~~
- ~~No deed restrictions or resale requirements permitted~~

General Application Process:

- ~~Lender requests instructions and HOME required documents from HOMESF@ihfa.org. All questions and inquiries regarding HOME DPA will also be sent to this email.~~

- ~~Lender determines the maximum mortgage loan amount which can be offered to the homebuyer based on income and agency guidelines. This approval should NOT be based on any amount of assumed HOME funds or trying to meet the HOME housing expense and debt to income ratio requirements. This is simply determining the max approval which could be offered.~~
- ~~Lender submits a complete loan package, per the instructions provided, for HOME's review. HOME makes all determinations for HOME DPA, and will not accept partial submissions or documentation which does not meet the necessary standards. HOME will communicate questions, additional needs and decisions to the lender.~~
- ~~HOME determines the DPA amount to be provided based on income, housing expense ratio, back end debt to income, and other factors. If HOME DPA is approved, it may reduce the first mortgage loan amount, if HOME determines this is necessary for affordability.~~
- ~~A non refundable application fee in the amount of \$100 will need to be submitted. The application fee helps cover the costs of processing and underwriting the loan.~~
- ~~TBD by activity type as processes and software capabilities are updated in Fall 2025 and throughout 2026 – contact HOMESF@ihfa.org for direction on submission of a new application~~

HOME Minimum Program Eligibility Requirements

Meeting primary mortgage lending guidelines and/or income at or below the applicable HOME income limit does not guarantee approval by the HOME department. HOME considers not only income, but also long term feasibility of all obligations based on history and documentation available at the time of submission. HOME will not approve files which it determines may create financial hardship for the household, or which require an amount of assistance it determines to be infeasible to create affordability.

- 80% AMI or less household income, per applicable HOME Maximum Income Limits (HUD-CPD) at the time a purchase and sale agreement is executed. If household is qualified prior to PSA execution (currently FSS only), the limit in place at the time of submission will be used for qualification, and will be adjusted when the PSA is executed, as applicable.
- The income of all occupants 18+ must be counted in the household income calculation. Legally married borrowers must include the legal spouses income, assets, and obligations, even when spouses are separated, do not live together, maintain separate finances, etc.
- Credit Score must be a minimum of 640 (average of all three scores – NOT mid-score) and meet primary lender as well as all IHFA-HOME guidelines; provide a Tri-merge credit report to be reviewed by the HOME department, dated no more than 90-120 days prior closing. HOME will complete a soft credit pull at the time of application submission and may complete a second soft pull if anything changes or if the household does not close within six months of initial submission. IHFA-HOME may pull its own tri-merge credit report for qualifying if household is not yet working with a lender, or it cannot obtain an acceptable tri-merge credit report from the lender. IHFA-HOME will attempt to coordinate with lender whenever possible for hard pulls so as not to adversely affect credit, but retains to the right to pull a separate tri-merge credit report at its sole discretion.
- Non-traditional credit may be considered if household has the ability to meet the minimum requirements, as outlined under “Credit Score and Non-Traditional Credit.”
- A \$100 application/origination fee will be collected at closing to offset credit reporting, underwriting, and processing costs. Households will need to be prepared to bring a minimum of \$100 to closing.
- Mortgage payment is no more than ~~50%~~ 25% increase over household's current housing expense. More than a ~~50~~ 25% requires a Letter of Explanation detailing how the household will be able to manage the large increase in housing expense. For approval of this increase, the household must maintain financial surplus each month rather than depleting all available funds (i.e. must have history of enough surplus to cover the requested increase), must have history of on-time payments, minimal debt, etc., and must receive approval from the HOME department. Households who fully expend all available funds each month without

maintaining reserves, and/or whom experience negative cash flow or recurring overdrafts, may not be eligible for consideration. ~~Files exceeding a 50% housing expense increase over previous housing expense may be denied at HOME's discretion.~~

- Zero housing expense or rent equal to less than 50% of the estimated mortgage payment (i.e. rent at \$300 a month – mortgage of \$1,550 a month – 81% increase), may be considered high risk. HOME will evaluate the detailed LOE provided, along with other supporting documents in the application to determine reasonableness of considering the request. Thorough explanations are crucial. Applicants who provide minimal or no information describing their current and/or previous circumstances which led to the current living arrangement, and how they will manage the substantial increase in housing expense will not be considered.
- Household must have enough income to sustain all current financial obligations (i.e. auto payments, student loans, credit cards, etc.), new mortgage payment, plus standard homeownership maintenance/repair costs, utility cost increases, and increases in tax/insurance costs adjusted annually per the homeowner's escrow analysis. HOME will also ensure the household has enough income after those obligations for necessities such as food, gas, auto insurance, medical/pharmacy co-pays, etc.).
- ~~Reserves (savings) equal to at least one month of proposed mortgage payments preferred at the time of application.~~
- Late payments in the last 24 months, including rent, will require a detailed Letter of Explanation. Late payments may disqualify the household if they occurred in the last 12 months, applicant has a history of late payments, and/or explanations do not align with documentation provided in the application or any third party verifications received by IHFA.
- No bankruptcies, foreclosures, or short-sales in the last three (3) years, and no more than one (1) of each type on record. *Lexis Nexis will pull history older than 7-10 years. will be evaluated at the time of submission, and may result in denial.*
- No evictions in the last three (3) years, ~~or late rent payments in the last (2) years will be evaluated at the time of submission and may result in denial.~~
- Repossessions, charge offs, or other similar types of serious derogatory credit reported in the last 24 months will disqualify the household, even if the current balance of the account is zero. These are not permitted to be paid in order to qualify.
- ~~Repossessions or charge offs within 24 months may result in denial. Late payments and other derogatory credit in the last 12-24 months will be evaluated on a case by case basis.~~ Closed repossessions/charge offs with a zero balance older than two years, but less than four, require a detailed Letter of Explanation for why they occurred and how the households circumstances have changed since those occurred to document the loan file. Older than four years, no explanation is required, provided the balance is zero.
- No open collections (including medical), judgments or liens are permitted at the time of closing. Outstanding balance of all items together (inclusive of all applicants on the application, NOT per person) cannot collectively exceed \$2,000 at the time of submission. Applications with collective balances exceeding this threshold will not be considered for HOME assistance.
- Total collection/lien/judgement balances below \$2,000 (collective – all accounts/applicants) must be paid in full at or before closing, with supporting documentation. If paid at closing, applicant must bring at least the amount of the required payoff(s) to closing from their own funds. No HOME funds or any other DPA or mortgage loans can be used to pay outstanding debts. If applicant does not pay all outstanding collections, liens, and/or judgement balances, the HOME application will not be approved. ~~On a case by case basis, HOME may allow open collections which are on a documented repayment agreement with creditor/lien holder, have a documented history of compliance with the agreement, and this documentation is provided at the time of submission. HOME may deny the file based on collections.~~

- First Mortgage approval by a reputable Lender/ Broker or USDA-RD Direct, or loan reservation from IHFA if using an IHFA loan (except USDA-RD Direct loans). If using a non-IHFA loan, terms and conditions must be provided to IHFA-HOME and are subject to HOME Department approval.
- HOME has procured (or will in early 2026) preferred lenders familiar with the HOME Program, and with whom the relationship is mutually beneficial, through a competitive Request for Proposal process. HOME will provide prospective borrowers and partners a list of preferred lenders. Buyers who desire to use a lender who is not on the list will be permitted to do so, so long as the lender is willing to work with HOME requirements, comply with all HOME regulations, and partners/collaborates with IHFA-HOME. Using these procured lenders assists HOME with regulatory compliance, creates consistency across all submissions and files, and ensures smoother transactions and closings.
- ~~ITIN Loans allowed if approved by primary lender, and borrower meets all other requirements.~~ Borrowers must be permanent residents of the US and must be able to provide such documentation in connection with an application for federal assistance. ITIN loans are not permitted, even when allowed by lender.
- Household must be able to demonstrate need for assistance – i.e. household does not have down payment funds, other forms of assistance, or other resources (including gifts) which achieves affordability based on the income level of the household and/or can demonstrate a gap between available funding and affordability. *Reiterating, if not for the HOME assistance, the household would not have the same opportunity to purchase the housing unit.*
- Household ~~must not~~ wholly or partially own any other property (land/residence) suitable for occupancy, ~~must not have owned any type of property within 36 months of application, and must not~~ be responsible for any other mortgage at the time of application. Residential property ownership or existing mortgage responsibility will result in automatic denial, ~~and the household will not be able to re-apply for at least 12 months.~~ This includes manufactured housing, modular housing, or any other type of dwelling unit, even if classified as personal property. (Does not include RV's, 5th wheels, or camp trailers)
- If household owns a dwelling not suitable for occupancy (i.e. dilapidated manufactured unit on a rented lot), as documented by city condemnation, letter from municipality deeming unit uninhabitable, or some other city/municipality level ruling of non-suitability, the ownership may not disqualify the household; however, the unit must be sold or otherwise disposed of and ownership must be terminated prior to closing with transfer or cancellation of applicable title. Documentation of proceeds received, as well as transfer or cancellation of title will be required. Any proceeds from the sale/disposal of the dwelling will be counted in household assets, and imputed asset income may apply. Household may be required to invest all or a portion of the proceeds into the new unit.
- Land ownership, even when no dwelling unit is present or constructed, is not defined as “not suitable for occupancy” and disqualifies the household from HOME assistance.
- ~~Household must not have owned a home (land or residence) within 36 months of application to purchase a HOME unit. (Includes all types of housing/property listed above)~~
- Buyers will be required to sign a certification they have disclosed all assets from all sources to IHFA, an acknowledgement they understand the HOME requirements which will be imposed, a fraud certification which certifies they understand what information they must disclose and have provided all information required, and ~~an Affidavit to the application which certifies to specific information and documentation provided by the household during the application process.~~ HOME may cancel an application if undisclosed information is discovered during the review process.
- ~~Buyers will sign an acknowledgement detailing their right to: choose a lender, choose a homebuyer education and housing counseling provider, to be represented by a realtor they choose, and to choose the title company~~

~~and title agent they want to close with. They also acknowledge that they are not required to sign any agreement or document which prevents utilizing or choice of any of these services or providers.~~

- IHFA-HOME reserves the right to deny any application if it determines the file does not meet one or more HOME, IHFA, or HUD requirements. This can be for concerns regarding financial distress for the household, or if it determines the file is too high risk; even when approved or permitted by lender or other funding sources. IHFA-HOME's decisions are independent of all other programs and regulations. Final underwriting may differ from the determinations and decisions of other funders. These decisions are final and nonnegotiable.
- Lenders/partners who attempt to coerce IHFA-HOME into changing any decision or to make exceptions to requirements, procedures or policies; who control and/or limit the information submitted to HOME or HOME's involvement in a transaction; who encourage or assist households to omit, hide, or fabricate information; or who are not courteous and professional in their interactions with IHFA-HOME may be prohibited from working with HOME on future applications.

Assets and Imputed Asset Income

Non-necessary personal property with a total combined value exceeding \$52,787 must be disclosed, along with third party source documents documenting items and values. Some examples include vintage baseball cards, recreational boats, coin collections, art or collectibles, jewelry, rare/vintage vehicles, etc. Necessary personal property like clothing, furniture, and vehicles used for commuting are excluded.

Total assets are the collective balance of assets from all sources. This includes personal property over \$52,787, cash, bank accounts, certificates of deposit (CD's), crypto currency, all types of retirement accounts, pensions, investments (stocks, bonds, Treasury Bills, mutual funds, etc.), ESOP's, revocable trusts, etc. Cash value of commercial property ownership (land, building, etc.) is included in total assets. This may require a current valuation to determine current cash value.

The household's total assets cannot exceed \$105,574 at the time an application is submitted. Households whose assets exceed this maximum will not be considered for HOME assistance. Exceptions may be considered for elderly (age 62+) or disabled households, at HOME's sole discretion. Be advised a legal spouse's assets must be disclosed and counted, even when spouses are separated, not living together, keep separate finances, etc.

Liquid assets (defined as ALL assets *except* retirement specific funds like 401ks, IRA's, pensions, or personal property) are limited to a maximum of \$2530,000 at closing, unless IHFA has pre-approved excess funds to be used for necessary repairs/replacements to the housing unit to meet the necessary HUD quality standards ~~for a homeowner rehab project (FSS only). Exceptions for work to the unit will only be approved for necessary repairs. This does not include cosmetic upgrades, new appliances, etc. unless those items are identified as deficient in a qualified home inspection report.~~ Households with more than \$2530,000 in liquid assets, but less than the maximum of \$105,574, will be required to invest the additional liquid funds into the purchase at closing. With advance consent from HOME, it may be acceptable to use some or all excess funds to pay off/pay down existing debts or obligations in lieu of investing in the home. Borrower must be able to prove use of funds if requested. HOME down payment assistance will be reduced by the amount the household is required to invest, or as otherwise determined by HOME. ~~If the household is unwilling to pay off/pay down debt and/or invest all liquid funds over \$30,000.00, the application for HOME assistance will be denied.~~

Income generated from an asset ("Imputed Asset Income") is recognized as a component of HUD's Annual Gross Income calculation for HOME program eligibility purposes. Imputed asset income is generated on all liquid assets, retirement accounts, mutual funds, stocks, and any other type of account which has a positive balance, even when funds cannot be drawn until retirement. Imputed asset income applies to the total household balance of

funds from all sources over **\$51,600****52,787** and is figured using HUD's Passbook Savings Rate of .04**05**%. (or \$.40 for every \$100 dollars)

Example of Borrower Assets, Imputed Asset Income, and Required Investment:

\$27,500.00	401k (through employer)
\$9,420.00	IRA (private)
\$13,254.00	Edward Jones (private investments)
\$7,500.00	Cash on hand for emergencies (must be disclosed)
\$6,387.00	Primary Checking @ ABC Bank
\$2,855.00	Secondary Checking @ XYZ Credit Union
\$23,519.00	Savings 1 @ ABC Bank
\$3,952.00	Savings 2 @ XYZ Credit Union
\$94,387.00	TOTAL HOUSEHOLD ASSETS

\$94,387.00 - \$52,787 = \$41,600.00	TOTAL assets subject to imputed asset income
\$41,600.00 X .0040 = \$166.40	Imputed Asset Income added to income calculation

\$36,920.00 (401k and IRA)	Total Retirement Assets not subject to required investment
\$57,467.00 (Cash, bank accounts, Edward Jones)	Total Liquid Assets

\$57,467.00 - \$30,000.00 = \$27,467.00	REQUIRED INVESTMENT FROM LIQUID ASSETS AT CLOSING
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Assets may not be temporarily withdrawn or moved in an attempt to hide assets or intentionally not disclose for the purposes of **qualifying, fabricating the household's need for assistance, or appearing to be below required program or regulatory thresholds**. This is fraud. Applicants, beneficiaries, lending partners, and any other person/agency assisting a down payment assistance applicant are responsible for ensuring submission of accurate and truthful information in connection with any federally funded application. Any attempt to defraud the federal government, which includes intentional and unintentional omissions, can result in criminal and civil penalties, including confinement for up to five (5) years, fines, and civil penalties. (18 U.S.C. §§287, 1001 and 31 U.S.C. §§3729).

Buyers will be required to sign a certification they have disclosed all assets from all sources to IHFA. HOME may deny an application if additional undisclosed assets are discovered at any time during the review process, or prior to transfer of title to the applicant. If undisclosed assets are discovered after transfer of title, the household may be required to repay all federal resources provided on their behalf.

Units may not be purchased with cash vs. a qualified mortgage loan, **even when the cash to purchase is not coming from the applicant(s)**. Households with adequate liquid assets or familial/other assistance to pay for the unit without the need for a mortgage loan, or the ability to provide substantial down payment from their own assets or familial/other resources, may **be denied due to inability to not be able to adequately demonstrate** need for federal financial assistance. **This determination is at IHFA-HOME's discretion.**

Buy-Back Liability for Lender/Broker

If loan is to be purchased by IHFA or another servicer, lender or broker must buy back the loan if IHFA or other servicer declines to purchase 1st mortgage due to deficiencies in loan setup, or if the loan is not purchased by USDA-RD.

Cash Back at Closing

Cash back to buyer at closing is not permitted unless BOTH of the following apply:

- Cash back is from a refundable portion of buyer's own investment (i.e. additional earnest money that exceeds the \$500 minimum required). HOME funds may **never** be provided to a buyer in the form of cash.
- The HOME department has approved the partial refund prior to closing.

Combined Loan to Value (CLTV)

HOME generally allows the first lender to determine and approve the Loan-To-Value¹ / Combined Loan-To-Value² of the 1st lien. It is the responsibility of the lender to ensure LTV/CLTV meet IHFA's, USDA-RD's, or other servicer's guidelines for loan purchase. **IHFA-HOME may not accept lenders determination if it deems the values to be too high risk or puts the homebuyer into a finically distressful position.**

Credit Score and Non-Traditional Credit

Credit Score must be a minimum of **640 (average of all three scores – NOT mid-score)**. The applicant will also **need** to meet primary lender as well as all IHFA-HOME guidelines; provide a Tri-merge credit report to be reviewed by the HOME department, **dated no more than 90-120 days prior closing**. HOME will complete a soft credit pull at time of application submission and may complete a second soft pull if circumstances change or if the household does not close within six months of initial submission. **IHFA-HOME may pull its own tri-merge credit report if household is not yet working with a lender, or it cannot obtain an acceptable tri-merge credit report from the lender.** IHFA- HOME will attempt to coordinate with lender whenever possible for hard pulls so as not to adversely affect credit, but retains to the right to pull a separate tri-merge credit report at its sole discretion.

HOME reserves the right to decline **based on credit or other factors** if borrower is determined to be too high risk by federal or IHFA-HOME standards, even if permitted or approved by primary lender. For prospective buyers who can document they do not have a credit score, the HOME department will evaluate the following:

- Non-traditional credit model **may** be considered for households who have **NO** credit, and who can meet the minimum requirements below. Non-traditional credit may not be used as an alternative for poor or negative credit:
 - Documentation of no credit report/credit score available from **Equifax or Experian. TransUnion is not accepted to document no credit score.**
 - Detailed Letter of Explanation stating why the household does not have credit, and how they manage their obligations and pay their bills, to document the need for non-traditional credit consideration.
 - Total maximum back-end DTI permitted is 35% - If there are obligations which are not reported to credit (such as a personal loan from an individual), please disclose those contractual obligations, as well as the documented payment history so we can consider this during our review.

¹ LTV – first loan amount divided by appraised value

² CLTV – first loan amount plus any down payment assistance or other subsequent liens divided by appraised value

- Credit references – At least three credit references are required. **Rental housing history must be one of the credit references if there's any rental history in the last three years.** If the household does not currently or has not had any rental obligations in the last three years, a detailed LOE explaining the lack of housing expense will be required to be submitted with available credit references.
- Two other credit references can be any utility service (power, natural gas, water/sewer/trash), television service, internet service, or phone service. If there are no rent obligations to submit, three references may be selected from this list.
- If three references cannot be obtained between rent, utilities, television, internet, or phone services, these items *may* be acceptable, subject to IHFA-HOME's review:
 - Insurance premiums (if paid monthly and NOT payroll deducted)
 - Rent-to-own payments (must be in the last 24 months)
 - Payment of medical bills (ONLY if not in collections and set up on a monthly payment plan with at least three months of established satisfactory payment history – must be within the last 24 months).

This may not be an all-inclusive list of requirements, as needs may vary. Requirements are subject to change, as determined by IHFA-HOME's review. *Agreement to review non-traditional credit does not guarantee approval, even if file meets lender guidelines, and/or lender believes file meets HOME guidelines.*

Credit Reporting – IHFA-HOME may pull a tri-merge credit report in connection with an application for assistance, may complete a soft pull, and/or may report loans to credit, including but not limited to any default status.

Deed of Trust, Note, and Lien Position

Upon buyer's initial purchase of the unit, the HOME loan will generally be in second position behind an approved mortgage loan, as evidenced by a recorded Deed of Trust, *unless the HOME loan amount exceeds the mortgage loan. IHFA may negotiate with mortgage lender for first lien position when HOME funds are the largest contribution to the purchase. If other subordinate funders require second position, this must be reviewed and authorized in advance of closing by IHFA-HOME.*

Default Events

An event that requires the homebuyer to repay the loan *when they have not sold or transferred title to the unit:*

- During the period of affordability, the homebuyer rents or otherwise no longer occupies the assisted unit as the principal residence. *without HOME department approval. See [Principal Residency Exemptions](#)*
- Provides or provided materially false or inaccurate information or statements in connection with the loan, including, representation of borrower's household income, assets, occupants, or other factors which may affect eligibility.
- Gives materially false or inaccurate information or statements regarding the occupancy of the assisted unit.
- *Fails to return the occupancy certification letter sent the HOME assisted address*
- *Fails to cure any default with IHFA, primary lender, and/or any other lien holder*
- Opens a Home Equity Loan, Home Equity Line of Credit (HELOC), Reverse Mortgage, completes a cash out refinance, or otherwise draws equity from the home's value. See [Refinancing, Home Equity Loans, Subordination](#)

Denials and Award Terminations

If an application is denied by IHFA, a denial letter will be provided stating the reason(s) for denial. *Denied applicants are not eligible to re-apply for a period of 12 months from the date of the denial letter.* These decisions

are considered final, and IHFA will not review new applications or re-submissions for the denied applicant prior to the stated time-frame.

At IHFA's discretion, IHFA-HOME may terminate or suspend an agreement or partnership between IHFA-HOME and any third party with 30-day written notice. Once notice is given, no new submissions will be accepted and/or no new work will be scheduled, but IHFA-HOME will finish review of any files submitted prior to the termination notice, **will provide funding as agreed for any files previously approved, and will pay for eligible services completed prior to termination notice.**

If no official agreement exists between the parties, written intent to terminate the working relationship will be provided, and will be considered immediate termination.

Any willful misconduct, fraud, omission, intentional manipulation, or assistance to any other party to defraud IHFA or any other entity will be grounds for immediate termination. The agreement between parties will be terminated effective the date of termination letter with no 30-day notice. IHFA may notify other parties that may be impacted by the actions of the terminated party.

Open DPA applications waiting for a lender or borrower who do not provide information requested by IHFA-HOME and/or whom fail to communicate for a full fifteen (15) business days may be subject to cancelation of the application. Applicants are encouraged to submit requested information as quickly as possible. It is the responsibility of the lender and/or borrower to communicate with IHFA-HOME and provide additional information in a timely manner. IHFA-HOME may occasionally check status, but it is not obligated to do so and may cancel the application after 15 business days with no advance notice.

Any appeal must follow the Appeals Process located in Chapter 6 of the Administrative Plan.

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 information on the Environmental Review, please see [Chapter 10](#).

Fair Market Value

HOME defines Fair Market Value (FMV) as the negotiated final sales price agreed upon by a willing seller and willing buyer. All units with HOME funds invested require an appraisal from an unaffiliated third-party appraiser to determine market rate value at the time HOME funds are invested. **BPO's, CMA's, and other forms of valuations are NOT permitted.** IHFA-HOME may accept the lenders appraisal, or, at its sole discretion, may order its own third-party appraisal, which will be paid for by IHFA.

Familial Size, Household Occupants, Dependents, and Custody

The household size is determined by the number of people, both adult and minor, living in the home. Dependents not living with both parents may be considered a household member for the purposes of increasing the income limit. This applies if the applicant can provide reasonable documentation proving the dependent lives with them at regular intervals, and the applicant has a legal responsibility for the minor(s). If documentation cannot be provided, the minor(s) cannot be included for the purposes of income calculation. *This does not mean the minor(s) cannot live in the home with the parent; only that they are not counted in the number of occupants which determines the applicable income limit.*

Occupants are defined as all adults, minors, roommates*, etc. who live in the home, regardless of relationship or borrowing status. All occupants must be disclosed on the IHFA-HOME application. Legally married borrowers must be disclosed, even when spouses are separated, do not live together, maintain separate finances, etc.

Discovery by IHFA-HOME of adult occupants who live in the household, legal spouses who were not disclosed, or adding other household members of any age after the application has been submitted may create the appearance of fraud, and as such, may disqualify the application.

Dependents and other household members may only be added to the application after initial submission if a documented change in circumstance occurs. An example could be a parent who passes away, leaving the applicant legally responsible for a disabled sibling, provable by official legal documents. Forgetting to disclose household members, roommates, or incidental additions to the household (i.e. my sibling decided they want to live with me) does not meet the definition of a change in circumstance. If documentation cannot be provided to support custody or any change in circumstance, HOME will determine appropriate next steps, which may include denial of the application.

Documentation Options:

- Child custody
 - Legal Agreement (i.e. Divorce Decree or Custody Agreement)
 - Notarized attestation from BOTH parents – must stipulate schedule, number of children, and ages, WITH at least one (1) other supporting document
 - Notarized attestation from applicant WITH at least two (2) other supporting documents – permitted only if the other party cannot/will not sign, or if safety concerns exist between parties.
 - Some supporting documentation examples: school/daycare registration, health and welfare documents, tax returns showing minor child, medical records, etc. All documentation is subject to review and approval by HOME.
 - In all cases regarding custody (regardless of schedule or parental involvement), 12 months of child support income documentation is required from Health & Welfare, even if payments are inconsistent, or no payments have been made.
 - If there's no child support order, a letter from Health & Welfare verifying there are no open applicable cases in which any household member receives child support is required.
- Proof of change in circumstances **after** application submission
 - Notarized Letter of Explanation describing what has changed, when it changed, and why; PLUS
 - Legally filed agreement, Authenticated Will (with authentication documents), filed POA, or some other official document dated prior to submission of a HOME application – IHFA-HOME will review and determine if documentation reasonably documents the change per HOME and IHFA policies.

*Applicant must disclose all roommate(s) on the application and certify whether the roommate will live with them in the HOME unit. If yes, the roommates' income and assets count. HOME pulls comprehensive reports from Lexis Nexis which may show current occupants of the borrower's address, as well as previous shared addresses between parties. HOME may monitor who occupies the unit after purchase. If undisclosed occupants, or fraudulent statements provided during the application process are discovered after closing, the household will be required to repay all federal funds received.

Family Self Sufficiency (FSS Program)

HOME continues to navigate a pilot a program with FSS to provide DPA to households graduating from one of the FSS programs. This pilot helps with understanding the ability to develop stand-alone DPA programs for other partners (lenders, realtors, etc.). Further, this partnership increases opportunities for rural households, which have

not been previously able to purchase a home with HOME funds, as development partners were in more populated areas of Idaho. The FSS program has offices which serve 34/44 counties of Idaho. While some details are yet to be determined, minimally, the program details include the following:

- HOME works with FSS to determine **eligibility of the household for the HOME Program and will provide the necessary financial assistance to achieve 30% housing expense ratio.**
- HOME continues to work with FSS on a process for identifying a possible housing unit, **and closing processes.**
- Possible rehab of purchase unit after initial purchase, in connection with DPA funds to ensure unit meets required HUD quality standards, and when such rehab does not trigger Section 3 or Buy America Build America requirements.
- Purchase price plus estimated rehab costs cannot exceed HOME maximum sales price limit in place at the time purchase and sale agreement is signed.
- Rehab costs not to exceed \$25,000 (\$24,999 including Lead-Based-Paint mitigation for units constructed prior to January 1, 1978).
- Units constructed prior to January 1, 1978 require a full risk assessment to identify lead-based paint, asbestos, and other hazardous materials. Additionally, wells, septic systems, fireplaces/woodstoves, etc. require additional specialized inspections to verify functionality, safety and compliance with applicable codes and regulations.
- HOME will use contracted third party inspectors to identify the scope of work for rehab, as well as ensure quality standards are met after rehab or construction for both existing and new construction housing. HOME will also coordinate specialized inspections for specific components of the home when applicable. When there's a need for multiple specialized inspections, in addition to the typical full unit inspection, HOME may evaluate the reasonableness of investing HOME funds into the unit.
- Risk Assessments/Inspections for risk factors such as Methamphetamine or other hazardous contaminants when necessary - *If there's ANY reason to believe methamphetamines or other hazardous contaminants have been present in any unit (even for recreational use - not restricted to known labs), a risk assessment is required to either determine no hazardous contaminants are present, and/or to determine the process and level of clean up required to achieve clearance. IHFA-HOME will pay for this risk assessment; however, the presence of contaminants may result in ineligibility of the unit for the HOME Program due to cost constraints.*
- Repairs to the unit will only be approved for necessary deficiencies. This will not address minor cosmetic flaws, and does not include cosmetic upgrades, new appliances, etc. *unless* those items are identified as deficient in a qualified home inspection report.
- Households must agree to refrain from completing their own home improvement projects, including any desired upgrades, modifications, etc., including paint, until all HOME repairs have been completed, and final reinspection has cleared and verified the unit meets necessary quality standards. This does not apply to installation of window coverings, decorations, or furniture. Once the HOME rehab is complete, the household is free to complete desired modifications at their own expense.
- HOME will provide direct DPA to the household, based on need to achieve 30% housing expense ratio. Fifty percent (50%) of the DPA loan is forgiven if the household lives in the unit and meets HOME requirements for the entire POA. *This applies to FSS recipients ONLY.*
- Rehab loans will be filed as a third lien on the unit after closing. Rehab will be completed by IHFA-HOME within 12 months of **initial purchase.**
- The rehab loan will be due in full if the household sells within the first 12 months after rehab completion. If the household remains in the unit for at least 12 months after rehab is completed, HOME will consider the

terms of the rehab loan met and will remove the lien, extinguishing any repayment requirement for the rehab loan only. *Applies to rehab loans only and does not apply to down payment assistance.*

HOME may pilot other DPA and/or homeowner rehab activities outside of FSS on a limited basis. This is based partially on the process established with FSS. Should HOME determine such program is feasible and reasonable, an RFP will be made available to interested parties.

Fraud

Federal regulations prohibit providing false or altered information or omitting information to qualify for a federal program. These actions are considered federal program fraud. Criminal and civil penalties allowed under federal law (18 U.S.C. §287, 1001 and 31 U.S.C. §3729) may be imposed, and repayment of all federal funds used for the acquisition of the housing unit may be required.

Households are required to report all income, financial assistance from all sources (includes family members making payments on the household's behalf like parents paying bills for children, etc.), property ownership (land, rental units or other housing units – includes commercial land/building ownership and manufactured units even when classified as personal property), all persons who will occupy the home regardless of relation or borrowing status, and all income and assets, including investments and retirement, for all household members 18 years and older. Households may not knowingly request reductions in pay, seek employment with decreased pay, terminate employment, or in any way intentionally alter income or household size to qualify for a federal program.

Households may not hide or omit assets to create the appearance of need or appear to be below applicable asset limitations. Intentionally altering household size (i.e. claiming additional occupants for the sole purpose of increasing the income limit) is also considered fraud. *This is not an all-inclusive list of fraud scenarios.*

Any applicant who commits fraud under the HOME Program, or for any other program, including non-federal or programs outside of IHFA, who provides misleading/inaccurate information in connection with any application, who submits different information to different programs, or omits information, with or without reasonable explanation or intent, is ineligible for federal funding assistance from IHFA, even when income falls within applicable program limits. Fraudulent activity may permanently disqualify the household for federal or non-federal assistance or programs through IHFA-HOME or other divisions of IHFA.

IHFA-HOME may report confirmed or suspected fraud to other applicable agencies and organizations such fraud may impact.

Homebuyer Eligibility and Approval

Eligibility determination is made by IHFA-HOME after all homebuyer information is received, including application for HOME assistance. This includes submission of required supporting documents as directed by IHFA-HOME, and after entering into a purchase and sales agreement (except FSS). HOME will not review until it determines all necessary documentation has been received, and will not complete courtesy reviews.

The HOME Department will review all information and make best efforts to provide feedback on the submission within seven (7) business days, **but may need up to fifteen (15) business days depending on volume.**

Lenders/Buyers must provide additional information requested by HOME. If not received within a maximum of fifteen (15) business days of the first additional request for information ~~or communicate needs for additional time within that timeframe. IHFA may approve a longer timeframe at their discretion. If all requested information is not submitted and/or no request for additional time has been approved by~~, and no communication with IHFA has occurred by the deadline, the application for assistance will be canceled. IHFA-HOME may provide a shorter deadline for submission of additional information at its discretion, and will provide a shorter timeline after the

first request. Deadlines must be met or acceptable communication with IHFA-HOME prior to deadline must occur to avoid cancellation.

When IHFA-HOME has received and reviewed all necessary information to make a determination, the decision will be relayed to the lender, partner, or directly to the buyer. This decision is final and evaluates all risks associated with the investment of federal resources.

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!*® (Finally HOME! Homebuyer Education), within 24 months of closing with a HUD certified homebuyer education provider.
- Complete at least one individual (one-on-one) homebuyer counseling session (Finally HOME! Housing Counseling) with a HUD certified housing counseling provider:
 - 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 prior to closing. A new session and certificate of completion will be required if initial session was completed more than six (6) months before closing.
 - *To reduce conflicts of interest and ensure separation between buyer and seller, the seller of the affordable unit may not also be the Homebuyer Education and Housing Counseling Provider; even when separation of duties can be documented. This ensures all buyers across the state receive education and counseling services from an external source. Buyers must choose another HUD certified Housing Counseling Provider to complete the required education and counseling when purchasing a unit from a selling agency which provides homebuyer education and counseling services.*

A list of current HUD Certified Homebuyer Education and Housing Counseling providers is available upon request from IHFA-HOME.

Homebuyer Minimum Investment

- \$500 minimum contribution - must be verified per primary mortgage guidelines.
- Cash gift(s) of \$5,000 or less are allowed if documented and verified ~~per lender's guidelines~~. If buyer is not yet working with a lender, a Gift Letter from the donor stating the amount of funds provided, and funds are a gift with no expectation of repayment must be submitted, along with proof of funds availability via bank statement or transaction records. Gift funds will also require proof of transfer from the donor to the recipient. ~~Cash gifts over \$5,000 require IHFA HOME review and approval. Each file is considered individually based on circumstances and need.~~
- If the value of “sweat equity” completed is \$500 or more, this can be used as the minimum investment – must be verified and shown as a credit on the final Closing Disclosure/Closing Statement at purchase.

Impounds

As required by primary mortgage guidelines for property taxes, insurance, and industry standard impound costs. IHFA retains the right to review and may not permit costs to be paid with HOME funds which it determines are not industry standard or eligible under the federal regulations.

Income Calculations

For income calculations, IHFA-HOME conforms to requirements found in [24 CFR §5.609](#). HOME requires “household” income, which is inclusive of all income coming into the household from all sources, and for all persons 18 or older, regardless of whether they are on the loan or title. **This may include roommates, adult children, or other family members, and includes imputed asset income, as required by federal regulations. Legally married borrowers must include spouses’ income, assets, and obligations, even when spouses are separated, do not live together, maintain separate finances, etc.**

The HOME department will require two full months of paystubs, bank statements, most recent tax return, asset documentation, and any other required documentation for **all** persons over the age of 18. **Failure to disclose income, assets, other adult household members living in the home, or other omissions, may result in an automatic denial.**

Using all income documentation, a two-month average of current income will be calculated and then **multiplied** by 12; this determines the required Projected Income for the household under the HOME Program. **Please note separate types of income are calculated separately. This is true for different sources of income, as well as different pay rates or types from the same source or employer. Base pay, overtime, bonus income, shift differentials, etc., are calculated separately and then those separate calculations are added together.**

As HOME is projecting income for the next 12 months, if borrower has received a raise during the two-month review period, only the new pay rate will be used for calculation purposes. YTD overtime, bonus income, etc., will still be counted even if not present on current pay statements.

Self Employment:

Households with non-Schedule C self-employment income or contract income (i.e. Grub Hub, Walmart Delivery, Door Dash, Uber, etc., **which are not claimed on the household’s tax return**), highly variable income seasonal income, or other infrequent sources of income may be reviewed for the last twelve (12) months at IHFA-HOME’s discretion. **This may also require submission of twelve (12) months of bank statements for all accounts.**

Households with Schedule C self-employment income, contract income, or other types of independent income **which are claimed on the household’s tax return or who file business tax returns** will need to provide the last three years of federal tax returns **for both the business (if applicable) and personal filings, the most recent 12 months of bank statements for all personal AND business accounts**, and/or other official documentation from the source of income, as required by IHFA to establish net self-employment income. Screen shots and other unofficial documentation will not be accepted.

Income regulations further stipulate “Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.” This includes but is not limited to direct cash withdrawals or transfers from a business to a personal account, and deposits of business income into a personal account via cash, check, or ACH, or using apps like Venmo, Cash App, Apple Cash, Zelle, etc. All business cash withdrawn, transferred or deposited for personal use which exceeds the net business income claimed will be added to net income and counted in the income calculation. Reimbursements of personal assets invested require documentation of the initial investment to be excluded as income.

Income Calculations and Eligibility Requirements

Please note – income eligibility does not guarantee approval of HOME DPA funds. The HOME Program reviews more than just income to determine eligibility. Applicants and lending partners are strongly encouraged

to communicate questions to the HOME department if screening for eligibility of a household. It is likely there will be variance in income calculation between the primary lender and the HOME department. For the use of HOME funds, the household must meet all HOME and IHFA requirements, and the final eligibility determination is based on the HOME department's review.

- As defined in [24 CFR 5.609](#), HOME follows Part 5, annual (gross) income when determining household income. **ALL** income for all household members 18 years of age and older, **including adult children, adult siblings, parents, significant others who live together (regardless of marital status)**, in some cases roommates, etc., is required to be included in the household income calculation. **Legally married borrowers must include the spouse's income, assets, and obligations, even when spouses are separated, do not live together, maintain separate finances, etc.**
 - A dependent household member (i.e. child of applicant) who is 18 or older enrolled in full-time school (either high school or post-secondary) may be eligible to exclude their earned income (employment, contract, or other types of work pay) from the calculation, **except the first \$480. The full amount of unearned income (unemployment, social security, disability, etc.) must still be included in household's income regardless of student status.** If a household member is members are not in high school, member must be able to prove full time enrollment in post-secondary education to exclude any eligible portion of enrollee's income.
 - Student financial assistance, including gifts, scholarships/grants, etc., used for living expenses vs. necessary educational costs (tuition, books, fees, etc.) is required to be counted in the income calculation. Please communicate with HOME if any person in the household receives any kind of student financial assistance so its applicability to the income calculation, as well as any other inclusions/exclusions of student income or assistance can be determined. **Documentation of any financial assistance, and how it was used may be required.**

HOME programs income calculation does not conform to industry lending standards. HOME must include all incomes, even those not considered or used by the Primary Lender. Exhibit Y provides additional information on income inclusion/exclusions.

Households must be at or below 80% AMI, per the effective HOME Program maximum income limits released by HUD-CPD, **as of the date the household entered into a Purchase and Sales Contact, an application is submitted for HOME assistance, and at the time of closing. If a purchase contract is not yet executed (FSS only) HOME will use current applicable income limits, and will adjust the limit if necessary based on the limit in place on the date of Purchase and Sales Contract execution.** The final income limit which applies to the household, is the effective limit on the date a purchase agreement/contract is **fully executed by all parties**. Recertification must be completed at least every six (6) months after the initial conditional approval, at any time income or household circumstances change, prior to closing, or at HOME's discretion.

HOME projects income for the next 12 months by collecting and reviewing the most recent two months of pay statements and/or **applicable documentation** for any other type of income for the household in most cases. **Pay variations averaging a difference of 12 or less hours per week will follow the standard two-month review timeframe.**

HOME may collect 12 full months of income and/or or use Year-To-Date (YTD) income in cases of widely variable or seasonal income. The HOME department defines "seasonal" as unemployed or hours/pay reduced by at least 50% for three (3) or more months of the year. **Any unemployment or other supplemental income received during slower parts of the year is required to be disclosed and included as income.**

IHFA-HOME considers widely variable as a **consistent** average variation of 13 or more hours per week (i.e. one week borrower works 18 hours, the next week they work 42, and this variation in hours continues throughout the

year - not just on a few occasions related to specific circumstances). Seasonal and some widely variable pay reviews will require submission of all pay statements for the full 12 months. HOME will determine the most appropriate length of time to review based on the circumstances of the household and type of income, **in compliance with regulatory requirements**. *HOME's calculation method and income determination will likely differ from the primary lender.*

For self-employment, **HOME does not conform to mortgage lending guidelines**. HOME will include online businesses like Etsy, or delivery/rideshare service like Grub Hub or Uber, etc. **Even when the household is not required to file taxes and does not receive a 1099 or other tax statement, it still must be included**. HOME will collect the most recent three (3) years of federal tax returns and/or direct income documentation (as determined by the type of income and HOME), and may require YTD income statements **and/or additional bank statements**. In all cases, official documentation from the source of income will be required. Screen shots and unofficial data will not be accepted.

For self-employment, HOME will collect 12 months of bank statements and asset documentation for both personal and business accounts. This is to verify business withdrawals/transfers to personal accounts and electronic deposits to personal accounts for business services which are not passing through a business account. Per 24 CFR 5.609(b)(28), “Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.” Payments for business services made via Venmo, Cash App, Zelle, ACH, and/or any other type of electronic deposit, cash, or check deposited directly into a household’s personal accounts will be counted as income. Additionally, any transfer of funds or withdrawal from a business account deposited to a personal account will also be included. Reimbursements of personal assets invested require documentation of the initial investment to be excluded as income.

Imputed income from assets (**cash, bank accounts, investments, retirement accounts, personal property exceeding \$52,787**, etc.) will be included. Effective January 1, 2026; the passbook savings rate (imputed income) is .040~~5~~⁵% (~~40~~ cents for every \$100). See “Assets and Imputed Income” for examples of this calculation.

A denied household may request a copy of the income calculation completed by IHFA-HOME by sending an email request to HOMESF@ihfa.org.

Income Targeting

As defined in [24 CFR §5.609](#), Idaho Housing and Finance Association follows Part 5 annual (gross) income when determining household income.

- Homebuyer household must be at or below 80% of the Area Median Income (AMI), per HUD CPD maximum income limits **in effect at the time a purchase and sale agreement is executed, an application is submitted for HOME assistance, and at the time of closing**. The final applicable income limit which applies to the household is the limit in effect on the date the purchase and sale agreement is fully executed.

Ineligible Costs (Examples – Not all inclusive)

HOME reviews all costs paid at closing to ensure only eligible costs are paid with HOME funds. HOME will not pay any cost it determines to be ineligible, even if not listed below.

- Repairs (unless required for the unit to meet physical inspection standards and approved in advance by HOME)
- Updates, upgrades, or add-ons to any home purchased by a HOME eligible household
- Collections/Judgements

- Tax Liens
- Delinquent taxes, fees or charges on property
- **Realtor Fees/Commissions**
- Payoffs/Pay-downs of outstanding revolving, fixed rate loan balances, or unpaid debts
- Home warranties
- Interest rate buydowns

Ineligible Loans & Programs

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

Insurance Requirements

HOME is a separate division of IHFA and must be added as additional insured or additional mortgagee on homeowners insurance. This is in addition to the primary mortgage holder/servicer, even when the primary loan servicer is IHFA. Please note, HOME's mortgagee clause differs from HomeLoanServ. The following mortgagee clause is required for all HOME loans:

Idaho Housing and Finance Association
HOME Programs Department
PO Box 9405
Boise, ID 83707

To ensure insurance benefits are available to assisted households if needed, deductibles must be affordable. Units with HOME funds invested for DPA are restricted to 1% of the total mortgage loan amount, not to exceed a total deductible of \$2,500. HOME will verify deductibles on the insurance binder, and may delay closing if standards are not met.

Maximum Debt-To-Income (DTI) Limits

Maximum back-end DTI allowed by IHFA-HOME is 47%. The HOME Program is committed to affordability and aims to protect households from financial distress. Assistance is denied if the household's back-end DTI is greater than 47% of the household's annual gross income, after the HOME investment for the purchase of the unit, and all other sources are accounted for. The HOME program will include .5% of all student loan debt in DTI, regardless of loans being in a deferred status. If actual payment amounts are available for student loans, those will be used in the DTI calculation.

HOME requires all buy now pay later loans (Affirm, Klarna, After Pay, etc.) to be paid in full with supporting documentation showing the zero balance prior to closing.

IHFA-HOME will not provide additional down payment assistance to subsidize non-housing related debt with HOME funds in order to achieve these ratios.

Maximum Origination Charge

HOME may limit origination charges and fees which can be charged to a household receiving HOME assistance, if it determines fees are excessive or unreasonable.

Maximum Principal, Interest, Taxes, and Insurance (PITI)

The HOME programs provide assistance to eligible households 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, homeowner association fees (HOA) and insurance (PITI). HOME is not obligated to subsidize HOA fees, or other lender or seller-imposed fees, as part of the determination of a household's need for assistance. In most cases, assistance is denied if the homebuyer's PITI is greater than 35% of a household's annual gross income after reasonable HOME investment is calculated, as determined by IHFA-HOME.

Maximum Sales Price Limits

Established and updated on a periodic basis by HUD-CPD, maximum sales price limits are based on the median sales price of homes in the area over a certain period. The posted sales price and income limits in effect at the time a household executes a purchase contract are the limits which apply. See [HOME Program Sales Price Limits](#).

The sales price of the HOME assisted unit cannot under any circumstance exceed the HOME Maximum Sales Price Limit. The seller ~~determines which method is the most appropriate to repay all sources, ensuring the sales price does not exceed the effective maximum sales limit~~, while keeping must ensure the sales price is reasonably affordable ~~to a HOME eligible buyer~~, and must be able to provide the methodology and documentation detailing how the price was determined ~~with supporting documents~~ if requested by HOME or HUD-CPD. ~~At its discretion, IHFA-HOME may complete its own appraisal, paid for by HOME. IHFA-HOME may require a sales price adjustment as a condition of providing HOME funds if the contract sales price is higher than appraised value.~~

Developers may not charge any fees to eligible households.

Maximum Subsidy Limits to Homebuyer

Assistance is determined by buyers need and evaluated by calculating Housing Expense ~~at 35%~~. The amount of assistance provided to a qualified household is based on the HOME department's ~~income calculation and housing expense ratio determination. Assistance is generally limited to 40% of the sales price; however, there may be some cases HOME will increase or decrease assistance based on the buyers' ratios and need. At HOME's sole discretion, a household may be declined if they need more assistance than HOME determines to be feasible. The amount of assistance will serve as the mechanism to ensure buyers are within the HOME department'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. HOME is not obligated to provide additional assistance to meet lower ratios preferred by a lender or developer, to offer more assistance to reduce back-end Debt-To-Income ratios, or to provide more funds than it determines to be feasible. HOME will further evaluate whether the household has sufficient income to meet all obligations, plus standard living expenses.~~

- ~~Back-end DTI is all debt (including housing) divided by monthly gross income. For buyers with student loan debt, the HOME department will calculate 1% of loan balances, regardless of being in a deferred status at time of application. If HOME contributes more funding towards the purchase than the mortgage lender, it reserves the right to negotiate for first lien position. In some cases, it may require first lien position to provide such substantial amount.~~

Methods Used to Recapture HOME

Recapture Option

Under the Recapture Option, the HOME assisted buyer can sell their federally-assisted unit at any time to any willing buyer for whatever the market will bear, with no restrictions. **No deed restrictions are permitted when HOME funds are invested for DPA on a fee simple homeowner unit under the recapture model.**

When title to the unit is transferred, IHFA will attempt to recapture the full amount of the homebuyer's DPA 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 loan which is due on sale, transfer of title, unapproved refinance, or initiation of any type of equity withdrawal, including reverse mortgages.

Deed restricted down payment assistance is administered through an approved subrecipient.

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 as defined at [24 CFR §92.254\(a\)\(5\)\(ii\)\(A\)\(1\)](#).

- a) IHFA will attempt to recapture the entire amount of the homebuyer assistance whenever a unit is subject to recapture is sold, or any event of default occurs. However, IHFA is limited to only the amount available from the Net Proceeds of the sale, if any.
- b) Any excess Net Proceeds, defined as the amount remaining after IHFA has recaptured the HOME homebuyer assistance, belongs to the homebuyer.

Occupancy Monitoring

IHFA will conduct annual verification the household continues to occupy the HOME assisted property as the principal residence. Verification will continue during the entirety of the affordability period. *See Deed of Trust Note.*

If the household no longer occupies the unit as their primary residence during the Period of Affordability, **or fails to sign and return the occupancy monitoring certification letter**, the household is out of compliance and considered in default. Corrective actions to cure default may include: the household moving back into the unit, the household repaying funds in full or selling the unit. **Households who fail to return occupancy monitoring certification letters will receive a certified letter from legal counsel.** If attempts fail to cure default when the household has had reasonable opportunity to cure, the file will be turned over to legal counsel to begin legal proceedings **which enforce default provisions and/or recover HOME's investment**, as permitted by Idaho state law, and the HOME Program. In extreme cases, this can result in foreclosure of the property.

IHFA may use tools such as Lexis Nexis, internal records, and/or publicly available records to verify occupancy, contact information, or other information when a household fails to promptly respond to the annual occupancy monitoring letter.

Period of Affordability (POA)

All Homebuyer Activities	
Assistance to Homebuyer	Period of Affordability
Less than < \$25,000	5 years
\$25,001-\$50,000	10 years
Greater than >\$50,001	15 years

Defined as the period of time a homebuyer is required 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 at any point or left vacant unless the unit is listed for sale ~~except as approved by the HOME Programs Department. There are two Principal Residency Exemptions. See Principal Residency Exemptions.~~

The Principal Residency Requirement is in effect only during the POA. It is enforced through a deed of trust with the homeowner. **Expiration of the POA does not reduce the loan amount, or extinguish the repayment requirement.**

Principal Residence Requirement

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

Principal Residency Exemptions

~~There are two (2) allowable 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). Any approved exemption will be rescinded if the homeowner's military status or student status changes. If rescinded, household may apply for another exemption based on new circumstances, if related to military service or full time post secondary education of borrower(s) or spouse/partner.~~

Service Member

~~Homeowner or Spouse/Partner - With prior approval from the HOME Program's Department, the principal residency requirement can be temporarily suspended if a homeowner or homeowner's spouse/partner 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 six (6) months. Any plans to rent the unit should be submitted with the exemption request.~~

Full-time Post Secondary Education

~~Homeowner or Spouse/Partner - 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 highway miles from assisted unit, and relocates to attend in person classes. There must be an approved plan in place with a date to return to the assisted unit no more than 15 days after the end of academic~~

~~year, or the when status is no longer full time. This exception request must be resubmitted to the HOME Programs Department each academic year.~~

~~With an exemption approved by the HOME Program Department for one of the two allowable residency exemptions, the unit can be rented while the homeowner is temporarily absent. However, the term of the lease can be no more than six (6) months.~~

~~Residency Exemptions should be submitted to HOMESF@ihfa.org for review.~~

Properties- Eligible

- Single-family structure (Stand-alone unit)
- Condominium (only ONE unit)
- Townhome (only ONE unit)
- Duplex (only ONE unit)
- Manufactured Home (with restrictions – see Manufactured/Modular Housing)
- Modular Home (with restrictions – see Manufactured/Modular Housing)

Properties- Ineligible

- Rental Homes (homes purchased with the intent to rent vs. use as owner's primary residence)
- Investment Properties
- Second Homes
- Multi-unit structures (Duplexes, Triplexes, etc. when owner intends to purchase more than one unit)

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)³ or the National Standards for the Physical Inspection of Real Estate (NSPIRE)⁴ when officially implemented by HUD.

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, ~~and/or in accordance with all written policies to determine feasibility.~~
- ~~Development should consider each request for a reasonable modification/accommodation. Owner Developer will determine if the request is feasible based on written policy.~~

³ HUD-CPD adopted Home Quality Standards ("HQS") as the standard for homeownership housing assisted with HOME funds. HQS remains in effect as HOME's default property/housing quality standard until further notice, and/or if no local standard exists.

⁴ 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 anticipated to be effective October 1, 2026. HQS remains in effect as HOME's default property/housing quality standard until NSPIRE becomes effective, in addition to any local standards in existence.

- 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.

Rehabilitation of Existing Housing

- Includes residential code requirements, property standards, and ordinances.
- All major systems must have a minimum remaining useful life for a minimum of five (5) years, or the major systems must be rehabilitated or replaced as part of the rehabilitation work to be completed.
- The HOME department will use the Home Inspection Report performed by a HOME department third party inspector to identify the scope of work.

Lead-Based Paint Requirements

- Any unit built prior to January 1, 1978 requires a full Risk Assessment performed by an EPA Certified evaluation firm to determine if LBP or other hazardous materials are present. Projects assisted with HOME 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
- Units with no findings exceeding EPA or federal allowances do not require any further action, except submission of the LBP clearance (clear risk assessment) to HOME with the household's application for HOME DPA.
- If Risk Assessment identifies hazards, all directions and guidelines from the EPA Certified risk assessor for clearance and/or abatement must be followed, and a new Risk Assessment must be completed verifying clearance of all hazards. **This may disqualify the unit depending on scope of work due to HOME cost constraints and feasibility. HOME will not exceed \$24,999 inclusive of both LBP mitigation and rehabilitation costs.**
- Additional LBP requirements under HUD's Lead Safe Housing Rule:
https://www.hud.gov/sites/documents/RRP_LSHR_GUIDANCE.PDF

Manufactured/Modular 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/modular housing unit owner
- Must comply with manufacturer's written instructions for installation
- New Manufactured or Modular Housing must meet HOME Construction and Safety Standards of [24 CFR Part 3280](#)
- Engineers Certification required for installation of manufactured or modular housing
- Manufactured or modular housing which has been moved from its original installation site is ineligible.
- Proof of Conversion to Real Property will be required prior to purchase. This process may vary by County or City – Must comply with local requirements to complete this process.

Property Inspection

An IHFA fully independent third-party Home Inspection Report is required to be completed by an approved IHFA-HOME contracted inspector, and must comply with HQS, NSPIRE (anticipated effective date October 1, 2026) and/or any other applicable HUD or IHFA requirements. IHFA staff will review the inspection report and additional property repairs may be required. A re-inspection is required to verify repairs were **completed and unit meets all applicable codes and standards. When initial findings are minimal, photos or other documentation may be accepted in lieu of a reinspection report, at IHFA-HOME's discretion.** The unit will not be cleared until the HOME-assisted unit meets local applicable code, local property/housing quality standards, and *Section 8 Housing Quality Standards or NSPIRE, as applicable.*

The following additional inspections **must also** be completed when applicable **components are present on the subject property** (may not be an all-inclusive list):

- Septic & Well
- Wood Stove, Fireplace insert
- Lead Based Paint (LBP) Risk Assessments
- Risk Assessments/Inspections for risk factors such as Methamphetamine or other hazardous contaminants (*If there's any reason to believe methamphetamines or other hazardous contaminants have been present in any unit (even recreational use - not restricted to known labs), a risk assessment is required to either clear the property, or determine the process and/or level of clean up required to achieve clearance.*)
- Any inspections required by the first mortgage loan or as outlined in the sales agreement,
- Certificate of Occupancy from the city/county - see property standards listed above (new construction)
- Any other inspection determined by HOME or any other funding source to be required to meet quality and safety standards

HOME pays for the initial full home inspection report, and the reinspection to clear findings after rehabilitation is complete. HOME will pay for a required risk assessment and clearance report, and *may* pay for additional required inspections when reasonable. If the subject property requires a risk assessment, as well as other types of additional inspections (in addition to the full property inspection), HOME may determine the cost of such inspections in addition to necessary rehab and mitigation is infeasible or the unit is unsuitable for HOME assistance.

Ownership

Purchaser must occupy the home within thirty (30) days of loan closing. The buyer(s) will take ownership in fee simple title on an eligible property.

For property held on Indian Lands Trust, or Restricted Indian Lands, homeownership includes a ground lease of at least 50-years located at [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.

Refinancing, Home Equity Loans, Subordination

Borrower's with outstanding HOME loans who choose to refinance the first mortgage must contact the HOME Programs Department **prior** to loan approval/closing. **It's also acceptable to have a lender or title company contact HOME with proper authorization.** HOME will generally subordinate to rate/term only refinances. HOME will not subordinate to cash out refinances or any type of equity withdrawal, including home equity loans and lines and reverse mortgages. The HOME loan must be repaid in full to proceed with cash out of any kind.

Reservation of HOME Funds

Contact HOMESF@ihfa.org for process information. The final primary mortgage loan approval must be locked with the applicable interest rate through www.Idahohousing.com, **if IHFA is long-term servicer of the loan.** If another servicer will be utilized, the loan reservation with the chosen servicer is required. **HOME funds cannot be locked through this reservation process with IHFA. IHFA-HOME will work with the household or lender separately from any primary mortgage loan reservation process to verify eligibility and conditionally approve funding.** HOME does not have access to anything submitted to ResLoan or HomeLoanServ.

Subsidy Layering

IHFA will invest HOME funds only in the amount needed in combination with other funding, to help a qualified homebuyer purchase a safe, decent, single-family unit, which meets (or will meet) the necessary quality standards. HOME funds will be the **last** funds added to the financing equation unless prior approval is received from IHFA-HOME. This means, all other funding, including the maximum amount the primary mortgage holder can approve, any other sources of down payments, and all grants/gifts, etc. are accounted for and all terms and amounts are submitted to IHFA-HOME. **If IHFA-HOME completes the eligibility review and conditionally approves prior to the household working with a primary lender or other funders, the HOME funds will be reduced as necessary to account for other funding sources when those become available to ensure subsidy layering meets regulatory requirements.** IHFA completes an income calculation and plugs in available amounts to determine the remaining gap. **Should the housing expense ratio be over 35% on the first mortgage based on maximum approved loan amount, after consideration of all other funds, HOME may choose to provide additional DPA to bring down the housing expense.** HOME will not contribute more funding to meet lower housing expense preferred by other partners, or to reduce back-end DTI.

Senior Lien Approval

HOME will accept the senior lien approval when reserved through IHFA's loan reservation (resloan@ihfa.org), another reputable lender/servicer, or USDA-RD direct. Final approval will only be provided when homebuyer's PITI is \leq 35% annual gross income, and back end DTI does not exceed 47% after all funds, including HOME, are invested. **HOME will not subsidize non-housing debt to achieve this DTI ratio.** If ratios exceed stated limits, or other HOME concerns exist, IHFA will deny based on HOME underwriting standards.

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](#)⁵

Wait Lists

All **nonprofit developers and other development partners who apply to reserve HOME DPA funds for prospective buyers** must maintain a wait list, and written wait list policy detailing how applicants are added to the list, what requirements must be met, how applicants are selected from the list, when they are removed from the list, and how the list is managed. All procedures must comply with all federal, state, and local fair housing laws, ADA, and 504 requirements. **Lending partners are encouraged to create procedures in which wait list recipients are considered in the order in which they apply AND meet all applicable wait list criteria (i.e. primary loan pre-approval, etc.).** It is permitted to keep a separate list of households who are interested, but have not yet met the criteria to be added to the wait list. It is recommended when units are available, the wait list is exhausted first before going through the list of interested households who have not yet met all wait list criteria.

Partners **must** follow their wait list procedures. IHFA may ask for the wait list and wait list procedures to ensure we are reviewing applicants in the correct order, and wait list procedures are being followed.

⁵ <https://www.idahohousing.com/documents/2024-admin-plan-exh-o-ura-voluntary-disclosure-sample-forms.pdf>