

## PART II – PROGRAM INCOME/RECAPTURED FUNDS PLAN

### A. DEFINITIONS & GUIDANCE

The HOME program is authorized by Title 11 of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. 12701 et seq.). The purpose of HOME is to expand the supply of affordable housing for low and very low income families. The Act requires that any repayment of HOME funds drawn from the HOME Investment Trust Fund, and any payments of interest or other return of investment of such funds shall be used for HOME eligible housing.

**RECAPTURED FUNDS** are HOME funds which are recouped by the participating jurisdiction (the State) or subrecipient, State recipient or CHDO (i.e., MDOC HOME Grantees) when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full affordability period required by 24 CFR 92.254(a)(4). Recaptured funds represent a return of the original HOME investment.

**PROGRAM INCOME** means gross income received by HOME Grantees that is directly generated from the use of HOME funds (including HOME program income). Following is a list of examples. Please note that this is not an exclusive list.

- Proceeds from the disposition by sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds
- Gross income from the use or rental of real property, owned by the HOME Grantee that was acquired, rehabilitated, or constructed with HOME funds less costs incidental to generation of the income (note: rental income from property owned by entities other than the HOME Grantee does not constitute program income)
- Payments of principal and interest on loans made using HOME funds
- Proceeds from the sale of loans made with HOME funds
- Proceeds from the sale of obligations secured by loans made with HOME funds
- Interest earned on program income pending its disposition
- Any other interest or return on the investment permitted under §92.205(b) of HOME funds (note: this does not include recaptured funds, repayments, or CHDO proceeds)

Income generated by a project that is funded with program income is also HOME program income. Interest earned on funds retained by HOME Grantees is also constitutes HOME program income.

**REPAID FUNDS** are HOME funds which must be repaid because the funds were invested in a project which was terminated before completion (either voluntarily or involuntarily), or invested in housing which failed to comply with the affordability requirements specified in 24 CFR 92.254 (for homeownership).

**NOTE:** Any program income or recaptured funds retained by a HOME Grantee must be disbursed by that HOME Grantee before it requests additional HOME funds. Activities assisted with HOME program income or recaptured funds are treated the same as those assisted with the HOME allocation. All HOME program rules and requirements apply. The HOME Program may not authorize the establishment of multiple HOME accounts for the same HOME Grantee in order to create "de facto" revolving loan funds; HOME Program rules do not permit the establishment of revolving loan funds. (The program income or recaptured funds must be used for the same type of activity that generated the program income or recaptured funds.)

**NOTE:** Any funds recaptured/returned must go to the **Qualified Entity**, not any other third party, loan servicer, etc., that may be assisting the Qualified Entity.

The HOME Program requires quarterly reporting of program income/recaptured funds and CHDO proceeds. Once the program income has been used for HOME-eligible activities, the applicable period of affordability starts over and Program Income continues to be reported on for the new activity. **Program income/recaptured funds retain their identity as federal HOME funds in perpetuity.**

In accordance with HUD guidance, the HOME Program must monitor Grantee' program income/recaptured funds. If a Grantee is accumulating a substantial amount of funds, the HOME Program will take appropriate actions to address this performance issue. These actions may include requesting that the Qualifying Entity return the funds to the HOME Program.

As part of the Program Income / Recaptured Funds Plan, the Qualifying Entity must specify a maximum balance of HOME program income / recaptured funds it wishes to keep on hand and the maximum number of days it wishes to retain that balance, subject to MDOC HOME approval. The Qualifying Entity must provide justification for the amount and number of days, which, in part, must be based on its historic use of HOME funds for homebuyer assistance activities. The MDOC HOME Program reserves the right renegotiate the amount and days if the amount of funds Qualifying Entity is holding is excessive and/or does not appear to be supported by the historical use of the funds.

At the point a Grantee is no longer Qualifying to access homebuyer funding through the Single Family Noncompetitive Program, any program income/recaptured funds on hand and any future funds received must be returned to the HOME Program unless another option for use is pre-approved in writing by the HOME Program.

## B. PROGRAM INCOME / RECAPTURED FUNDS PLAN

- Describe the scenario(s) that will create program income/recaptured funds for the program.
- Describe, in detail, how program income/recaptured funds will be tracked.
- Explain how the standards for financial management systems of 24 CFR 85.20 (local governments) or 24 CFR 84.21 (nonprofits), as applicable, including controls for the receipt and expenditure of program income and/or recaptured funds, will be met.
- Identify who will be responsible for this tracking.
  - Include the name(s), title(s), and phone number(s) of key person(s).
  - Describe tools that person will utilize to track program income/recaptured funds or CHDO proceeds. Include examples of reports and other tools that will be used.
- Describe the HOME-eligible activities the program for which the income/recaptured funds will be used.
- Describe how the Qualifying Entity will ensure the funds are spent in a timely manner.
  - Identify who will be responsible for meeting the requirements for the use of program income.
    - Include the name(s), title(s), and phone number(s) of key person(s).

**NOTE:** The use of program income/recaptured funds has the same requirements as HOME funds for completion and submittal of [set-up forms](#), [draw requests](#), [completion forms](#), [environmental site-specific checklists](#), and [lead-based paint notices](#), to name a few. Also, if a significant period of time has passed and/or conditions have changed from the completion of the original ERR, a new one must be completed.

- Describe the Qualifying Entity's plan for tracking where those funds are used, the length of the period of affordability, and reporting requirements.
- Identify who will be responsible for submitting quarterly program income reports to the HOME Program.
  - Include the name(s), title(s), and phone number(s) of key person(s).

Upon expiration of the Program Income / Recaptured Funds Plan, or if the Qualifying Entity no longer participates in the Single Family Noncompetitive Program, any program income/recaptured funds on hand as well as any future program income/recaptured funds (accounts receivable) must be returned to the HOME Program.

**NOTE:** Homebuyer assistance programs conducted by a CHDO generate recaptured funds/program income rather than CHDO proceeds because this program is not a CHDO-eligible activity and cannot receive CHDO set aside funds.

## SIGNATURES

### ACCEPTED BY:

<b>Original Signature</b>	Date
<i>(Printed or Typed Name)</i> <i>(Printed or Typed Title)</i>	

### APPROVED BY:

<b>Original Signature</b>	Date
<i>(Printed or Typed Name)</i> , HOME Program Specialist	

<b>Original Signature</b>	Date
Maureen Martin, Bureau Chief, Housing Division, MDOC	