

# IHCDA HOME Homebuyer Program

## Managing a HOME Homebuyer Project

### Session 3

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# IHCDA's Mission and Vision

## Our Mission

To provide housing opportunities, promote self-sufficiency, and strengthen communities.

## Our Vision

An Indiana with a sustainable quality of life for all Hoosiers in the community of their choice.



# Agenda

- IHEDA Contract Process
- Inspection Policy
- Retainage Policy
- Extension and Modifications Requests
- HOME timelines and deadlines
  - Expenditure deadline
  - 9-month timeline
  - De-obligation

# IHCDA Contract Process

# Prior to Contract Issuance

- The Release of Funds process must be completed before IHCDCA will release a contract for signature
- If project converts to exempt, IHCDCA will issue a Concurrence Letter and will begin the contracting process
- If a project does not convert to exempt, there is a required 30-day public comment; HUD will issue ROF to IHCDCA; IHCDCA can then issue the contract packet
- Do not purchase the property or start construction prior to the ROF

# Contract Basics

- IHEDA will issue the contract to the developer for signature.
- Contract packet includes:
  - Award Agreement
  - Authorized Signature
  - Authorized Contact Form
  - Payroll Authorization
  - Exhibit D
  - W-9
  - ACH Authorization
  - HUD Disclosure Form
  - Drug Free Certification
  - Homebuyer Recapture Agreement
  - Lien and Restrictive Covenant Agreement
  - Homebuyer Principal Residence Certification

# Contract Packet

- Exhibit D – HUD Form 4010; provides regulations pertaining to the Federal Labor Standards Provisions
- ACH – if there are changes to banking or your account, you can enter/upload new information to IHEDA Online
- Universal Design Features – not required at time of application but to be used during final inspection.

# Contract Packet

- Authorized Signature Form – this will list who is allowed to sign contracts and amendments. Must be notarized.
- Authorized Contact Form: Lists all contacts to be included on correspondence with IHCDA.
- Payroll Authorization Form – lists staff who may have timesheets associated with any HOME claims.
  - Housing counseling, GC etc.
- IHCDA will need updated forms if contacts change.



# Contract

- Contract will list budget, sources and uses
- Developer will need to provide:
  - Signature
  - Construction Schedule
  - Legal Description of all sites
- Contract packet usually due back within 30 days

# Other Exhibits

- Will generally use Recapture documents
- Recapture Agreement – Should be signed by homebuyer and developer at or before sale of property
  - Outlines requirements for the Recapture Subsidy, POA, Net Proceeds and Subordination
- Lien and Restrictive Covenant – signed by homebuyer and notarized. This is recorded with County. Recorded version must be submitted to IHCD within 30 days of closing.
- HOME Homebuyer Principal Residence Certification
  - Signed by Homebuyer every year as a statement that the unit is still their principal residence (more on this later!)

# Inspection Policy

# Inspections

- All homebuyer units are required to be inspected three times. Grantees must submit a preliminary construction schedule to Dave Pugh prior to scheduling the first inspection.
- All inspections should be coordinated through Dave Pugh – he will work with all grantees and IHCDA's third-party inspector, Van Marter to schedule inspections.

# Inspections – New Construction

- New Construction:
  - The first inspection will occur after excavation of foots and footing concrete is poured.
    - This can be done by local third-party inspector IF they meet inspector requirements. Must be approved by IHCDA prior to inspection.
    - IHCDA Footer Inspection Certification Form
  - The second inspection must occur anytime before the completion of the wall insulation and hanging of drywall
    - IHCDA Framing Inspection Certification Form
  - The last inspection must occur when 100% of the construction has been completed, including landscaping and site work and prior to move in
    - Can allow for final inspection prior to landscaping on a case-by-case basis
    - IHCDA Final Inspection Certification Form

# Inspections – Rehabilitation

- Rehabilitation:
  - Either prior to, or after the submission of the application, the applicant must coordinate with Dave Pugh to schedule an inspection to confirm the cost estimates and scope of work of the proposed project.
    - This must be done prior to Board approval.
    - This inspection may warrant changes in the pro-forma.
    - This inspection **MUST** be done by IHCDA or Van Marter per HUD regulations.
  - The second inspection must be done when 50% of the work has been completed on the unit.
  - The final inspection must occur when the construction of a unit is completed.
    - Final Inspection Certification Form

# Inspections – Rehabilitation

- For all rehabilitation units using HOME funds, each major system must have a remaining useful life of at least five years or longer.
- Pending year of unit, lead inspection may be required. Also consider asbestos testing on the unit.

# Final Inspections

- All final inspections on any unit preparing for closing must be completed prior to submitting the pre-closing documentation.
- Final inspection will also include a review of the Universal Design Features, Green Building Techniques and Design Features as stated in application for funding.
- The unit **MUST** pass final inspection before moving forward on any closing activities; all final inspections must be approved by Dave Pugh.
- The following documents may also be required to be submitted:
  - Lead Form
  - Certified HERS rating inspection



# Timing of Final Inspection

- The Final Inspection must be scheduled within 30 days of construction completion and the issuance of the certificate of occupancy.
- Upon IHCDA approval of the final inspection, the developer will have nine-months to have a purchase agreement with an eligible buyer.

# Third Party Building Inspectors Policy

- The grantee must have an IHCD A approved inspector to monitor and inspect all IHCD A funded projects, before, during and after construction/rehabilitation.
- They must be approved by Dave Pugh prior to starting construction.
- The Third-Party Building Inspection must:
  - Ensure all contractually agreed upon construction is in accordance with HOME regulations
  - Conduct progress inspections to ensure quality assurance
  - Verify and substantiate change order requests
  - Conduct final inspection
  - Mitigate all issues/concerns between parties
  - Sign the IHCD A Inspection Certificate Form
  - Re-inspect and verify required repairs based on IHCD A inspections are complete

# Third Party Building Inspectors Policy

- At least one of the following qualifications must be met to qualify as an approved third-party inspector:
  - Three years previous experience as a building code official or inspector – documented employment with contacts listed for verification
  - International Code Counsel Residential Inspection Certificate
  - Experience documenting inspections of five or more IHEDA awards
  - Local building code official
  - Licensed architect
  - Licensed engineer
  - Licensed home inspector

# Claim Submission & Retainage Policy

# Retainage

- New policy – IHCDA will retain \$5,000 of HOME award until project has completed final monitoring
- Please note that all units must be sold to be eligible for final monitoring.
- The Developer should submit the final claim prior to the final monitoring – IHCDA's Financial Operations staff will deny the claim, but no extension will be needed on contract.
- Claim will then be allowed to be resubmitted after final monitoring. Please resubmit within 90 days of final monitoring – failure to do so may lead to deobligation.

# Claim Submission

- IHCDA RED Staff will set up project with Financial Operations Team. Developers will use IHCDA Online to submit claims.
- If you cannot see your award, please contact Lisa Ditchley at [LDitchley@ihcda.IN.gov](mailto:LDitchley@ihcda.IN.gov).
- If there is a budget error, please contact Sam Spergel.
- All use of HOME funds (except Developer fee) is on a reimbursement basis. HOME funds cannot be advanced.

# Claim Submission

- Summary of Assisted sites not required for Homebuyer. Information will be in Proforma.
- Include a detailed summary of expenditures being requested for reimbursement by line-item.
- Include a copy of all invoices – construction invoices must contain a detailed description of the work performed with the address of the property.
- Written invoices will not be accepted. Request for Developer fee must be on agency/organizational letter head and signed by authorized official.

# Extension and Modification Policy



# Extension Requests

- All HOME Homebuyer contracts will include a term of 24 months (24 months will start on date IHCDA signs the contract).
- Extensions to the contract may be requested to IHCDA. Please include the following:
  - Request on 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 execution 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
- Please submit requests to Allocation Analyst and 'cc Sam Spergel

# Modification Requests

- Developers can request modifications to their contracts.
- Budget Modification
  - Moving Budget between line-items (hard costs, soft costs, developer fee (note: cannot exceed 15%))
  - Moving Budget between units
    - A new proforma must be submitted with request
    - Updated sources/uses/construction cost estimate may be required.
- Unit Reduction
  - New proforma must be submitted with request
  - Any costs paid with HOME for a unit must be repaid to IHCD

# Modification Requests

- Change in Address
  - New Proforma required.
  - Site Plan, Unit Plan, Construction Cost Estimates may be required.
  - May require updated scoring.
  - New ERR packet must be submitted. Please note ERR timeline! Minimum of 30 days prior to execution of new contract for new address.
  
- Modification requests will follow same submission requirements as Extension requests, with additional documentation needed to review.

# HOME Timelines and Deadlines

# Four-Year HOME Deadline

- All HOME projects must be completed and closed out in IDIS within four years of contract execution.
- All units must be sold to eligible buyer, have completed final monitoring, have approval over all closing documents from IHCD and have all eligible funds drawn by this date, or project is considered failed by HUD and entire project must be repaid back.

# Nine-month Deadline

- Upon approval of the Final Inspection, Developers have nine-months to enter into a purchase agreement with an eligible buyer.
- After nine-months, the unit will automatically convert to rental – meaning the developer must operate the unit as a rental and a longer POA may be triggered. All HOME rental regulations will then apply.
- If after three months, the unit has not been sold, IHCDCA will require a marketing plan to be submitted and approved
- IHCDCA may also elect to have on-going technical assistance with the developer.

# Contract Progress and De-Obligation

- IHCD will track contract progress. Projects not awaiting or undergoing final monitoring from the Compliance Division by month 36 of contract will be considered high-risk.
- IHCD will work with the Developer to establish a remediation plan to ensure units are completed and sold within required timeframe.
  - Plan may include unit reduction
- The Developer may at anytime, elect to deobligate a portion, or the entirety of their award. Any funds spent on cancelled HOME projects must be repaid.
  - No penalty if this occurs.

# Upcoming Training –

**Tuesday, November 12, 2024**

**9:30am**



# Selling the Unit Part 1 - Choosing the buyer and evaluating the lender

- Pre-Closing timeline
- Eligible Beneficiaries
- Homebuyer Counseling
- Evaluation of Buyer Expenses, Cash Contribution and Cash Savings
- Setting the Purchase Price
- Lending Standards
- Filling out the Closing Analysis

# ANY QUESTIONS?

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