

EXHIBIT 3

MATCHING CONTRIBUTION REQUIREMENTS

By establishing the HOME Program, Congress intended to establish a partnership between the federal government, states, units of local government and nonprofit organizations to expand the supply of affordable housing for low-income families. According to 24 CFR §92.218, contributions must be made to qualified housing in an amount equal to 25% of appropriated HOME funds drawn down for housing projects. These contributions are referred to as “match”.

For FFY 2012, applicants must meet five percent (5%) of the match obligation and MDOC will meet the remaining twenty percent (20%). To be considered eligible match, a contribution must be made from **nonfederal** sources and must be made to housing that is assisted with HOME funds. Contact the MDOC for a confirmation letter of match liability for each project.

Matching contributions may be in the form of one or more of the following. Please mark which kind of contribution you will be able to make.

- Cash contributions from nonfederal sources and permanently contributed to the HOME project. This contribution cannot be made by the owner/developer. Nonfederal cash match contributions to HOME-assisted or HOME-eligible projects may be expended for activities that are eligible project costs, as well as for costs that are not eligible HOME costs.
- Below-market interest rate loan from private lending institution.
- The value of state or local taxes, fees, or other charges that are normally imposed but are waived, foregone, or deferred.
- The value of donated land or other real property, before the HOME assistance is provided and minus any debt burden, lien, or other encumbrance.
- The cost of on-site and off-site infrastructure directly required for affordable housing assisted with HOME funds, not paid with federal resources. (The cost of infrastructure related to affordable housing that is NOT HOME-assisted is not an eligible form of match).
- Proceeds from multifamily and single family affordable housing project bond financing validly issued by a state or local government, or an agency, instrumentality, or political subdivision of a state and repayable with revenues from the affordable housing project.
- Donated site-preparation and construction materials not acquired with federal resources and any donated or voluntary labor in connection with the site preparation.

____ Value of donated or voluntary labor or professional services for site preparation, rehabilitation and/or construction of affordable housing. (An unskilled labor rate is \$10/hr. Skilled or professional rate is the normal market rate.)

____ Value of sweat equity for a homeownership project.

____ Direct cost of supportive services for families residing in HOME-assisted units during the period of affordability or receiving HOME tenant based rental assistance.

____ Direct cost of homebuyer counseling services to families that acquire properties with HOME funds.

____ Twenty-five percent (25%) of the face value of most Montana Board of Housing loans. (See NOTE on following page)

____ Other _____

Please provide MDOC with a list of proposed match and MDOC will determine the value of the eligible form of match to be utilized for the project.

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

At least 10 working days before the application due date, the Applicant **MUST** consult with the HOME Program Accountant staff at (406) 841-2832 to determine if its proposed match source is eligible and request, in writing, a letter from MDOC confirming match eligibility. The written request for confirmation must include the specific dollar amounts and description for all proposed sources of match and the amount of HOME funds to be requested.

Homebuyers receiving HOME funds for down payment assistance will be required to use a Montana Board of Housing (MBOH) regular bond or set-aside loan for their permanent mortgage. Exceptions to this requirement will be granted. Programs such as

Habitat for Humanity, RD Mutual Self Help, RD 502 Direct Loans, and other similar loans will be placed on an “exception list” and will be eligible on an ongoing basis.

Eligible sources of match for both competitively and noncompetitively funded homebuyer activities will be limited to:

- 25% of the face value of a Montana Board of Housing loan
- Sweat equity (see discussion below)
- Volunteer labor or services (see discussion below)
- Federal Home Loan Bank Home \$start Funds
- Individual Development Accounts (IDA)

NOTES

MBOH loans typically come with FHA, VA, or RD mortgage insurance or guarantees. First mortgage loans funded by MBOH are eligible as match, as noted above. First mortgages from any federal funding source, such as RD, are **NOT** an eligible source of match, and other sources of eligible matching contributions will need to be identified. Non-MBOH loans guaranteed by FHA, VA, or RD do not count as match.

When **sweat equity and/or volunteer labor** is used for matching contributions, the **sweat equity** (from assisted homeowners) **and unskilled volunteer labor will be valued at the rate determined by HUD, currently \$10.00 per hour.**

If the person providing volunteer labor is licensed/registered to perform the work or can otherwise document he/she is providing labor/services that he/she normally does as part of his/her normal profession, his/her contribution can be valued at the person’s normal hourly rate, which must be verified. A copy of the verification along with a copy of the person’s license, registration, or other certification, if applicable, must be submitted with the match documentation.

Exhibit 4-Q, [Chapter 4, HOME Administration Manual](#), must be used to document volunteer labor and sweat equity. The forms should be completed periodically, but no less than monthly (shorter intervals are recommended) and submitted to the HOME program as part of the match documentation.

HUD requires a 25% overall match for HOME funds. MDOC currently requires only a 5% match because Grantees have provided more than the required amount of match, and MDOC has been able to “bank” that excess to reduce the overall match requirement. However, the pool of banked match is shrinking. MBOH loans provide significantly more match dollars and leverage for each household assisted than most other sources. This has helped the overall program by keeping the match requirement lower than what it would otherwise be. **Grantees are strongly encouraged to report all match that may be generated even though a project may have met its minimum 5% requirement. Many projects generate excess match well above the 5% requirement, but this may not be reported after the minimum is met. This excess match goes to supporting the program as whole and assures that down the road**

the 5% minimum does not have to be raised because the banked match starts to run short.

If you have questions, please contact the HOME program accountant at (406) 841-2820.