Montana Department of Commerce
HOME Program
MANAGEMENT PLAN TEMPLATE
Single Family Noncompetitive Program for Homebuyer Assistance Activities

Table of Contents

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Entity	
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Date Reviewed	

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INTRODUCTION

This template is a guide for entities to complete their qualification packages. The purpose of this outline is to create a written strategy for administering HOME funds, to ensure knowledge of and compliance with HOME requirements and regulations, and to ensure the continuity of program administration regardless of changes in an entity's personnel. The HOME Program will use this outline to determine whether an entity is qualified to conduct a homebuyer assistance program.

Projects for the **development** of single-family housing must submit a competitive application and are not eligible to access funds through this program.

> The **SAFE Mortgage Licensing Act** is designed to enhance consumer protection and reduce fraud by encouraging states to establish minimum standards for the licensing and registration of state-licensed mortgage loan originators and for the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to establish and maintain a nationwide mortgage licensing system and registry for the residential mortgage industry. The SAFE Act sets a minimum standard for licensing and registering mortgage loan originators. Specific state licensing requirements can be found at the **Nationwide Mortgage Licensing System Registry (NMLSR).** HUD has not yet issued the Final Rule governing the SAFE Act. Once HUD issues the Final Rule for the SAFE Act, Qualifying Entities and/or Qualifying Entity staff and/or other entities providing services on behalf of the Qualifying Entity may be required to meet registration and licensing requirements before continuing to participate in the Single Family Noncompetitive Program for homebuyer assistance activities. SAFE Act information is available on the MDOC Housing Division website: **http://housing.mt.gov/FAR/safeact.mcpx**, and the Montana Department of Administration Banking Division website: **http://banking.mt.gov/mortgage.mcpx**

NOTES are additional information and instructions provided to assist the preparer of this document.

> **NOTES:** Are highlighted in yellow boxes that may be deleted before the document is submitted to the HOME Program for review. Links to further information in the HOME Administration Manual are provided, where appropriate, for additional guidance and information

- Ensure Management Plan pages are numbered.

- Ensure exhibits and attachments are labeled and included at the rear of the Management Plan, separated by dividers/numbered or lettered tabs. Numbering of exhibit pages is not required; however, it is helpful for the pages of long exhibits to be numbered.

- Do NOT delete the bullet point/question to which the Applicant is providing a response. The HOME Program requires the bullet point/question being addressed be included, followed by the Applicant's explanation. For example:

A. PROGRAM OVERVIEW

General Program Description

- Provide a *brief* description of the project, including the target population.

The City of Sunrise will provide down payment and closing cost assistance to households at 80% or less of area median income living within the city limits…

Enter the following information:

Date: ____________________

Entity Name: ____________________ **Contact:** ____________________

Address: ____________________ **Telephone #:** ____________________

____

____

____

Qualifying Entity Type: (select one)

☐ Local Government (County, Incorporated City/Town)

☐ Public Housing Authority (PHA)

☐ Community Housing Development Organization (CHDO) certified by MDOC

PART I – GRANT ADMINISTRATION AND PROJECT IMPLEMENTATION

A. PROJECT OVERVIEW

1. Project Description

- Provide a *brief* description of the project, including the target population.
- Describe the Qualifying Entity's service area (boundaries).

NOTE: If the Qualifying Entity is a CHDO, the service area must be within the boundaries of the CHDO's service area as identified in the CHDO bylaws on file with the MDOC HOME Program.

- If the Qualifying Entity is a CHDO, please list the local jurisdiction(s) in which homebuyer assistance activities will be carried out and attach letters of support from those jurisdiction(s). – This includes all incorporated cities and towns within the county's jurisdictional boundaries
- Specify whether the Qualifying Entity will contract for some grant administrative services or if it will perform all services "in-house".
  - If contracting for any services, briefly indentify/describe what those services are.
- In addition to first using a MBOH loan, please identify other anticipated eligible sources of matching funds that could be utilized if a MBOH loan is not secured.

NOTE: Match funds must equal 5% or more of the ***per unit*** HOME subsidy; i.e., a minimum 5% match must be provided **for *EACH* homebuyer** receiving HOME assistance.

NOTE: Homebuyers receiving HOME funds for down payment assistance will be required to use a Montana Board of Housing (MBOH) loan for their permanent mortgage. Exceptions to this requirement will be granted on a case by case basis.

FHA, VA, or RD direct loans are **NOT eligible as match.**

Contact the HOME Program staff accountant for assistance in determining eligible match outside of a MBOH loan.

2. Certifications, Plans, Policies, and Resolutions

- Provide copies of the following resolutions/policies passed/implemented by the **Qualifying Entity**:
  - Hatch Act Resolution (*applies to local governments only*)
  - Equal Employment Opportunity (EEO)/Nondiscrimination Policy
  - Drug Free Workplace Policy
  - Fair Housing Resolution

- **See Exhibit 5-A, HOME Administration Manual, Chapter 5**

  - Section 504 and ADA Compliance Procedures

NOTE: If contracting for grant administration services, the Qualifying Entity must ensure the contractor has an Equal Employment Opportunity (EEO)/Nondiscrimination Policy; Drug Free Workplace Policy; Fair Housing Resolution; and Section 504 and ADA Compliance Procedures

- Identify where the Equal Employment Opportunity Posters are displayed in the **Qualifying Entity's** workplace.

See **Exhibit 5-B**, Chapter 5, HOME Administration Manual

- Identify where the Fair Housing Posters are displayed in the **Qualifying Entity's** workplace.

See **Exhibit 5-I**, Chapter 5, HOME Administration Manual

NOTE: If contracting for grant administration services, the Qualifying Entity must ensure the contractor has Equal Employment Opportunity and Fair Housing Posters displayed in its workplace.

- See HOME Administration Manual: Chapter 5
  - Identify who will be responsible for monitoring/enforcing non-discrimination, equal housing and civil rights rules.
    - Include the name(s), title(s), and phone number(s) of key person(s)

See **Exhibit 5-J**, Chapter 5, HOME Administration Manual

- Identify who will be responsible for monitoring/enforcing Equal Employment Opportunity (EEO) rules.
    - Include the name(s) and title(s), of key person(s).
- If *outside services* will be procured to assist with project management, describe how minorities, women, and their businesses will be included in project implementation.

B. GRANT MANAGEMENT AND ORGANIZATIONAL STRUCTURE

1. Management Team

- Answer the following questions on how the Qualifying Entity will manage the grant:

- Describe the roles and responsibilities the Qualifying Entity's governing body (e.g., city council, board of county commissioners, board of directors, etc.) will have in managing the grant.
    - If the Qualifying Entity has a Loan Review Committee (LRC), identify the members, and describe the roles and responsibilities of the Committee List the names and titles of the LRC members.
- If the Qualifying Entity has a Housing Advisory Board acting as the LRC, identify the members, describe how the Board is structured, and describe the Board's duties, roles, and responsibilities.
    - List the names and titles of the Board members.
- Identify the Qualifying Entity's Attorney and describe his/her duties and responsibilities as it relates to this program activity.
- Identify **who** will be responsible for submitting Set-up (**Exhibit 3-K**, page 1), and Completion Forms (**Exhibit 3-K**, pages 2-3), and supporting documentation (**Exhibit 3-A.1**).
- Include the name(s) and title(s), of key person(s)Identify **who** will be responsible for grant management of homebuyer activities.

NOTE: If the Qualifying Entity plans to contract for any of these duties, there must be a written agreement between the Qualifying Entity and contractor spelling out these duties and responsibilities and lines of authority, subject to HOME Program approval. This written agreement, either in draft or final form, **must be attached**. In addition, the duties of the contracted entity must be identified here.

The Qualifying Entity is still ultimately responsible for overall oversight and ensuring HOME requirements are met. The Qualifying Entity **must not** delegate its duties and responsibilities.

- Identify **who** will be responsible for maintaining project files and **where** files will be maintained
    - Include the name(s) and title(s), of key person(s)

NOTE: The Qualifying Entity must maintain all official project files in its offices. While any contractor assisting the Qualifying Entity may also have some project files, the Qualifying Entity is responsible for maintain all official project files and complying with HUD's recordkeeping requirements found at 24 CFR §92.508.

2. Other Requirements

a. Conflict of Interest

- Identify who will be responsible for identifying and resolving conflicts of interest.
    - Include the name(s) and title(s), of key person(s).
- Please complete the following:

Procurement Conflicts of Interest Provisions – 24 CFR 84.42

No employee, officer, or agent of ______ shall participate in the selection, award, or administration of a contract supported by HOME funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. The employees, agents and officers of the organization may not solicit or accept gratuities, favors or anything of monetary value from contractors, potential contractors or parties to subagreements. ___________ recognizes that there are **no exceptions** for real or apparent procurement conflicts of interest.

Non-Procurement Conflict of Interest Provisions – 24 CFR 92.356

Any person who is an employee, agent, consultant, officer or elected or appointed official of _______ that exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities, is prohibited from obtaining a financial interest or benefit from a HOME-assisted activity, or having an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

If a non-procurement conflict of interest is identified, ________ will consult with the HOME program staff prior to taking any action. If ________ wishes to seek an exception to the prohibition against the conflict of interest from HUD, _______ must publicly disclose the conflict through a public noticed meeting. _______ will then seek an opinion from HRC's attorney that this exception does not violate State or local law. _______ will then prepare the written exception request addressing each of the exception factors found at 24 CFR 92.356(e) and their applicability. ______ will also include with the written request for exception the record and summary of the public meeting, description of how the disclosure was made, and _______ attorney's opinion to the HOME Program for consideration.

3. Environmental Requirements

See Chapter 2, HOME Administration Manual for additional guidance.

a. Environmental Review

- Identify who will conduct the environmental review and produce the Environmental Review Record (ERR). See notes below as to who is required to perform these duties.
    - Include the name(s) and title(s), of key person(s).

NOTE: Upon approval of the Qualification Package, **Exhibit 2-F.1** must be completed for each jurisdiction, on a jurisdiction-wide basis, in which the Qualifying Entity will provide homebuyer assistance.

Once an address is identified to be assisted with HOME funds, **Exhibit 2-L.1:** Site Specific Project Review Form for Homebuyer Assistance must be completed.

NOTE: If the Qualifying Entity is a **CHDO or PHA**, the CHDO or PHA must secure an agreement with the local government (see **Exhibit 2-A**) in whose jurisdiction the activity is located to prepare the environmental review and document the ERR on their behalf. The environmental review must be prepared by a qualified person/entity familiar with the project and the area. The local government must designate the preparer(s) (see **Exhibit 2-D**). The completed ERR must be sent to MDOC, the Responsible Entity, for review and approval. If publication is required, the completed ERR must be sent to MDOC for review and approval before publication.

Copies of the agreement(s) between the Qualifying Entity and the local government(s) and the designation of preparer must be included.

If the Qualifying Entity plans to operate in a multi-municipality or multi-county area, information and agreements must be provided for *each* county or municipality, as applicable.

NOTE: If the Qualifying Entity is a **local government**, the local government must prepare an environmental review and produce an ERR. The environmental review must be prepared by a qualified person/entity familiar with the project and the area. Local government staff may prepare the environmental review if sufficiently qualified, or the local government may contract with a qualified entity. The local government must designate the preparer(s) (see **Exhibit 2-D**). The completed ERR must be sent to MDOC, the Responsible Entity, for review and approval. If publication is required, the completed ERR must be sent to MDOC for review and approval before publication.

A copy of the designation of preparer must be included.

b. Flood Plain

- Address flood plain requirements.

If the proposed HOME-funded activity is located within a Special Flood Hazard Area (SFHA) as mapped by the Federal Emergency Management Agency (FEMA), the HOME Program requires flood insurance be obtained and maintained throughout the period of affordability.

c. Lead-Based Paint

- Identify who is responsible for notification and disclosure requirements to homebuyers (see **Exhibit 2-AA.1**), distributing appropriate brochures (see **Exhibits 2-AA.4** and **2-AA.5**) to homebuyers, and disclosing any known presence of lead-based paint to prospective homebuyers.
  - Include the name(s) and title(s), of key person(s)
- Identify who will be responsible for conducting visual inspections of any pre- 1978 house to be purchased.
  - Include the name(s) and title(s), of key person(s)

Include a copy of the certifications for anyone who will be conducting visual inspections (Need the HUD website from yellow box below listed here) **NOTE:** ***Before*** HOME funds can be committed, the Qualifying Entity must conduct a visual insp**ection *of any*** house constructed prior to January 1, 1978. If deteriorated paint is discovered on the exterior and/or interior surfaces during a visual inspection of any home constructed prior to January 1, 1978, HOME funds **cannot** be used to assist in purchasing that property; nor can HOME funds from the noncompe**titive** program be used to correct lead-based paint issues.
Anyone conducting visual inspections must complete HUD Lead Based Paint Visual Assessment Training Course

4. Financial Management

See Chapter 3, HOME Administration Manual for additional guidance.

- Indicate which option listed below will be used when providing homebuyer assistance with HOME funds:

Option 1: The Qualifying Entity will provide the funds for the HOME loan at closing, and then seek reimbursement from the HOME program for costs incurred within 4 weeks of the closing date. The final, signed settlement statement will be included with the draw request.

Option 2: The Qualifying Entity will request HOME funds prior to the loan closing, using an estimated settlement statement. The final, signed settlement statement must be submitted to the HOME program after closing. Choosing this option requires that the HOME funds are expended within 15 days of receipt.

- Identify who will be responsible for completing and submitting the Payment Request (**Exhibit 3-D**) and all supporting documentation.
- Describe the procedures that will be followed for reviewing and approving expenditures, requesting funds, receiving HOME funds, and processing payments.

> **NOTE:** The processing, approval, and payment of expenditures should follow the Qualifying Entity's normal processing, approval, and payment process.

- Explain what role, if any, the Qualifying Entity's governing body (e.g., city council, board of county commissioners, board of directors, etc.) will play in approving expenditures for the HOME Program.
- Identify the accounts that will be used to receive and disburse HOME funds.
- Identify and provide a brief description of the accounting and management system that will be used to track HOME funds.

> **Example:** Most local governments use the Budgetary Accounting and Reporting System (BARS); a nonprofit CHDO may use Sage MIP Fund Accounting software.

- Identify who will be responsible for maintaining the required financial records.

C. MANAGEMENT OF HOMEBUYER PROGRAM ACTIVITIES

1. HOME Subsidy

- What type of HOME subsidy will be provided? (Down payment and closing costs, gap financing)
- Define the terms of the HOME subsidy to be provided. (15 year, 0% interest, deferred loan)
- Identify the minimum amount of HOME subsidy per home the Qualifying Entity will provide.

> **NOTES:** HUD rules set the minimum amount of HOME funds at $1,000 per unit/home.
>
> The Qualifying Entity may establish a minimum limit for HOME funds that is higher than the HUD minimum of $1,000.

- Identify the maximum HOME subsidy per home the Qualifying Entity will provide.

> **NOTE:** HUD establishes *Maximum per Unit Subsidy Limits* for the HOME Program (see **Exhibit 7-A – Part I**, Chapter 7, HOME Administration Manual). The subsidy limit, including any exceptions to the subsidy limit, the Qualifying Entity establishes for HOME funds must be less than HUD's *Maximum per Unit Subsidy Limits*. Further, the maximum limit for the HOME-funded subsidy is subject to HOME Program approval, and limits set at or near HUD *Maximum per Unit Subsidy Limits* will not be approved.

  - In certain, limited circumstances the Qualifying Entity may allow exceptions to the maximum subsidy limit it established for the HOME funds. If the Qualifying Entity will allow exceptions to its subsidy limit, under what circumstances will the Qualifying Entity consider an exception? Please describe/explain/justify.
    - Who has final approval authority for an exception?

2. Recapture or Resale Policy

- The Qualifying Entity must choose either the **resale** option or the **recapture** option, which will be used to ensure affordability. The option chosen must be used consistently for ALL homebuyers assisted under this program.

- **RECAPTURE OPTION**: This is a mechanism to recapture all or a portion of the HOME subsidy if the HOME-assisted homebuyer decides to sell the house within the period of affordability at whatever price the market will bear. The homebuyer may sell the property to any willing buyer. The sale of the property during the period of affordability triggers repayment of the HOME subsidy the buyer received when he/she originally purchased the property.

  The Qualifying Entity may require full or partial repayment of the HOME subsidy when the property is resold during the affordability period. If there are no net proceeds or insufficient net proceeds to recapture the full amount of the HOME investment due, the amount subject to recapture must be limited to what is available from **net proceeds. Net proceeds** are defined as the sales proceeds minus superior non-HOME loan repayments and seller-paid closing cost.

  The exact amount to be repaid can be determined by only one of the following ways:

  1. **Recapture the entire amount:** The Qualifying Entity may recapture the entire amount of the HOME investment from the homeowner. If there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, the Qualifying Entity can only recapture the amount of the net proceeds, if any; the remaining balance is forgiven. (*Preferred method*)

  2. **Shared insufficient net proceeds:** When the net proceeds are insufficient to repay the HOME subsidy and the homebuyer's investment, the recapture of the HOME funds may be based on the ratio of the HOME subsidy to the sum of the homeowner's investment (down payment plus any capital improvement investment made by the owner since purchase-must have Capital Improvements Plan), plus the HOME subsidy:

     $$\frac{\text{HOME Subsidy}}{\text{(HOME Subsidy + Homeowner Investment)}} \text{ x Net Proceeds = HOME Recapture}$$

     Example: *Mrs. Martinez got a $6,000 HOME loan and she also invested $4,000 in her home, including a $3,000 down payment and $1,000 in closing costs. When she sells the house, the net proceeds are $5,000. The amount of the HOME subsidy to be recaptured by the Qualifying Entity equals:*

     $$\frac{\$6{,}000}{(\$6{,}000 + \$4{,}000)} \text{ x } \$5{,}000 = \$3{,}000 \text{ (HOME Recapture)}$$

     Mrs. Martinez receives the balance of the net proceeds, or $2,000

  3. **Owner investment returned first:** The homebuyer's investment may be repaid in full before any HOME funds are recaptured. The HOME subsidy is then repaid to the extent net proceeds are available.

     Example: *Mr. Ferguson got a $20,000 HOME loan and he also invested $15,000 at the time of initial purchase. At the time of sale, the net proceeds are $12,000. Mr. Ferguson receives the $12,000 and the Qualifying Entity receives nothing.*

  4. **Reduction (forgiveness) during the period of affordability:** The Qualifying Entity may decide to forgive part or all of the HOME subsidy, either to compensate for uncertain market conditions (e.g., to encourage families to move into a transitional neighborhood) or to provide protection to the homebuyer in the event the net proceeds are insufficient to repay the HOME subsidy and the homebuyer's investment. (*Least preferred method*)

-- The decision to forgive must be a part of the overall homebuyer program design, and not on a case-by-case basis

-- Forgiveness must be tied to the length of time the homebuyer has occupied the home in relation to the period of affordability (i.e., the Qualifying Entity would forgive 50% of the subsidy amount for an owner who sold the home half-way through the period of affordability).

Example: *Mr. Carter, whose $10,000 HOME subsidy triggered a 5-year period of affordability, decides to sell at the end of year 2. Two-fifths (2/5), or $4,000, of his deferred payment loan is forgiven, resulting in a loan balance to be repaid from the net proceeds of the sale.*

NOTE: **Excess proceeds and shared appreciation:** Since net proceeds may sometimes exceed the amount necessary to repay both the homeowner's investment and the HOME subsidy, the Qualifying Entity must plan in its program design for how those **excess proceeds** would be distributed. **Excess proceeds** may be paid to the homeowner, retained by the Qualifying Entity, or shared by both parties. The Qualifying Entity can pair its policy for shared appreciation with any of the recapture options outlined above. It can also combine the various approaches together. Because of the complexities involved, if the Qualifying Entity plans to use a shared appreciation approach, it **must contact the HOME Program for additional guidance.**

If sharing appreciation, the Qualifying Entity must have a Capital Improvements Policy.

Examples: *Mrs. Mitchell received a $20,000 deferred loan to assist with her down payment. She also invested $10,000 of her own money for the down payment. She decides to sell in year 6 of the 10-year affordability period; her neighborhood has appreciated significantly. The sales price is $300,000. Mrs. Mitchell owes $195,000 on her first mortgage, and pays $5,000 in closing costs. Net proceeds total $100,000 [$300,000 – ($195,000 + $5,000)]. The Qualifying Entity could:*

1) *Be repaid the $20,000 and allow Mrs. Mitchell to keep the remaining $80,000 (HOME funds repaid first out of net proceeds).*
2) *Agree that the Qualifying Entity should share in the **net appreciation** with Mrs. Mitchell. Since Mrs. Mitchell has 1/3 of the initial investment and the Qualifying Entity had 2/3, Mrs. Mitchell gets $33,000 and the Qualifying Entity gets $67,000.*
3) *Pay Mrs. Mitchell her initial $10,000 out of the net proceeds and the Qualifying Entity keeps the $80,000 (Owner investment returned first)*
4) *Determine that since Mrs. Mitchell lived in her unit for 60% of the affordability period, the Qualifying Entity is owed only 40% of its initial investment. So, the Qualifying Entity gets $8,000 back and Mrs. Mitchell keeps $92,000. (Reduction/forgiveness during the period of affordability)*
5) *Undertake a combination of the approaches. For example, Mrs. Mitchell could be paid her $10,000 investment and the Qualifying Entity could be paid its $20,000 and the remainder of the net proceeds could be split in any proportion deemed acceptable by the Qualifying Entity and the owner.*

NOTE: Regardless of which recapture approach is chosen by the Qualifying Entity, it must describe its approach and all the households assisted under this program must be treated consistently. The planned recapture approach must be **described in the written agreement with the homebuyer** at the time of initial assistance. The household **must be fully informed** so they know what to expect at the time they sell their home, including how any appreciation will be shared.

- **RESALE OPTION:** This option is used to ensure the HOME-assisted **unit** remains affordable over the entire affordability term.

  If a unit is designated affordable and is sold during the affordability period, the sale must meet the following criteria:

1. The new purchaser must be low-income, meeting the HOME Program definition, and occupy the property as the family's principal residence. Subsequent buyers who purchase the property within the affordability period will start a new period of affordability if an infusion of new HOME funds is required to make the unit affordable.

2. The sales price must be "affordable" for the new purchaser; must be affordable to a reasonable range of low-income buyers, for example, buyers between 60% and 80% of AMI.

   "Affordable" is defined is defined as a maximum percentage of the purchaser's income that can be used to pay the fixed costs of owning a home (i.e., loan payments of principal and interest, taxes, and insurance, typically referred to as PITI).

   The MDOC HOME Program has defined the percentage as a minimum of 28% of the borrower's gross household income, up to a maximum of 32% of the borrower's gross household income. Under special, limited conditions and circumstances **and only with the approval of the Qualifying Entity's loan review committee or other oversight board**, this may be reduced to as low as 26% or raised to a maximum of 36%. If applicable, the Qualifying Entity must describe and justify under what special conditions and circumstances the "exception" ratios may be used.

3. The original homebuyer, now the home seller, must receive a "fair return" on his/her investment. The seller's investment is the original investment in the property plus improvements.

   The MDOC HOME Program has defined a fair return as the return of the original homebuyer's investment

Indicate below which option is being chosen:

- ❑ Recapture: Choose only one below
  - ❑ Recapture entire amount
  - ❑ Shared insufficient net proceeds
  - ❑ Owner investment returned first
  - ❑ Forgiveness during period of affordability

- ❑ Resale

3. Period of Affordability Requirements

- Homebuyer assistance activities are subject to the minimum period of affordability requirements listed below for each home assisted.

Amount of HOME Funds Provided	Minimum Affordability Period
<$15,000	5 years
$15,000 - $40,000	10 years
>$40,000	15 years

- NOTE: A Qualifying Entity may select the same **set** period of affordability for all homes that are assisted. For example, if the Qualifying Entity imposes a loan term of 15 years, then all homes that are assisted will have a period of affordability of 15 years regardless of the amount of HOME funds provided.

- Please indicate which period of affordability will be imposed:

  - ❑ HUD prescribed period of affordability based on amount of HOME funds provided **OR**

  - ❑ Period of Affordability based on loan term which is ______years.

NOTE:	If the period of affordability is longer than what is required by HUD, all the HOME requirements **must be enforced throughout the extended period**, including monitoring and reporting. Any funds recaptured by the Qualifying Entity during the extended period of affordability are subject to HOME requirements.
NOTE:	The HOME Program requires all Qualifying Entities to utilize the HOME Program templates for enforcing all financial requirements which include the Deed Restriction Agreement, Promissory Note, and Deed of Trust, Single Family Noncompetitive Program. The HOME Program also requires the use of the HOME Program Occupancy Agreement template for enforcing the nonfinancial requirements.

4. Marketing Strategy

See **Chapter 5**, HOME Administration Manual

- Describe the target population including who will use the program - i.e., first time homebuyers, elderly, disabled persons, public housing residents, or existing renters.
- Describe the methods the Qualifying Entity intends to use to reach its target market, including the efforts that will be made to reach homebuyers throughout the service area and those least likely to apply, i.e., using of ads in local papers, holding an open house, or distributing flyers at social service agencies and/or employers.
- Describe how the Qualifying Entity will accommodate populations with special needs (e.g., *persons with disabilities* and their families, families with children, persons with *Limited English Proficiency*, etc.)
- Describe the indicators to be used to measure the success of the marketing program.
- If the Qualifying Entity will market its program to lenders and realtors, describe how the Qualifying Entity will accomplish that.

5. Lender Participation

Describe the nature and form of involvement by lenders, (i.e. if the lender will refer the homebuyer to the program, explain)

- **NOTE: As of April 1, 2011**, homebuyers receiving HOME funds for down payment assistance are required to use a Montana Board of Housing loan for their permanent mortgage. The only exception to this requirement is if the permanent mortgage is a Rural Development Direct loan. Please indicate if an exception request to use a RD Direct Loan is being requested.

Yes No

6. Homebuyer Workshops and Counseling

NOTE:	The MDOC HOME Program **requires** potential homebuyers to complete **homebuyer education** and counseling before they receive HOME assistance in purchasing a home. The HOME Program strongly recommends following the *National Industry Standards for Homeownership Education and Counseling* (go to **www.homeownershipstandards.com**).

- Please provide information on the available homebuyer education classes in the jurisdictional area(s) that potential homebuyers will be able to access in order to meet the required HOME

Program homebuyer education requirements. Include the location, name of the presenters, the number of course hours, and the frequency of the course.

- Describe the Qualifying Entity's plan for providing credit repair and budget management for those households not yet able to qualify for mortgage financing.
  - Identify how these services will be provided, including linkages with other agencies.
- If the Qualifying Entity will provide ongoing counseling services during the period of affordability, describe.
- Describe the Qualifying Entity's policy on foreclosure prevention training and how it will be implemented to prevent possible defaults.

7. Homebuyer Intake and Selection

- Describe the procedures and mechanisms for participant intake and selection, including how the Qualifying Entity will prioritize participants in the program, e.g., on a first-come first-served basis; based on inquiry date, on receipt of completed application, etc.
  - Identify where applications will be available and how completed applications will be submitted.
  - Identify how applications are received, e.g., on a rolling basis or on a specific deadline(s).
  - If priority is given to lower income households or to households in specific, targeted areas, and/or populations, explain.
- Which definition of income will be used for qualifying homebuyers (NOTE: The Qualifying Entity may not "mix" income definitions and must use the same definition for all applicants):
  - ❑ Section 8 definition (24 CFR Part 5) for annual (gross) income
  - ❑ IRS definition of adjusted gross income as defined for reporting on the current IRS Form 1040 (This definition is the most common way lenders qualify potential homebuyers – NOTE: A Qualified Entity **cannot use the income calculation performed by the first mortgage lender**)
  - ❑ Definition of annual income as defined by the U.S. Census long form
- Please provide the name and title of the key person who will be responsible for: 1) verifying employment and securing source documents to calculate applicant's income; 2) determining income eligibility of applicant; and 3) ensuring income has been verified within six months of the closing date.
  - Describe the homebuyer's responsibility to find an eligible property with respect to the program guidelines and negotiate a price for said property.
- Identify the name and title of the key person responsible for ensuring the purchase price of the home is below HUD's maximum purchase price limits, is appropriate, modest, non-luxury housing, and is also at or below the appraised value?
  - How will the homebuyer be informed about these requirements?

HUD's *Maximum Purchase Price Limits:* **Exhibit 7-A – Part II**, Chapter 7, HOME Administration Manual

- All homebuyers must meet MBOH's definition of a first-time homebuyer which is an individual and his/her spouse who have not owned a home during the three-year period prior to purchase of a home.
  - Explain how the Qualifying Entity will document that the homebuyer meets this definition.

- Identify the name and title of the key person who will be responsible for maintaining accurate files and records for **each applicant** (including those who are not assisted), which include names, addresses, and racial and ethnic characteristics, and reasons for denial, if applicable.

> See **Exhibit 5-E**, Chapter 5, HOME Administration Manual for a sample tracking form.

- Briefly describe and include a copy of the Qualifying Entity's grievance procedure for denied applicants.

8. Program Implementation and Management

- Since Montana does not have state or local property standards and codes for existing housing[1]; *the assisted property must meet housing quality standards* (HQS).

> See **Chapter 7**, **Part II.B: Property Standards;** and Exhibit 7-B: **form HUD-52580-A (long form)** –or– **form HUD-52580 (short form)**

  - Identify who will be responsible for conducting the HQS inspection, ensuring the home passes the HQS inspection, and is completed prior to the closing.
    - If Qualifying Entity staff will conduct the HQS inspections, include the name(s) and title(s), of key staff
    - If the HQS inspections will be contracted out, identify who the Qualifying Entity will contract with. Include a copy of the contract as an attachment to this plan and the inspectors' credentials.

- How will the amount of HOME funds that will be used for down payment and closing costs be determined. (NOTE: The HOME Program encourages the use of their Mortgage Analysis Worksheet).
  - Identify the name and title of the key person who will make the determination.
  - What is the maximum amount of HOME subsidy that will be available to each homebuyer.
    - Define the maximum loan-to-value.
    - If there is a minimum loan-to-value to ensure that applicants are not over-subsidized, what is it.

> **NOTE:** In no case may the amount of HOME subsidy exceed the HOME per-unit subsidy limit, based on the number of bedrooms, as determined by HUD (**Exhibit 7-A – Part I**)

    - Using the information in the box below, what ratios will be used:

      Front end – Minimum ________________ Maximum _____________

      Back end – maximum

    - Under what special conditions and circumstances, if any, will an exception be approved to reduce or raise the front end ratio?
    - What other exceptions, if any, might be used in underwriting to qualify an applicant? Please describe (i.e. use of Housing Assistance Payment (HAP) for Section 8 tenants added to income for underwriting purposes only)
    - Who will have the authority to approve the exception?

[1] Note: This is not referring to building codes, which apply to new construction.

- ☐ **“Front End” Ratio**: Ensure that the lender finances minimum of 28% of the borrower’s gross household income, up to a maximum of 32% of the borrower’s gross household income; i.e., the total monthly payment, including principal, interest, taxes and insurance (PITI) must be between 28% and 32% of the household’s gross monthly income. Under special, limited conditions and circumstances <u>and only with the approval of the Qualifying Entity’s loan review committee or other oversight board</u>, the front-end ratio may be reduced to 26% or raised to 36%. If applicable, describe and justify under what special conditions and circumstances the “exception” ratios may be used.
- ☐ “**Back End” Ratio**: The household’s total debt, after taking into consideration PITI, may not exceed 42% of the household’s gross income. In some cases, this may mean a borrower may not qualify for assistance until the excess debt is paid down or otherwise consolidated.

- How will the Qualifying Entity document that all assisted **homebuyers contribute a minimum of 1% of the first mortgage amount**? What will the minimum contribution consist of (cash at closing, earnest money, cost of appraisal)?

➢ Briefly describe the processes from receipt of application to loan closing that the Qualifying Entity will use for each homebuyer. Please include approximate timelines between processes and the timeline between submitting the required paperwork to the HOME Program for approval and loan closing.

➢ Indicate whether the Qualifying Entity will allow any type of refinancing. See note below regarding continued HOME Program requirements if the HOME loan is full paid before expiration of the period of affordability (either HUD established period or loan term period)

NOTE: According to guidance from HUD Headquarters, prepayment of the HOME loan does not terminate the affordability period. The period of affordability remains in effect for the written recapture/resale agreement timeframe unless the unit is sold or foreclosed. Significant impacts of this are the principal residence requirement, shared appreciation upon sale (if grantee chooses this option in its recapture/resale agreement), and annual certification reporting and tracking requirements for the Qualifying Entity. The HOME Program recommends that loan prepayment <u>not</u> be allowed, pending further guidance from HUD. A Qualifying Entity could allow for the refinancing of the first mortgage only with no cash out.

9. Manufactured Homes

NOTE: Additional requirements apply if HOME funds will be provided to assist homebuyers purchase a manufactured home (in the form of down payment and closing cost assistance). The manufactured home must:

1. Meet or exceed the standards established by the Manufactured Home Construction and Safety Standards Act in 24 CFR 3280. All transportable sections of manufactured homes built in the U.S. after July 15, 1976, must contain a red label, which is the manufacturer’s certification that the home section is built in accordance with HUD’s construction and safety standards. HUD standards cover body and frame requirements, thermal protection, plumbing, electrical, fire safety and other aspects of the home.

2. In addition to meeting the previously described HQS requirements (see Section 8: *Program Implementation and Management*), **ALL** manufactured homes, except those purchased directly from the manufacturer, must be inspected by a Certified Mobile Home Inspector to ensure the home meets code requirements. A list of certified inspectors can be found at:
   http://housing.mt.gov/content/FAR/docs/2009mobilehomeinstpectorlist.pdf

   The HOME Program recommends the Qualifying Entity secure agreements/contracts with Certified Mobile Home Inspector(s). the Qualifying Entity must follow the applicable procurement requirements in Chapter 4, Procurement Standards, HOME Administration Manual, regardless of when it secures the agreements/contracts.

3. Be connected to permanent utility hook-ups
4. Be located on land that is owned by the manufactured housing unit owner or on land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability

5. Be on a foundation that meets the prospective first lender's requirements **and** meets the Department of Revenue's definition of **qualifying as real property** (vs. personal property) for tax purposes so that the house can be "de-titled" and **reclassified as REAL PROPERTY**. See 42.20.117, Administrative Rules of Montana (ARM). The HOME Program will **NOT** provide funds to assist in the purchase of a manufactured home that is not properly classified as real property.

The HOME Program recommends that the Qualifying Entity work with and obtain a letter or agreement from the applicable county officials in which it will operate its homebuyer program to ensure the reclassification process operates smoothly. The HOME Program will **NOT** provide funds to assist in the purchase of a manufactured home that is not properly classified as real property.

- Describe/explain how the Qualifying Entity will ensure and document the manufactured home meets or exceeds the standards established by the Manufactured Home Construction and Safety Standards Act (e.g., photographs of the manufactured house and the manufacturer's certification, copy of inspection report certified by the Certified Mobile Home Inspector, etc.)
- Describe how the Qualifying Entity will ensure and document the manufactured home is connected to permanent utility hook-ups (e.g., letter(s) from appropriate city and/or county officials, utility companies, etc.)
- Describe how the Qualifying Entity will document that the land on which the manufactured home is located either located on land owned, or will be owned, by the manufactured housing owner or the manufactured housing owner has, or will have, a lease[2] for a period at least equal to the applicable period of affordability (e.g., copy of deed, long-term lease, etc.)
- Describe how the Qualifying Entity will ensure the manufactured home is on a foundation that:
  - Meets the prospective first lender's requirements; AND
  - Meets the Department of Revenue's definition of qualifying as real property
- Describe how the Qualifying Entity will document that the manufactured home is classified as real property before HOME assistance is provided.
  - If the manufactured home is not classified as real property at the time the house is identified for potential purchase, describe how the Qualifying Entity will ensure that the manufactured house is "de-titled" and reclassified as real property before, or within a short period time after, purchase.
  - Attach a copy of the letter or other agreement from the applicable county official(s) that the county agrees to "de-title" and **reclassify** the manufactured home as **real property** as long as the home's foundation3 meets the Department of Revenue's requirements

10. Ongoing Compliance Plan

- Describe how the Qualifying Entity will track each HOME-assisted home during the period of affordability and the status in the program.

[2] Note: Leasing of land by the **landowner** (to the manufactured home owner) **may affect the tax classification of the land and the taxes assessed on the land**.

- ➢ Explain how the Qualifying Entity will annually verify that the property continues to be owner-occupied and used as the owner's principal residence.
  - Describe the Qualifying Entity corrective action plan if the property does not continue to be owner-occupied and/or is not used as the owner's principal residence.
- ➢ Indicate from NOTE section below how the Qualifying Entity will verify the home has not been sold during the previous 12 months.

NOTE: The Qualifying Entity can monitor **ownership** by:

- Reviewing tax records;
- Requesting a copy of insurance bill;
- Establishing system for flagging pending sales

The Qualifying Entity can monitor **principal residency requirement** by:

- Requesting a copy of insurance and/or utility bills;
- Sending out a letter and certification form with a "Do Not Forward" restriction

  - If the home has been sold, describe how the Qualifying Entity will ensure proper resale or recapture procedures are followed.
- ➢ Identify who will be responsible for completing and submitting the Annual Certification for Homebuyer Assistance Projects

See **Exhibit 10Ba: CHDO/PHA Annual Certification for Homebuyer Assistance Projects** -or- **Exhibit 10-B.2b: Local Government Annual Certification for Homebuyer Assistance Projects**, Chapter 10, HOME Administration Manual

SIGNATURES

ACCEPTED BY:

Original Signature Date
(*Printed or Typed Name*)
(*Printed or Typed Title*)

APPROVED BY:

Original Signature Date
(*Printed or Typed Name*), HOME Program Specialist

Original Signature Date
Maureen Martin, Bureau Chief, Housing Division, MDOC