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HOME Investment Partnerships Program Homebuyer Program

Closing Manual

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An amended Closing Manual will be released periodically, and the newest edition overrides all previous editions. Except where otherwise noted, all amendments to the Closing Manual apply to all awards, regardless of year of funding.

Contents

Section 1: General Closeout Requirements ... 4
Section 2: Inspection Requirements ... 6
Section 3: Pre-Closing Documentation ... 8
Section 4: Final Pro-Forma & Underwriting Criteria ... 12
Section 5: Proceeds ... 19
Section 6: Post-Closing Requirements ... 22
Section 7: Project Benchmarks ... 29
Section 8: Ongoing Compliance ... 30
Section 9: Lease-Purchase Requirements ... 33

Section 1: General Closeout Requirements

The information and requirements described in this section pertain only to developers who have applied for and been awarded funding through the Indiana Housing and Community Development Authority's ("IHCDA") HOME Investment Partnerships Program ("HOME") Homebuyer Program.

This program is designed to allocate HOME funds to be used for the rehabilitation and/or new construction of single-family homebuyer housing among selected applicants having developments that meet the requirements of the program and IHCDA's goals for the program.

The purpose of this Manual is to provide guidance on all final activities to support closing on a HOME homebuyer subsidized unit.

1.1 Closing Requirements:

HOME Homebuyer Developers are required to submit closing documentation to IHCDA for approval prior to closing. Additional documentation must be submitted to IHCDA post-closing to ensure the project can undergo the final monitoring upon project completion. Developers are encouraged to use the HOME Homebuyer Closeout Checklist. A listing of the timing of document submission is outlined below:

Documentation	**Submission Requirement**
Inspections/Lead Form	End of Construction
Certified HERS Rating Inspection	End of Construction
Part 5 Income Verification	Pre-Closing
Certificate of Housing Counseling	Pre-Closing
HUD-certified housing counseling agency	Pre-Closing
HUD-certified housing counselor	Pre-Closing
Final Appraisal	Pre-Closing
Closing Disclosure	Pre-Closing
Final Proforma (per unit)	Pre-Closing
Mortgage	Pre-Closing
Buyer Expenses	Pre-Closing
Buyer Bank Statements	Pre-Closing
Credit Report	Pre-Closing

Written Explanation of Assets (if applicable)	Pre-Closing
Development Sources	Pre-Closing
Other Buyer Assistance	Pre-Closing
Program Income Repayment to IHCDA	Within 30 days of closing
CHDO Reuse Request	Pre-Closing
HOME Agreement	Within 30 days of closing
Lien and Restrictive Covenant Agreement	Within 30 days of closing
Homebuyer Completion Report	Within 30 days of closing
Notice of Amended Completion Data	To be issued by IHCDA to both Developer and Buyer within 30 days of project closeout

Please note that all documents listed above are due for each unit as they close. The HUD Closeout Reporting Form may be submitted upon Project Closeout (when all units have been sold).

All documents required as part of the Pre-Closing Packet must be submitted to IHCDA **at least three weeks prior to closing**. Failure to submit these documents in that timeframe may postpone closing on the HOME-Assisted unit.

Post-Closing documentation is required **within 30 days after the Developer has sold the unit**, unless noted above.

If there are discrepancies between the Final Proforma and any documentation submitted as either the Pre- or Post-Closing Packet, the Developer will be required to adjust the Final Proforma. The Developer may be further required to adjust the LRCA as needed.

Section 2: Inspection Requirements

Documents covered under this section:

Document	**Submission Requirement**
Lead Grant Form	End of Construction
Certified HERS Rating Inspection	End of Construction

2.1 Inspection Requirements and Scheduling:

All units are required to be inspected three times as outlined below. Grant recipients must submit a preliminary construction schedule to the Lead Manager prior to scheduling the first inspection.

New Construction:

1. The first inspection will occur after excavation of foots and after footing concrete is poured.
2. The second inspection will occur any time before completion of the wall insulation and hanging of dry wall.
3. The final inspection will occur when 100% of the construction has been completed, including landscaping and site work – this must occur prior to move-in.

Rehabilitation:

1. Either prior to, or after submission of the application, the applicant must coordinate with the Lead Manager to schedule an inspection to confirm cost estimates and scope of work of the proposed project. This must be done prior to Board Approval. Please note that this inspection may warrant changes in the pro-forma.
2. The second inspection must occur when 50% of the work has been completed per unit.
3. The final inspection must occur when construction of a unit is completed.

For all rehabilitation units using HOME funds, each major system as defined under 24 CFR 92.251(b)(1)(ii) must have a remaining useful life of at least five years or longer, or, the major system was either rehabilitated itself or replaced as a part of the rehabilitation.

The developer must coordinate with IHCDA's Lead Manager to schedule all inspections; the Lead Manager will document all inspections.

All final inspections on any unit preparing for closing must be completed prior to submitting the pre-closing documentation. The unit must pass final inspection prior to moving forward on any closing activities. The final inspection(s) must be approved by IHCDA's Lead Manager.

The following documents must be submitted to the Lead Grant Manager as part of the final inspection approval:

- The Lead Form

- Certified HERS Rating inspection

IHCDA, or its third-party inspector will also ensure that any Universal Design Features, Green Building Techniques and Design Features as identified in the applicant's scoring section are completed.

Please note that the final inspection of a unit must be scheduled within 30 days of construction completion and issuance of the certificate of occupancy. **Upon approval of the final inspection, the developer will have nine (9) months to have a purchase agreement with an eligible buyer**.

2.2 Onsite Re-Inspection:

IHCDA will charge a "onsite re-inspection" fee of $200 under the following circumstances:

- Units on which a IHCDA inspector must perform more than one final inspection due to the project having major issues as noted int eh IHCDA Inspection report,
- Failure by the developer to provide a representative on the project site during the inspection to provide access or,
- Unsuccessful attempts due to the developer not coordinating the inspection with other involved parties which renders the unit inaccessible for inspection.
- The re-inspection fee must be paid prior to any last funds being drawn from IHCDA; the fee cannot be paid from HOME or Development Fund.

Section 3: Pre-Closing Documentation

Documentation of the items as listed in this section must be submitted to IHCDA at least three weeks prior to closing. Documentation covered in this section includes:

Documentation	Submission Requirements
Part 5 Income Verification	Pre-Closing
Certificate of Housing Counseling	Pre-Closing
HUD-certified housing counseling agency	Pre-Closing
HUD-certified housing counselor	Pre-Closing
Final Appraisal	Pre-Closing
Closing Disclosure Statement	Pre-Closing

3.1 Part 5 Income Verification:

The Developer must submit a household's complete income verification to IHCDA for review and approval prior to executing any contract or purchase agreement. A contract or purchase agreement cannot be executed until IHCDA has confirmed that the household is income eligible.

While conducting an income review, the IHCDA compliance auditor will also ensure the household is an eligible homeowner. The complete income verification must be submitted at least 30 days before closing and before the HOME Homebuyer Written agreement is signed by the homebuyer.

3.2 Homebuyer Counseling:

The HOME regulations at 92.254(a)(3) require that all homebuyers who receive HOME assistance or purchase units developed with HOME funds must receive housing counseling. In a final rule published by HUD's Office of Housing Counseling, HUD established housing counseling certification requirements provided in connection with a HUD program. All adult household members who will hold title and be a party to the senior loan are required to complete homebuyer counseling. HUD retains a list of eligible Housing Counseling Agencies. Indiana-based agencies can be found here. HUD also retains a list of national agencies who provide housing counseling located here.

Under the rule, all homebuyers assisted under the HOME program must receive housing counseling that is performed by a certified housing counselor who has passed the HUD certification examination **and** is employed by a HUD-approved housing counseling agency.

Housing counseling must be independent, expert advice customized to the need of the consumer to address the consumer's housing barriers and to help achieve their housing goals and must, at a minimum include the following process:

- Intake
- Financial and housing affordability analysis

- An Action Plan
- Reasonable effort to have following up communication with the client when possible.

The content and process of housing counseling must meet the standards outlined in 24 CFR part 214. The counseling **<u>must be individualized</u>** to the specific potential homebuyer. The counseling must address all homeownership topics relevant to the client, including:

- The decision to purchase a home;
- The selection and purchase of a home;
- Issues arising during and affecting the period of ownership of a home (including financial, refinancing, default, and foreclosure and other financial decisions);
- The sale or other disposition of a home.

- In addition, the counselor must communicate on the importance of obtaining an independent home inspection using the materials available. The Developer must ensure that each homebuyer signs a receipt acknowledging they were given these items. Both items may be accessed here.

Eligible housing counseling is not services that provide only housing information, placement or referral services, routine administrative activities (such as intake), case management that provides housing series as incidental to a larger case management and does not fund housing counseling, fair housing advice and advocacy (such as filing claims), or group education without individualized services.

IHCDA requires pre-purchase counseling; homeowners may also take post-purchase counseling in addition to pre- purchase counseling.

The delivery method may be flexible (in-person, phone or the internet), but the counseling must be specific to the homebuyer. The counselor at a minimum must provide eight hours of training. The certificate is valid for one year after completion of the training. The applicant, prior to entering into the sales contract, must submit documentation of the training to IHCDA for approval. If the pre-purchase training was not conducted or approved by IHCDA at time of the signed sales contract, the grantee will be required to repay HOME funds to IHCDA.

The Developer may not charge servicing, origination, processing, inspection, or other fees for the costs of providing homeownership program assistance.

The Developer must provide documentation of the housing counseling as part of the Pre-Closing Packet. This may include:

- A certificate of completion of the housing counseling
- Documentation that the housing counseling agency is a HUD-approved housing counseling agency
- Documentation that the counselor is a certified HUD Housing Counselor
- Other documentation as requested by IHCDA

3.2 Appraisal, After Rehab/Construction Value and Purchase Price

Developers will be required to provide an “after rehab” or “construction value” appraisal, whichever is appropriate, from a licensed appraiser for all property assisted with the award with the application for HOME funding. If the applicant is acquiring property, an “as-is” appraisal is required with by first draw request for acquisition reimbursement. See IHCDA’s Program Manual for details.

Developers must submit a final appraisal prior to closing.

For newly constructed housing, the value limits are 95% of the median purchase price for the area based on the Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing. HUD has established a minimum limit, or floor, based on the 95% of the U.S. median purchase price for new construction.

For existing housing, the value limits are 95% of the median purchase price for the area based on Federal FHA single family mortgage program data for existing housing and other appropriate data that is available. HUD has established a minimum limit, or floor based on 95% of the state-wide nonmetropolitan area median purchase price for existing housing.

HUD releases the limits annually; the limits remain in effect until HUD issues new limits. Please contact your regional analyst if you have questions regarding the limit or are unable to access the limits. The limits by be accessed from HUD here: https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/

It is important to note that while these are the maximum limits, the amount may not be affordable to a potential HOME-buyer. IHCDA, through its underwriting as defined in the earlier section, may deny the final sales contract if the purchase price (the mortgaged amount), even reduced, is determined to be higher than the homebuyer may safely afford.

The amount of the final appraisal must be included in the Final Pro-Forma, entered under the “Sales Price at Appraised/Market Value”. The unit should sell at the appraised value.

3.3 Closing Disclosure Statement:

Developers will be required to submit a Closing Disclosure Statement. IHCDA will review the statement to certify the following meet all lending requirements as outlined in the HOME Homebuyer Policies and match the Closing Tab of the Final Pro-Forma (note: this is not an exhaustive list):

- Loan term does not exceed 30 years
- Interest rate matches rate identified in Final Pro-forma
- Buyer’s Cash Investment is at least $250
- Loan amount and monthly payment is affordable to buyer
- Loan does not have balloon payment
- Estimated taxes, and insurance (including mortgage insurance) matches amount identified in Final Pro-forma
- Closing Costs, and cost to close match amount in Final Pro-Forma

Policies pertaining to Lending and Buyer Underwriting standards may be found in Section 4.3.

If there are changes to the Closing Disclosure statement after the original submission to IHCDA but prior to closing, please contact the Director of Real Estate Strategic Initiative and Engagement. IHCDA will make best efforts to approve changes, but cannot guarantee approval.

Section 4: Final Pro-Forma & Underwriting Criteria

Documentation of the items as listed in this section must be submitted to IHCDA at least three weeks prior to closing. Documentation covered in this section includes:

Documentation	**Submission Requirements**
Final Proforma (per unit)	Pre-Closing
Mortgage	Pre-Closing
Buyer Expenses	Pre-Closing
Buyer Bank Statements	Pre-Closing
Credit Report	Pre-Closing
Written Explanation of Assets (if applicable)	Pre-Closing
Development Sources	Pre-Closing
Other Buyer Assistance	Pre-Closing

The Final Pro-Forma must be submitted to IHCDA at least three weeks prior to closing. The Closing Tab must be submitted for each unit. IHCDA must approve the Final Pro-Forma and the other Pre-Closing Documents prior to closing.

The Final-Pro-Forma has four sections which are each outlined below: Sales Prices at Appraised/Market Value, Development Budget, Buyer Analysis – Closing; and Development Sources.

4.1 Sales Price at Appraised/Market Value:

The Developer will enter in the sales price at the appraised value. This must match the appraisal as submitted to IHCDA. Please see Section 3.2 for more guidance.

4.2 Development Budget:

The Developer must identify the actual development costs for the unit to determine TDC – this includes the total cost, not just the funding provided under IHCDA's HOME program. If there are differences between the original budget and the final actual costs (as seen on Column E), please provide documentation of those differences. Please note that Developers should also quantify the costs of volunteer labor, donated materials donated property, as the "as-is" appraised value as part of the Total Development Cost.

The final Development Subsidy/Appraisal Gap will be calculated by subtracting the "Sales Price at Appraised/Market Value" from the TDC.

4.3 Lending Standards, Mortgage Requirements and Sales Contract

IHCDA is required to review each primary mortgage to ensure the loan is sustainable to the low-income population to be served. HOME assisted homebuyers must be protected from risky mortgage features that may threaten the long-term sustainability of the mortgage. IHCDA is required to review each private mortgage (first and second if applicable) to ensure the loan is sustainable to the low-income population to be served.

The Primary loan must be a "Qualified Mortgage" (QM) under the requirements of the Consumer protection Financial Bureau (CFPB) outlined at 12 CFR 1026.43(e). Qualified Mortgages, limit total points and leader fees to reasonable levels. Qualified Mortgages also strictly limit pre-payment penalties and contain may other features intended to protect consumers.

There are exemptions from the QM standards for certain non-profits (including Habitat for Humanity) and Community Development Financial Institutions (CDFIs), and USDA Section 502 Direct Loans.

If the private mortgages contain terms and conditions that are predatory or harmful to the homebuyer, the homebuyer will not be eligible to receive funds from IHCDA. Those features include:

- The mortgage cannot exceed a 30 year term and must require periodic payments without risky features and terms such as negative amortization, interest-only periods and balloon payments.

- Lender fees and points are restricted to a percentage of the loan amounts.

- The Consumer Financial Protection Bureau's Qualified Mortgage standards defined "higher priced" loans as first mortgages with interest rates more than 1.5% above the "average prime offer rate" reported by the Federal Financial Institutions Examinations Council.

- Adjustable-rate mortgage productions are not allowed under this policy, buyers may only obtain fixed rate loans. IHCDA may allow waivers on a case-by-case basis.

- The purchaser must be qualified by their lender to spend at least 20% of their monthly gross income on housing. Lenders often qualify borrowers to spend between 28-33% of monthly gross income, so buyers qualifying only at payment levels below 20% of income usually have high consumer debt which increases both subsidy costs and the likelihood for foreclosure later.
    - Note, this criterion is not intended to eliminate buyers whose loan is limited by the lender's loan-to-value ratio resulting in a monthly payment less than 20% of income.

The mortgage must also not contain any right of first refusal – only the Participating Jurisdiction is permitted told hold any right of first refusal. When sold, the unit must be sold in fee simple.

Lenders are also not permitted to charge fees for HOME funding.

The Developer must also include a contingency within the sales contract with their perspective buyer that IHCDA must approve the buyer and the level of assistance.

The primary mortgage must be submitted to IHCDA three weeks prior to closing for final approval. If the Developer is unable to submit the primary mortgage to IHCDA, a closing disclosure may be submitted; however, the Developer must submit the primary mortgage prior to the final submission of the post-closing documents.

4.4. Evaluation of Buyer Expenses, Cash Contribution and Cash Savings

IHCDA will evaluate the homebuyer's reoccurring monthly expenses. The Developer must submit documentation of the following:

- Utility cost projections
- Transportation costs
- Monthly Debt Obligations including:
    - Credit Card
    - Auto Loan
    - Student Loan
    - Other installment and revolving debt that may appear on a credit report, alimony, child support etc.
- Dependent care expenses, including child or elder are necessary to allow adult members of the household to work, in excess of 15% of gross income
- Court ordered child support or alimony payments in excess of 20% of gross income
- Out of pocket health insurance premiums in excess of 10% of gross income
- Other debts to be considered for the back-end ratio

Certain debts which may be repaid in full within several years of closing may not be considered to evaluate the back-end ratio. It is recommended that Developers contact IHCDA for guidance on inclusion of these debts.

Buyers are required to contribute a minimum of $250 toward the purchase of the unit. IHCDA will not waive this requirement.

There may be cases in which homebuyer has significant assets to purchase the home – examples of a liquid asset may include proceeds gain from the sale of a previous home. If the homebuyer has liquid assists that exceed $25,000, the buyer must invest at least 5% of those funds into the purchase. Liquid Assets are those readily convertible to cash including: Cash, Savings Accounts, Checking Accounts, and any other bank accounts.

IHCDA will require copies of the following:
- Most recent bank statements
- Credit report
- Written explanations from the homebuyer of any unexplained large expenditures or large deposits to the account.

The homeowner must have adequate cash reserves to pay for unanticipated emergencies. IHCDA requires two-four months of cash reserves. These reserves may be from savings, checking, money market or other non-retirement accounts, which that after closing there are financial resources of at least two times the total monthly housing expense, including principal, interest, taxes, and insurance (**Total Pmt**). The HOME Administrator should identify the Buyer's starting liquid assets (prior to sale); the remaining assets/monthly payment should be at least double the amount under Total Payment.

Developers may submit a separate cash reserve policy for IHCDA approval. This must be submitted prior to submitting the pre-closing documentation.

The applicant <u>may not</u> provide a uniform amount of assistance to each homebuyer irrespective of income, assets, or other circumstances. Each household must be independently evaluated. IHCDA must finalize an approval of an eligible household purchasing a HOME unit prior to the signing of the ratified sales contract.

IHCDA may consider waivers to the homebuyer underwriting on a case-by-case basis on the front-end ratio, back-end ratio, reoccurring monthly expenses and cash reserves.

4.5 Buyer Analysis – Closing:

The Developer will calculate the amount of "buyer subsidy" for the unit. This amount will be reflected in the Restrictive Covenant and, if the Recapture Requirements are met, subject to the Recapture Provisions. IHCDA will review the Buyer Analysis and compare with the submitted Primary Mortgage or Closing Disclosure. If there is other Down-Payment or Closing Cost Assistance, documentation of that assistance should also be submitted to evaluate the appropriate amount of Buyer Subsidy needed.

Please note that Developers are required to use the maximum amount of available Buyer Subsidy before adding more ling=term debt to the homebuyer in the form of a second, non-forgivable mortgage.

- *Closing costs/prepaids*: The Development must identify the final closing costs or pre-paid funds for the unit. The total cash needed for the transaction will be calculated.

- *Buyer's cash investment (deposit + cash at closing)*: IHCDA requires the Homebuyer contribute a minimum of $250 toward the purchase price of the home.

- *Buyer's Investment for "paid outside closing items"*: if the buyer had any additional items in which lowered the mortgage, please enter that amount in the cell. This may include sweat equity.

- *Buyer's Mortgage*: Please put the amount of the first mortgage.

- *Other Assistance*: The HOME administrator should identify the amount of other down-payment or closing cost assistance the buyer may have received to purchase the unit.

- *Interest Rate*: Please include the annual interest rate for the first mortgage.

- *Mortgage Insurance Premium Rate:* The Developer should identify the MIP/PMI, if applicable. The yellow cell should be the rate; the orange cell should include the annual payment.

- *Term (years):* This analysis must be based on the borrower's payment for a minimum of a 20-year mortgage; please note this may not exceed a 30-year mortgage.

- *Total Monthly Escrow (Taxes, Insurance and Associate Fees*): The Developer should include annual taxes, insurance and associate fees (if applicable) for the unit. If the activity is for new construction, at least $50 per month must be budgeted for property taxes, unless documentation is provided that indicates that taxes will be lower than this amount.

- *Annual Income*: The Developer must calculate the annual income of the buyer. **Please note that this process is different than the Part 5 income qualification, which must be calculated first to determine initial eligibility.** To underwrite those who have an ownership interest the following adjustments must occur:

- The income of adults who will not have an ownership interest in the property will be excluded. For example, in a circumstance where an elderly parent is part of the household but is neither being listed on title to the property nor included on the loan documents, that individual's income will not be included in calculations of the income available to make the mortgage payment.
- However, this exclusion for "non-purchasing" adults is not intended to artificially exclude the income of a household member with marginal credit. In the case of married couples, the income of both spouses will always be included for underwriting purposes.
- Significant sources of income such as social security benefits, child support payments, or the like that will not continue for three (3) years will be excluded. For example, while child support received for a 16 ½ year old is included in the Part 5 definition of income because it will continue over the upcoming 12 months, the source of income will cease in about a year and a half when the child turns 18 and should not be counted on in sizing the buyer's mortgage.
- Any imputed income from assets will be excluded for these underwriting purposes.

- *Existing Non-housing Consumer Debt – Monthly*: In accordance with 92.254(f)(l), homebuyers recurring monthly expenses must be evaluated. The Developer is required to assess the effect of other substantial monthly living expenses on the buyer's ability to repay a mortgage.
  - .
  - This analysis may include car loans, student loans and credit cards if those payments are expected to occur throughout the period of affordability.

- *Utilities*: projected utility costs for the household would be included in this cell.
-
- *Housing Ratio*: This cell will automatically fill. IHCDA will require a 41% back-end ratio (or lower), which is calculated through an analysis of the principal and interest payment, mortgage insurance, escrow, and existing non-housing consumer debt. IHCDA may accept a back-end ratio of up to 43% for units developed by Habitat for Humanity chapters.

- *Buyer's starting liquid assets*: IHCDA requires two-four months of cash reserves. These reserves may be from savings, checking, money market or other non-retirement accounts, which that after closing there are financial resources of at least two times the total monthly housing expense, including principal, interest, taxes, and insurance (**Total Pmt**). The remaining assets/monthly payment should be at least double the amount under Total Payment.

4.6 Sources and Uses

The Developer must provide an updated Sources and Uses table for each unit with the Final Pro-Forma. If there was any change in sources, including the use of a source not originally identified in the application, or, if there was a change in the amount of a source used, the Development must provide documentation.

Sources used for each unit will then be input into the Development Sources Section. Please note that sources listed must match the total uses as identified in the Development Budget.

4.7 Development Sources

The Development Sources will calculate the funds to the seller (developer) upon final closing.

Total Development Costs, *Costs Paid from Sales Proceeds*, will calculate the *Development Period Costs*. Please note that the Development Period costs is dependent on if the Developer Fee is paid out prior to closing or after closing.

The *Gross Dev. Subsidy* will pull from *the Development Subsidy/Appraisal Gap* as identified in the Development Budget Section.

The Developer will identify and enter in *Other grants to be applied to Permanent Financing*. This may include grants from foundations, gifts-in-kind, volunteer labor, and the cost of donated materials. Please note this is not an exhaustive list.

Sources of Equity and *Construction Loans* are expected to be paid back to the original source from the sales proceeds and are considered interim construction financings. Sources of equity may include the amount of funding the Developer themselves puts into the construction of the unit. Construction loans may come from financial institutions.

Under t *HOME actually drawn*, the developer should put the entirety of the HOME award for the unit – which includes the amount already claimed from IHCDA, and any retainage held within the unit construction budget.

The proforma will calculate the *Subtotal of the Development Period Sources* and any balance or gap. The Subtotal should equal the Development Period costs – there should not be any gap calculated.

The Summary of the HOME Investment is further broken into three sections – *HOME for Development Subsidy*, *HOME Buyer Assistance (passed through)*, and, the *HOME Construction Loan (proceeds)*.

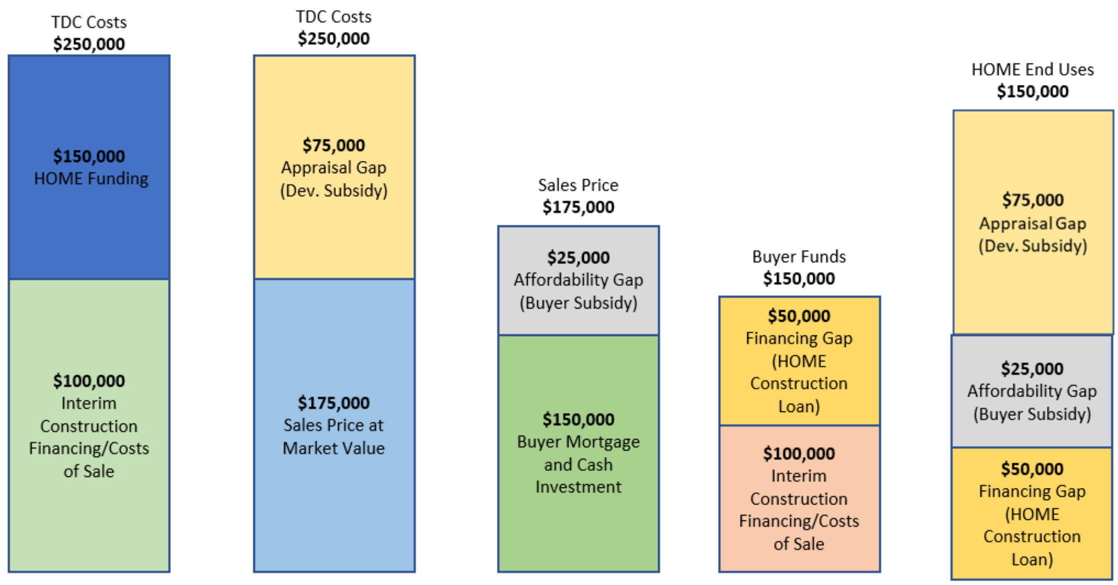
The *HOME for Development Subsidy* will come from the final Development Subsidy as identified in the Development Budget.

The *HOME Buyer Assistance (passed-through)* is derived from the HOME Assistance needed under the Buyer Analysis – Closing. Please note that Buyer Assistance cannot exceed $40,000.

The *HOME Construction Loan* is the interim financing needed to complete the project. This amount is considered Proceeds. Further explanation on proceeds can be found in Section 5: Proceeds.

The *HOME Development Subsidy*, the *HOME Buyer Assistance* and *HOME Construction Loan* will equal the total HOME investment for the homebuyer unit.

An example of the end use of HOME funds, and the transaction of funds may be seen below.



Lastly, the Funds to Seller on Settlement is calculated. This will identify the return of equity to the developer, and the Balance of Developer Fee to determine the Total Funds to the Seller/Developer.

Section 5: Proceeds

Based on the closing calculations of the final pro-forma, proceeds are generated when the amount of HOME funds received by the developer is in excess of the final calculations of the HOME-funded development subsidy and buyer subsidy. Proceeds are defined as Program Income and must be repaid to IHCDA, unless the developer is certified as a CHDO, in which case the proceeds may be retained as CHDO proceeds. Documentation covered in this section includes:

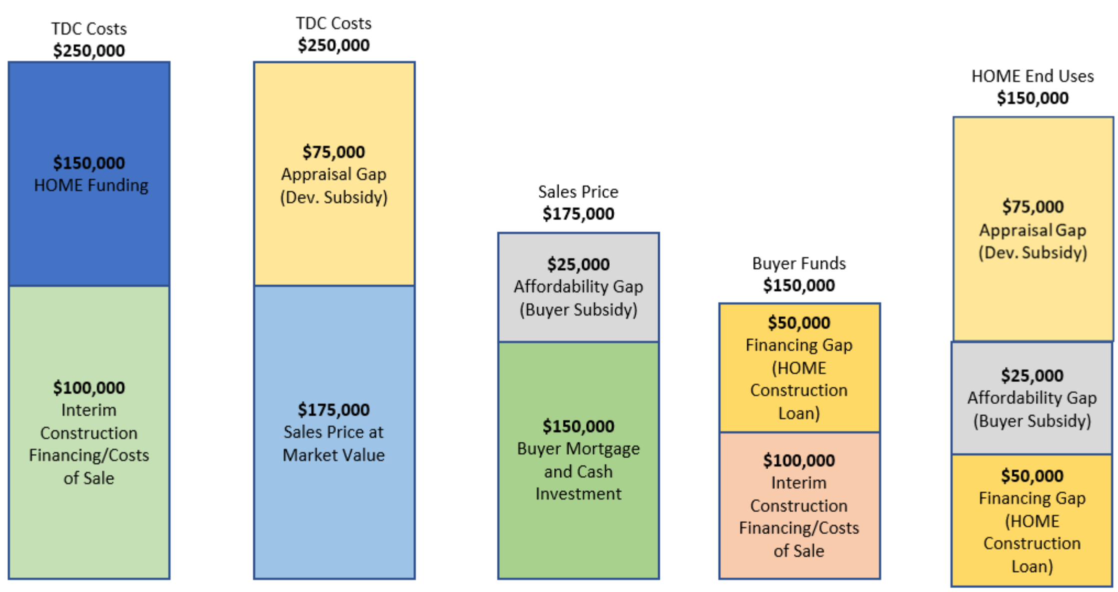
Documentation	Submission Requirements
Program Income Repayment to IHCDA	Within 30 days of closing
CHDO Reuse Request	Pre-Closing

5.1: Proceeds and Program Income:

Proceeds are the:

Total of the HOME investment minus **Development Subsidy** minus **Buyer Subsidy**. This is considered interim construction financing, needed to support the development of the unit.

As seen in the example below, $50,000 would be required to be repaid as Program Income to IHCDA.



IHCDA will certify the amount of Proceeds generated from the project with the submission of the final Pro-Forma. The Developer will be required to pay the proceeds to IHCDA within 30 days of closing on the unit. The Developer may either return funds to IHCDA via IHCDA Online or mail a check to IHCDA.

Please contact the Director of Strategic Initiatives and Engagement with questions regarding repayment.

5.2: CHDO Proceeds Calculation

Developers who are certified upon project approval as a Community Housing Development Organization, or CHDO, may retain the proceeds generated as outlined above as "CHDO Proceeds".

CHDOs may also receive income through either sales proceeds as defined above, or, through receiving loan repayments back from homebuyers during the affordability period.

IHCDA will determine the appropriate amount of CHDO Proceeds through the Final Closing Pro-Forma prior to closing. At IHCDA's discretion, IHCDA may choose to implement a cap on CHDO proceeds to be retained.

5.3 CHDO Proceeds Reuse Requirements

The funds must be utilized for housing activities that benefit low-income families as provided in 24 CFR 92.300(a)(2); households must be at incomes at or below earning 80% of the Area Median Income. Examples of affordable housing activities which may be funded with CHDO Proceeds include: emergency repairs, housing production, project operating costs and reserves, housing refinancing costs, Developer's operating expenses and housing counseling.

The CHDO must submit a formal request, signed by the Executive Director of the CHDO, to IHCDA identifying the use of the CHDO Proceeds. Please submit three weeks prior to closing. IHCDA will review and approve the use of the CHDO Proceeds. The CHDO may submit a modification request of the use of the proceeds.

CHDO Proceeds which are retained by the Developer are not subject to the requirements of the HOME regulations except for the income requirements under 92.300(a)(6)(ii)(A). Thus, the Davis-Bacon Act, National Environmental Policies Act and Uniform Relocation Assistance and Real Property Acquisition Policies Act do not apply to the use of CHDO Proceeds.

However, because CHDO Proceeds are derived from the expenditure of HOME funds, any activities which are funded with CHDO Proceeds may not be contributed as HOME Match.

Funds generated from the use of CHDO Proceeds are not CHDO Proceeds. Income generated after the written agreement has expired with IHCDA are still considered CHDO Proceeds, and subject to the requirements of this Manual, and the applicable HOME regulations.

However, if at any time during the affordability period, the CHDO becomes decertified or no longer has a mission of providing affordable housing then all CHDO proceeds must immediately be remitted to IHCDA. Additionally, funds recaptured because housing no longer meets affordability requirements are not considered CHDO proceeds and are subject to the requirements of 24 CFR 92.503(b) and must be returned to IHCDA.

5.4. CHDO Proceeds Restrictions

IHCDA will limit the amount of CHDO Proceeds that can be used for administrative uses or developer fee. No more than 5% of the CHDO Proceeds may be used administrative or operational purposes; no more than 15% may be claimed as a developer fee.

IHCDA will not allow CHDOs to retain proceeds on units that place a third lien of the property with a payable note that takes the place for needed additional subsidy that could have been negated with HOME homebuyer subsidy funding (up to $40,000).

5.5 CHDO Proceeds Reporting Requirements

All CHDOs will be required to submit to IHCDA quarterly reports to the Director of Strategic Initiatives and Engagement that document the use of CHDO proceeds and CHDO proceeds net balance for the prior quarter. Failure to use existing CHDO proceeds on eligible activities may result in caps on retention of CHDO proceeds for future specific projects.

Reporting should include when those proceeds are used, the amount used, date received, and identification of the use (and if for a property, the address served).

Reporting is only required through the first use of the CHDO proceeds. After the first use, no additional reporting is required.

Section 6: Post-Closing Requirements

After closing on the unit, several documents will need to be submitted to IHCDA for final approval. These documents are due within 30 days of closing. Documentation covered in this section includes:

Documentation	**Submission Requirements**
HOME Agreement	Within 30 days of closing
Lien and Restrictive Covenant Agreement	Within 30 days of closing
Homebuyer Completion Report	Within 30 days of closing
Notice of Amended Completion Data	To be issued by IHCDA to both Developer and Buyer within 30 days of project closeout

6.1: Period of Affordability:

The Period of Affordability is based upon the amount of HOME investment in the property. The table below outlines the options for the affordability periods.

HOME Investment*	**Affordability Period**
<$15,000	5 years
$15,000 - $40,000	10 years
>$40,000	15 years
*Resale: Total HOME Recapture: Direct Buyer Assistance Only	

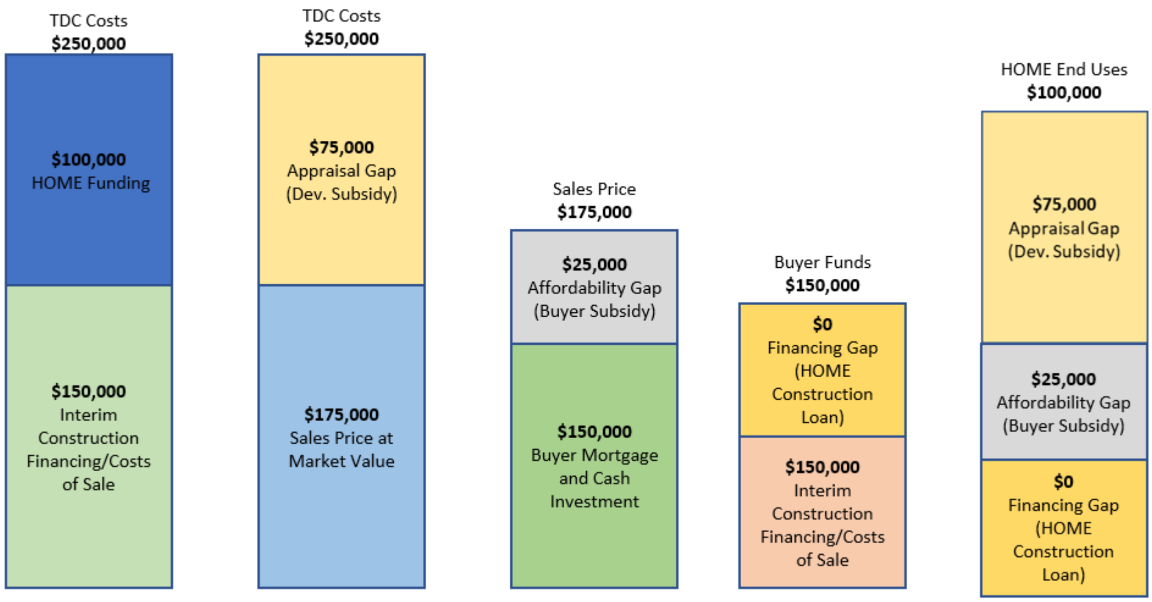
The owner must maintain residency throughout the period of affordability. Additional information on this requirement and reporting, may be found in Sectionlcra8.1.

Under the Recapture Provision, the Period of Affordability is based upon the usage of the direct assistance to the buyer, or buyer subsidy. If HOME is directly provided to the buyer (down payment assistance or closing cost assistance), the Recapture method may be used. This is determined through the Buyer Analysis of the Final-Forma.

If there is only a development subsidy, and no buyer subsidy used, Resale is required to be used.

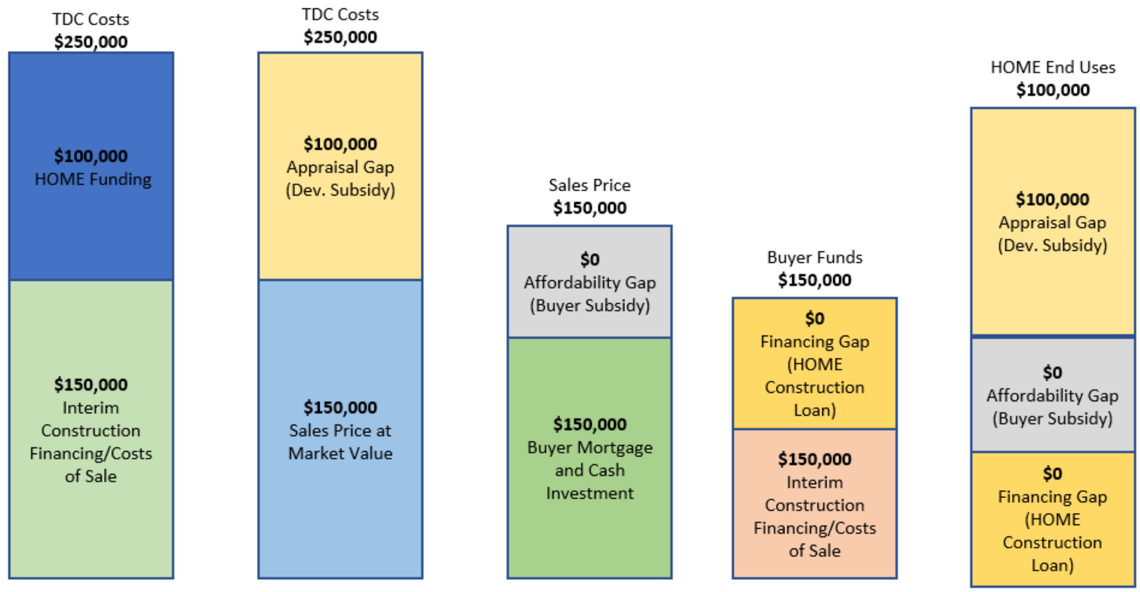
The use of either Recapture or Resale must be identified up front at the time or purchase. The Developer will be required to submit a Recapture or Resale Lien and Restrictive Covenant (LCRA). More information on the LCRA may be found in Section 6.4.

Example of Recapture: In the example below, the Appraisal Gap, or Development Subsidy is $75,000. The Affordability Gap, or Buyer Subsidy is $25,000. The Development Subsidy is written off, and the $25,000 buyer subsidy is subject to the Recapture Guidelines. The Period of Affordability is 10 years.



Example of Resale:

The Resale Guidelines are triggered when there is no Affordability Gap. In the example below, there is $100,000 Developer Subsidy, but as the buyer can afford the full mortgage of $150,000, there is no need for any Buyer Subsidy. Resale Guidelines must be used.



6.2 Recapture Guidelines

The Developer must implement recapture restrictions for any homebuyer property purchased, in whole or in part, by a homebuyer that received a direct buyer subsidy from the Developer in an amount greater than or equal to One Thousand and 00/100 Dollars ($1,000) from HOME funds. A homebuyer subsidy directly subsidizes the purchase (e.g., down-payment or closing cost assistance). Please note that the buyer subsidy cannot exceed $40,000/unit.

There are two different consequences that may be associated with a recapture provision: (1) the recapture provision can be triggered (as described just below) or (2) an event of non-compliance can occur (as described further below).

The recapture provisions are triggered if any of the following occur during the Affordability Period:

1. The homebuyer transfers or conveys the property by deed, land contract, or otherwise;
2. Foreclosure proceedings are commenced against the property;
3. The property is transferred by an instrument in lieu of foreclosure; or,
4. The title to the property is transferred from the homebuyer through any other involuntary means.

Under the Recapture Guidelines, the homebuyer may sell the unit during the Period of Affordable for any price the market may bear, to any buyer.

The amount of the homebuyer subsidy shall be reduced by multiplying the homebuyer subsidy by the Forgiven Ratio ("defined below") in order to determine the amount that will be forgiven. The amount to be recaptured and shall be limited to the Net Proceeds of the sale. "Net Proceeds" is defined as the sales price minus superior loan repayment (other than HOME funds) and closing costs. If there are no Net Proceeds, the amount to be recaptured will be zero and the HOME loan is considered satisfied. In the event there is significant market appreciation, once the HOME obligation is recaptured, the homebuyer can retain any appreciation. The amount recaptured cannot exceed the Net Proceeds, if any. "Forgiven Ratio" means a ratio that calculates the amount of the Direct Subsidy that is forgiven. This ratio shall be calculated by dividing the number of full months that owner occupies the property as its principal residence by the total of number of months in the Affordability Period.

The Developer will be required to ensure that a lien and restrictive covenant agreement, drafted by IHCDA, has been executed and recorded on any HOME-assisted property.

In accordance with CPD Notice 12-003, the Developer must also execute a HOME written agreement with the homebuyer before or at the time of sale. The purpose of the agreement is to ensure that all parties are aware of the provisions related to the lien and restrictive covenant agreement and HOME requirements applicable to the HOME-assisted unit (i.e., period or affordability, principal residency requirement, etc.). The Developer will be required to use IHCDA's form of Homebuyer Recapture Agreement.

Non-Compliance occurs during the Affordability Period when any of the following occur: 1) the original homebuyer no longer occupies the unit as his or her principal residence (i.e., unit is rented or vacant), or 2) the home was sold during the Affordability Period and the recapture provisions were not enforced. In the event of noncompliance, the Developer must repay the entire amount of the HOME funds invested in the property. Net Proceeds ("as defined above") and the Forgiven Ratio ("as defined above") are not applicable when there is a non-compliance.

6.3: Resale Guidelines

Applicants are encouraged to structure homebuyer projects to include a direct subsidy which can be achieved by reducing the sales price below the fair market value of the property. IHCDA does not recommend the use of resale provisions due to the risks associated with foreclosure, non-compliance and the administrative burdens associated with ensuring a fair return.

When a homebuyer property is constructed, redeveloped, rehabilitated, or acquired, in whole or in part, with HOME funds and the HOME funds are provided to the homebuyer property in the form of a development subsidy and there is no homebuyer subsidy the Developer must implement resale requirements/ The development subsidy consists of the difference between the cost of producing the unit and the market value of the property.

There are two different consequences that may be associated with a resale provisions (1) the resale provision can be triggered and its requirements must be met (as described below) or (2) an event of non-compliance can occur (as described further below).

The resale provisions are triggered if any of the following occur during the Affordability Period:

1. The homebuyer transfers or conveys the property by deed, land contract, or otherwise;
2. Foreclosure proceedings are commenced against the property;
3. The property is transferred by an instrument in lieu of foreclosure; or
4. The title to the property is transferred from the homebuyer through any other involuntary means.

The resale provision requires that the property:

1. Be marketed to families at or below 80% AMI;
2. Be resold to another individual or family whose income is at or below 80% of the area median income;
3. Be occupied by that individual or family as its primary residence for the remainder of the Affordability Period;
4. Be resold at a price that does not exceed 29% of the reasonable range of low income buyer's income towards the principal, interest, taxes and insurance for the property on a monthly basis ("Affordable Price"); and
5. Be affordable for a reasonable range of low income families between 50% and 80% of the median area income for the geographic area published annually by HUD.

The homebuyer is entitled to a fair return on its investment (as described below) upon the sale of the property. The fair return will be based on the percentage change in the Consumer Price Index for All Urban Consumers Owners' Equivalent Rent of Primary Residence category in Table I of the CPI Detailed Report (the "CPI Index") during the period of the homebuyer's ownership of the property. Accordingly, the CPI Index during the month the residence was completed (the month during which the completion reports were received by and approved by IHCDA) will be compared to the CPI Index during the month the homebuyer sells the residence to determine the percentage of the return. This percentage will be multiplied by the homebuyer's investment.

Example:

Original sales price = $100,000
Initial homebuyer investment = $5,000
Capital investment = $9,000
Percentage change in CPI = 3.5%

($5,000 + $9,000) x 3.5% = $490 fair return
$5,000 + $9,000 + $490 = $14,490 total return to original homebuyer at sale

$100,000 + $14,490= maximum allowable subsequent sales price.

The homebuyer's investment will include any down payment, plus any capital improvements. A capital improvement is any property enhancement that increases the overall value of the property, adapts it to new uses, or extends its life such as: adding windows, insulation, a new drive way, a new furnace, a garage, bedroom, new roof, remodeling kitchen, etc. Any capital improvement will be valued based on actual cost as documented by the homebuyer's receipts submitted to, and approved by IHCDA. Generally, replacing worn or dated components such as appliances or carpet would not be considered an improvement that adds value or adapts it to new uses. In certain circumstances, such as a declining housing market where home values are depreciating, the homebuyer may not receive a return on his or her investment because the home sold for less or the same price as the original purchase price and a loss on investment may constitute a fair return.

IHCDA will provide HOME assistance to the subsequent homebuyer to ensure that the original homebuyer received a fair return and that the unit is affordable to the defined low-income population.

The Developer will be required to ensure that a lien and restrictive covenant agreement, drafted by IHCDA, has been executed and recorded on any HOME-assisted property. In accordance with CPD Notice 12-003, the Developer must also execute a HOME written agreement with the homebuyer before or at the time of sale. The purpose of the agreement is to ensure that all parties are aware of the provisions related to the lien and restrictive covenant agreement and HOME requirements applicable to the HOME-assisted unit (i.e., period or affordability, principal residency requirement, etc.). The Developer will be required to use IHCDA's form of Homebuyer Resale Agreement.

Non-Compliance occurs during the Affordability Period when an owner (1) vacates the unit or rents the unit to another household, (2) sells the unit to a buyer that is not income-eligible, (3) sells the unit to a buyer that will not agree to use the property as its principle residence for the remainder of the Affordability Period (will not sign a lien and restrictive covenant agreement), or (4) does not sell it to the buyer at a reasonable price. In the event of noncompliance, the Developer must repay the entire amount of HOME funds invested in the housing.

Under resale guidelines the Affordability Period is based upon the total amount of HOME funds invested into the property and this is the amount that would need to be repaid by the Developer in the event of non-compliance or foreclosure that occurs during the affordability period.

Applicants are encouraged to structure homebuyer projects to include a direct subsidy which can be achieved by reducing the sales price below the fair market value of the property. IHCDA does not recommend the use of resale provisions due to the risks associated with foreclosure, non-compliance and the administrative burdens associated with ensuring a fair return.

6.4: Agreement and LRCA

In accordance with CPD Notice 12-003, the Developer must execute a HOME written agreement with the homebuyer before or at the time of sale. The purpose of the agreement is to ensure that all parties are aware of the provisions related to the lien and restrictive covenant agreement and HOME requirements applicable to the HOME-assisted unit (i.e., period or affordability, principal residency requirement, etc.), and helps the Developer enforce those requirements. A copy of the written agreement that must be used will be sent with the original award agreement packet to the Developer. This written agreement must be executed prior to the lien and restrictive covenant agreement.

The Developer should fill out and record the appropriate Lien and Restrictive Covenant Agreement and submit the recorded version to IHCDA.

The template for both the Agreement and LRCA will be included in the award packet sent to the Developer. The Developer is required to use the Agreement and LRCA as prepared by IHCDA. Please note there are two versions of the Agreement and LRCA – one for Recapture and one for Resale. If resale is determined to be trigged upon approval of the Final Pro-Forma, IHCDA will send those versions to the Developer.

The written agreement must be submitted to IHCDA within 30 days of closing; the LRCA should be submitted once recorded.

Please note that the Period of Affordability starts based upon when the entire project has completed its final monitoring and is closed in the Integrated Disbursement Information System (IDIS). More information on project completion can be found in Section 6.8.

6.6: Homebuyer Completion Reporting

Upon sale of all units as part of the HOME contract with IHCDA, the Developer should submit the Homebuyer Completion Report. The form should be completed per unit in the HOME contract. IHCDA will report on the information to HUD.

6.7: Final Draw Request

Upon closing, the Developer may submit the final claim for the retainage. This final claim must be done within 90 days of closing through IHCDA Online. All post-closing documentation must be submitted and approved by IHCDA staff prior to the submission of the final draw request.

6.8: Notice of Project Completion Date

The Period of Affordability for all units sold may not start until all units have been sold, and the project has completed its final compliance monitoring, and all outstanding, eligible claims have been processed.

The Project Completion date is the date the project is closed out in the Integrated Disbursement Information System (IDIS). Upon closeout in the IDIS system, IHCDA will issue the project completion date to the Developer. IHCDA will issue a notice to the buyer once the completion date is known, which serves as an amendment to the agreement.

Section 7: Project Benchmarks

The HOME Program has several critical deadlines under the Homebuyer regulations that must be met, or repayment of any funds drawn against the award must be repaid to IHCDA. Documentation covered under this section includes:

Documentation	Submission Requirements
Extension Request	As needed during construction contract

7.1: Four Year Expenditure Deadline

All HOME projects must be completed and closed out in IDIS within four years of contract execution. All IHCDA issued Homebuyer contracts will include a term of 24 months. The Developer may request an extension to IHCDA. In the extension request, please include the following:

- Request on the Developer's letterhead, signed by either the Executive Director, or Board Chair;
- Length of time for additional request – please note this cannot exceed 39 months past the original issuance and execution date of the contract;
- Explanation as to why a request is needed;
- Detailed timeline on the project and steps to be undertaken to sell the unit.

7.2: Contract Progress and De-obligation Policy

IHCDA will track contract progress. Projects not awaiting final closeout from IHCDA's Compliance Division at 36 months after contract execution may be considered high-risk. The Director of Real Estate Strategic Initiatives and Engagement will work with the Developer to establish a remediation plan to ensure units are completed and sold within the required timeframe.

The Developer may elect at anytime to deobligate funds and either cancel their HOME project or reduce the number of units in their contract. Any funds spent for cancelled HOME projects must be repaid to IHCDA.

7.3: Nine-Month Deadline:

Upon the final inspection, Developers have nine-months to enter into a purchase agreement with an eligible buyer. After three months, if the unit has not been sold, IHCDA will require a marketing plan to submitted and approved. IHCDA may also elect to have on-going technical assistance with the Developer to ensure the unit is sold within the federal timeframe.

Units which are not sold within nine-months will automatically convert to a HOME rental activity.

Section 8: Ongoing Compliance

Documentation covered under this section includes:

Documentation	Submission Requirements
Annual Certification of Compliance	By January 31st during each year of the POA
Refinance/ Subordination Request	At least two weeks prior to closing

8.1: Annual Certification of Compliance and Primary Residence

In order to ensure compliance with the Affordability Period and principal place of residency requirements of the HOME Program for HOME-assisted homebuyer units, the Developer must submit a "Homebuyer Activity Annual Certification of Compliance" annually throughout the Affordability Period. The Certification confirms the owner is using the property as his or her principal place of residence. Verification of income in not required as part of this certification.

Confirmation that the buyer is using the property as his or her principal residence can often be accomplished by verifying that the buyer's name appears on utility company records and/or insurance company records for the home. In addition, postcards or letters mailed with "do not forward" instructions can demonstrate whether the buyer is receiving mail at the home.

This will require the Developer to certify compliance to IHCDA annually, under penalties of perjury, for each year of the Affordability Period. The Developer must certify that each home/homeowner assisted with HOME funds under this Award meets the affordability requirements. This will require the Developer to request each homeowner to sign the "Exhibit A: Principal Place of Residency Certification."

The "Homebuyer Activity Annual Certification of Compliance" is due on or before January 31st of each year and will certify information for the preceding twelve (12) month period. The first annual owner certification is due by January 31st of the year following closeout date (i.e. the first year of the affordability period) of this Award.

A complete submission includes the Certification, Exhibit A, and Exhibit B. The "Homebuyer Activity Annual Certification of Compliance" and related exhibit forms are made available on the compliance and asset management page of IHCDA's website.. IHCDA will not send these forms to the Developer annually. Rather, it is the responsibility of the Developer to download the necessary forms and to contact IHCDA if there are any questions or concerns.

Repeated failure to submit reports or to comply with requests for reports could result in repayment of HOME funds associated with these home-assisted homebuyer units or suspension or debarment of the Developer. For more information on IHCDA's suspension and debarment policy, refer to Chapter 17 of IHCDA's Program Manual.

8.2 Refinance and Subordination

During the Period of Affordability, the homebuyer may refinance their first mortgage (the non-HOME debt) and request a subordination of the HOME loan. IHCDA will allow the refinancing to allow the owner to obtain a lower interest rate, or, if sufficient equity exists, to take cash out for immediate property repairs or catastrophic expenses. Any cash out refinancing to the property must result in a total loan-to-value ratio of 90% or less.

Total indebtedness also may not exceed the value of the property; predatory lending and non-confirming loans are not permitted.

To request refinancing/subordination, the following must be submitted to IHCDA:

- Two bank statements
- A copy of the LRCA and any amendments or addendums to it
- Appraisal
- Good Faith Estimate
- 1008
- The estimated closing date
- Name of lender
- Amount of the loan
- Homebuyer refinance/subordination request form
- Current and new rate, if applicable
- Current and new monthly payments, if applicable

IHCDA will review the terms and documentation; IHCDA staff may request additional documentation. If approved, IHCDA's Legal Department will execute the Refinance/Subordination Agreement. The Agreement must be executed by IHCDA, the Borrower and the Lender.

Please note that refinancing does not alter the Period of Affordability for the HOME loan.

IHCDA recommends that Homebuyers and/or Lenders provide the request at least two weeks prior to the closing date.

8.3: Transfer of Homebuyer HOME Loans

In the event of the death or incapacity of a homeowner(s) during the period of affordability, transfer of property to an eligible low or moderate income household that is an immediate family member of the original homeowner will be permitted.

An immediate family member is defined as a spouse, parent, brother, sister, or child of that person, or an individual to who that persons stands in place of a parent.

Any immediate family members that wishes to assume responsibility of the HOME loan, must contact IHCDA. The family member must been all qualifying criteria, including:

Borrower Eligibility Requirements:

- Income
- Age
- Occupancy
- Mortgage Status

Property Eligibility Requirements:

- Property ownership and type
- Property tax
- Property Insurance

IHCDA will conduct third party verification and obtain all required documents to determine if the household meets the HOME eligibility requirements.

The immediately family member that is to assume responsibility of the HOME loan is responsible for transferring title of the property into his/her name. The immediate family member is also responsible for preparation and processing all documents related to the HOME loan assumption. All costs associated with transferring the title of the property loan assumption will be the sole responsible of the immediate family member, including any legal fees, filing fees, taxes, and any other costs incurred with such process. The immediate family member will have 180 days after the death of the original homeowner to complete the title transfer and HOME loan assumption. If the process is not completed within the specified timeframe, the remainder of the HOME loan must be paid back to IHCDA.

Section 9: Lease-Purchase Requirements

Lease-Purchase is a transitional option between rental and homeownership; lease-purchase programs assist households with preparing for homeownership. Additional goals of the lease-purchase program include:

- Serving buyers who may require more intensive support;
- Expanding the potential market for homes; and
- Assisting buyers to build equity on the HOME-assisted unit.

Please note that requirements specified in previous sections are still requirement under Lease-Purchase proposals.

9.1. HOME requirements

Lease purchase activities are covered under the 24 CFR 92.254(a)(7) and are defined as a Homebuyer activities.

Regulations covered under 92.252 pertaining to (but not limited to) Low/High-HOME rents, utility allowance, annual income verifications, lease provisions do not apply to lease-purchase programs.

9.2 Lease-Purchase Provisions and Completion Deadlines

Eligibility must be determined at the time at time of entering into lease-purchase agreement. The household must be at or below 80% of the Area Median Income using the HUD Part 5 requirements. Income may increase during the lease period – the buyer will remain eligible regardless of the income increase at time of closing.

The lease-purchase agreement must be signed within nine (9) months of construction completion. If the agreement is not signed, the unit will automatically convert to rental and will be required to follow all HOME rental requirements.

Applicants will have no more than two (2) years to complete construction and sign the lease-purchase agreement. The lease-purchase agreement must be for at least six (6) months, but no more than 12 months. The applicant may request to extend the lease purchase agreement to an additional six (6) months (18 in total).

If construction is completed under two years, the applicant may request an additional extension to IHCDA on the lease-purchase agreement. Please note that the HOME regulations require that lease-purchase agreement not exceed a total of 36 months.

The project must be fully closed within four (4) years of the HOME construction contract with IHCDA so applicants must be aware of the above required timelines to ensure compliance with the HOME regulatory requirements. Failure to transfer the property to a buyer may either require the unit or units to automatically become rental units which would then require all requirements under the HOME Rental regulations be followed (including but not limited to rental and income requirements and the rental period of affordability) or, that the entirety of the award be repaid to IHCDA and the project be considered a failed project.

9.3 Additional Beneficiary Eligibility requirements

Applicants must establish a separate lease-purchase policy which outlines the requirements of the beneficiary. The policy must be submitted to IHCDA with the application for HOME funding for approval. The policy may include:

- Minimum incomes of the household to be eligible (cannot exceed 80% of the Area Median Income);
- Employment history;
- Rental history;
- Lessor maintenance requirements.

The applicant's policy must also explain how the owner will help identify lenders who can provide purchase money mortgages to the beneficiary.

The policy must further define the roadmap from lease to sale of the unit. It must include benchmarks the household would be required to achieve prior to closing and outline the circumstances in which the lease may not be renewed. IHCDA strongly recommends that households who are not able to purchase within the HOME deadline not be subject to eviction but instead moved to another unit within the Applicant's portfolio or be given sufficient time and additional support to find another rental unit.

The lease-purchase agreement and any subsequent renewals may be tied to on-going housing counseling and case management. This must be included in the policy. Please note that all regulations pertaining to Fair Housing must not violated through this policy.

9.4 Additional Underwriting Criteria

Lease-purchase units under this policy are not subject to HOME Rental limits nor utility allowances. The applicant should identify the rent to be set for the unit during the lease-purchase agreement term.

While IHCDA does not require the set rent to be above or below the anticipated mortgage payment, IHCDA does recommend rent be set above the anticipated mortgage payment. Applicants should also take into account the internal management costs, maintenance and taxes while the property is a rental.

A minimum of 10% of the rent paid should be put into a separate account to be used toward the downpayment for the unit.