

HOME PROGRAM

HOMEBUYER GUIDE

5/15/2020

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**SECTION 1. INTRODUCTION**

Planning, administering and operating an affordable housing activity is a rewarding but challenging venture. The federal regulations relating to the HOME Investment Partnership Program (HOME) can be very complex. The Iowa Finance Authority (IFA), provides subrecipients with this HOME Program Homebuyer Guide (Guide) as a tool to help them manage their HOME award and to assist them in staying in compliance with applicable requirements. This Guide is not a stand-alone document and needs to be utilized with other HOME sources of information for state and federal regulations. HUD regulation sections cited in this document refer to HUD Regulations 24 CFR Part 92 (Code of Federal Regulations).

IFA's website lists a vast amount of information, regulations, forms, and announcements regarding the HOME Program and is one of the best tools available for subrecipients. The forms cited in this Guide are highlighted with a yellow text highlight. The state and federal HOME rules along with many of the documents referenced in this Guide can be found on the website at: [www.iowafinanceauthority.gov](http://www.iowafinanceauthority.gov)

**A. HOME ALLOCATION STAFF**

|  |  |  |
| --- | --- | --- |
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**SECTION 2. GENERAL INFORMATION**

**A. ELIGIBLE PROJECT TYPES**

* Acquisition Assistance - Provides down payment or closing cost assistance.
* Acquisition and Rehabilitation - Provides acquisition and rehabilitation assistance for a home after it has been purchased.

As a general rule, students are not considered eligible beneficiaries unless they meet HUD’s student exception rule. If you have any questions, please contact IFA.

**B. ELIGIBLE PROPERTY TYPES**

Eligible property types include any property that will serve as the homebuyer’s principal residence including:

* Single family property (one unit)
* A two- to- four unit property
	+ If HOME funds are used to assist a purchaser to acquire one unit in a two- to- four-unit property and that unit will be the principal residence of the purchaser, the long-term affordability requirements apply to the assisted ownership unit only.
	+ If HOME funds are used to help a purchaser acquire one or more rental units along with the homeownership unit, the HOME rental affordability requirements apply to the rental units. Recapture requirements will be imposed on all of the units (owner and rental).
* A condominium unit
* A cooperative unit or a unit in a mutual housing project as long as recognized as homebuyer by state law.
* A manufactured home
	+ The manufactured home must be permanently connected to utility hook-ups.
	+ The manufactured home must be located on land that is owned by the homebuyer or on land for which the homebuyer has a lease for a period at least equal to the applicable affordability period.

**C. FORMS OF OWNERSHIP**

Homeownership means ownership in fee simple title or a 99-year leasehold in a dwelling or condominium unit, or ownership or membership in a cooperative unit. Homebuyer interest may be subject to the following:

* Mortgages, deeds or other debt instruments approved by IFA.
* Free of other encumbrances or restrictions that would impair the marketability of the homebuyer interest, other than the HOME restrictions on recapture.

**D. ELIGIBLE HOMEBUYER HOUSING COSTS**

|  |
| --- |
| **HOME-ELIGIBLE HOMEBUYER HOUSING *C*OSTS** |
| **Hard Costs** | **Soft Costs** | **Relocation Costs** |
| * Acquisition of existing structures
* Rehabilitation costs
* Securing of buildings
 | * Financing fees
* Credit reports
* Title binders and insurance
* Surety fees
* Recording fees, transaction taxes
* Legal and accounting fees, including cost certification
* Appraisals
* Architectural/engineering fees, including specifications and job progress inspections
* Environmental investigations
* Affirmative marketing and marketing costs
* Homebuyer counseling provided to purchasers of HOME-assisted housing
* Staff and overhead costs incurred by the subrecipient that are **directly related to a specific project**
 | * Replacement housing, moving costs and out-of-pocket expenses
* Advisory services
* Staff and overhead related to relocation assistance and services
 |

**E. ELIGIBLE FIRST MORTGAGE**

Any mortgage lending entity’s principal mortgage loan products may be used if the loan meets both of the following minimum requirements:

 1. Is a fully amortizing, fixed-rate loan with an interest rate not to exceed Fannie Mae 90-day yield +0.75%;

 2. Is not less than a 15-year, fully amortized, fixed-rate mortgage;

The following loan types and provisions are prohibited:

 1. Adjustable rate or balloon payment;

 2. Interest only, negative amortizing, or option payment loans;

 3. Stated income, no doc or low doc loans;

 4. Prepayment penalty.

**F. INCOME TARGETING**

The homebuyer must have a gross annual income that does not exceed 80% of the HOME income limits. An application for a homebuyer assistance activity must stipulate that homebuyer assistance is for first-time homebuyers only and that the assisted unit will remain as the assisted homebuyer’s principal residence throughout the required affordability period.

**G. MAXIMUM/MINIMUM HOME ASSISTANCE PER UNIT**

The maximum HOME assistance per unit subsidy for all single family activities involving rehabilitation is $37,500. The $37,500 per unit limit includes all applicable costs inclusive, but not limited to, the hard costs of rehabilitation or the acquisition subsidy or both; homebuyer assistance activities; technical services costs, including lead hazard reduction carrying costs; lead hazard reduction costs; and temporary relocation. All rehabilitation hard costs funded with HOME funds are limited to $24,999. All applicable technical services costs, including any lead hazard reduction carrying costs, are limited to $4,500 per unit.

For all single family housing projects assisting homebuyers, the only form of HOME funds assistance to the end beneficiary is a forgivable loan.

The minimum HOME down payment assistance is $1,000 per unit.

**H. REVIEW PRIOR TO CLOSING**

At least two business days prior to closing, the subrecipient must provide the Project Manager copies of the following documents for review:

* Finalized Homebuyer Assistance Underwriting Form
* Proposed HOME Mortgage
* Proposed HOME Promissory Note
* Preliminary Title Opinion
* Appraisal with After-Rehab Value included (if applicable)
* Proposed Settlement Statement

**I. RECORDING HOME MORTGAGE**

Utilizing information from the proposed settlement statement, work estimate, and appraisal, the HOME mortgage amount must be calculated on the Preliminary HOME Mortgage Worksheet and the HOME mortgage must be recorded on the same date as the primary mortgage.

**J. EXPENDITURE TIMEFRAMES**

The subrecipient has 24 months from the contract effective date to expend all awarded HOME funds.

**K. MATCH**

IFA encourages match and as the HOME Program becomes more competitive, match may become more important. Match pledged on the subrecipient’s application should be reflected in the HOME Match Report submitted at closeout. Failure to provide pledged match may result in ineligibility for future funding.

**L. PROPERTY STANDARDS**

All assisted properties must meet either the local jurisdiction’s housing code or Iowa's Minimum Housing Rehabilitation Standards (IMHRS). The property must be free from any defects that pose a danger to the health or safety of occupants at the time of initial occupancy.

**M. PROPERTY VALUES**

All homebuyer assisted properties require an appraisal (typically from the participating principal mortgage lender involved). The purchase price or the after-rehab value of a property cannot exceed the Maximum Purchase Price or After-Rehab Value Limits.

The after rehabilitation value determination, per an appraisal, needs to be completed prior to commitment of funds. Project files must be documented with the after rehabilitation value.

**N. LONG-TERM AFFORDABILITY**

HOME-assisted units must remain affordable for a specified period of time that starts from the completion date entered in HUD's Federal IDIS system.

* Less than $15,000/unit = 5 years
* $15,000-$39,999/unit = 10 years

The subrecipient will be required to verify the principal place of residency of the assisted homebuyers annually to IFA throughout the entire affordability period. IFA also requires the subrecipient to provide evidence of the homebuyer’s property insurance. This long-term monitoring requirement is not reimbursable with HOME administration funds, the associated costs are at the subrecipient’s expense.

**O. BREACH OF CONTRACT**

Any breach of contract provisions may result in the repayment of the subrecipient’s HOME funds and may prevent future awards from IFA.

**P. GENERAL ADMINISTRATION VS. TECHNICAL SERVICES**

There are two types of administration costs associated with a HOME project:

 1. GENERAL ADMINISTRATION

General administration is a separate activity contained in the subrecipient’s approved budget and shown on Exhibit A of the HOME contract. General administration costs are paid out of the general administration funds line-item of the HOME application budget.

The following items are considered general administration costs (not all inclusive) and the activity must be an allowable cost per federal requirements:

* Overall project coordination. (e.g. establishing financial accounting documents and systems, management, internal controls and oversight responsibilities, etc.)
* General administration services. (e.g. third party contracts, accounting, legal, etc.)
* Reporting to IFA. (e.g. draw requests, etc.)
* Advertising and marketing (e.g. general information, public outreach) about the activity or project.
* Direct costs and salaries of the subrecipient’s staff directly involved in the administration of the activity project.
* Indirect costs such as office space rent, utilities, insurance, supplies, etc.
* Costs incurred in the procurement of third party administrative services, technical services or in the procurement/purchase of any indirect costs noted above.
* Internal monitoring and oversight of funded project activities.
* Coordination and resolution of monitoring and/or audit issues.
* Audit costs.
* Environmental review. (overall project)
* Activities to affirmatively further fair housing. (in a general way)
* Preparation and adoption of the Administration Plan.
* Processing of individual applications for assistance.\*
* Third party verification of applicant’s income.\*
* Income eligibility determination and verification of applicants.\*

 \*These could be performed as a general administration or a technical services expense.

 2. TECHNICAL SERVICES (Project Specific)

Technical services are a part of the activity budget. Technical services for non-profit entities must be procured through the federal procurement requirements if in-house paid staff does not perform the services. Technical services costs are billed to the activity line-item, not the general administration line-item. The types of technical services costs will vary from activity to activity (there is a cap of technical services of $4,500 per HOME unit). The following items are considered technical services costs (not all inclusive) and the activity must be an allowable cost per federal requirements:

* All technical services necessary for individual and scattered site activities, whether accomplished internally with staff or contracted.
* Project specific architecture and engineering services.
* Processing of individual applications for assistance.\*
* Third party verification of applicant’s income.\*
* Income eligibility determination and verification of applicants.\*
* Activities to affirmatively further fair housing. (project specific)
* Underwriting costs and related fees associated with the financial assistance to individual projects.
* Project specific forms and documentation.
* Project specific environmental.
* Costs of procuring construction services.
* Relocation services.
* Homebuyer counseling.

 \*These could be performed as a technical services expense or a general administration expense.

**Q. AUDIT/FINANCIAL STATEMENT**

 1. AUDIT (FOR NON-PROFIT ORGANIZATIONS)

The subrecipient’s contract will contain language regarding federal audit regulations found in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Financial Guidance. As required by 2 CFR Part 200, HOME subrecipients must provide applicable audit documentation to IFA within nine (9) months of EACH of their fiscal years while the project is open.

IFA will send Annual Audit Letters as well as a Final Audit Letter to remind subrecipients to submit their audit documentation within the required timeframe.

For non-profit organizations, the following applies:

* + - A Single Audit Not Required Form must be submitted for each fiscal year that the subrecipient expends up to $750,000 in federal funds, part of which must be HOME funds.
		- An audit must be submitted for each fiscal year that the subrecipient expends $750,000 or more in federal funds, part of which must be HOME funds.
		- The subrecipient must submit one copy of the applicable document for EACH contract and note the HOME contract number on the document.
		- IFA reserves the right to request additional information as needed.

**SECTION 3. FEDERAL CROSS-CUTTING MEASURES**

**A. SUMMARY OF OTHER FEDERAL CROSS-CUTTING MEASURES**

|  |
| --- |
| **SUMMARY OF OTHER FEDERAL CROSS-CUTTING MEASURES** |
| **Other Federal Requirements** | **Applies to Homebuyer Projects?** | **Special Issues/Considerations** | **Regulatory Citations and References** |
| ***Non-Discrimination and Equal Access Rules*** |
| Fair Housing and Equal Opportunity | Yes | Subrecipient must affirmatively further fair housing Particular attention should be paid to signs of discrimination in sale of properties | * 92.202
* Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.)
* Fair Housing Act (42 U.S.C. 3601-3620)
* Executive Order 11063 (amended by Executive Order 12259)
* Age Discrimination Act of 1975, as amended (42 U.S.C. 6101)
* 24 CFR 5.105(a)
 |
| Affirmative Marketing | Yes  | Affirmative Fair Housing Marketing Plan must be submitted to IFA | * 92.351
 |
| Handicapped Accessibility | Yes | Rehab properties may require modification | * Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8)
 |
| ***Employment and Contracting Rules*** |
| Conflict of Interest | Yes | Contract includes language | * 92.356
* 2 CFR Part 200
 |
| Equal Opportunity Employment | Yes | Contracts and subcontracts over $10,000 should include language prohibiting discrimination | * Executive Order 11246 (implemented at 41 CFR Part 60)
 |
| Minority/Women Employment | Yes | Must solicit Minority and Women Business Enterprises | * Executive Orders 11625, 12432 and 12138
* 24 CFR 85.36(e)
 |
| Debarred Contractors | Yes | Submit to IFA prior to signing a contract with the contractor/subcontractor | * 24 CFR Part 5
 |
| ***Environmental Requirements*** |
| Environmental Reviews | Yes | Level of review depends on the activityCategorically excluded NOT subject to 58.5  | * 92.352
* 24 CFR Part 58
* National Environmental Policy Act (NEPA) of 1969
 |
| Lead-Based Paint | Yes pre-1978 units | Provisions included in all contracts and subcontractsNotices to purchasers and tenantsVisual assessment must be performedPaint stabilization must be completed (if applicable)Safe work practices and clearance | * 92.355
* Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.)
* 24 CFR Part 35
* 982.401(j) (except paragraph 982.401(j)(1)(i))
 |
| Relocation | Yes  | Required notifications to tenantsRequired language in offers and contracts for acquisition of property | * 92.353
* Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655)
* 49 CFR Part 24
* 24 CFR Part 42 (subpart B)
* Section 104(d) "Barney Frank Amendments"
 |

**B. ACQUISITION AND RELOCATION**

Federal law and IFA require that all reasonable steps be taken to minimize the displacement of persons as a result of a development assisted with HOME funds. IFA has implemented the policy that only allows for the acquisition of owner-occupied and vacant homes in homebuyer projects. The acquisition of vacant homes is allowable if the owner can prove to IFA’s satisfaction that a tenant was not displaced for the purpose of selling the home. The intention of this policy is to prevent situations where tenants will be displaced resulting in unanticipated expense for the homebuyer project.

**C. CIVIL RIGHTS AND FAIR HOUSING**

The purpose of Affirmative Fair Housing Marketing requirements is to promote a condition in which individuals of similar income levels in the same housing market area have available to them a like range of choices in housing, regardless of the individual’s race, color, religion, sex, physical/mental disability, familial status or national origin. In addition, in Iowa you may also not discriminate based on creed, sexual orientation, gender identity and retaliation.

The subrecipient’s contract will list several federal and state regulations related to civil rights, equal opportunity and fair housing. The Fair Housing Act prohibits discrimination in the sale, rental, financing or other services related to housing based upon the protected classes. If you participate in the HOME Program, you cannot be denied benefits or be subjected to discrimination based on the protected classes. Fair housing also applies to any program funded in whole or in part with federal funds. When the subrecipient signs the contract, it certifies that it will comply with the laws listed. If the subrecipient does not understand the requirements, it should request the full text of the regulation from IFA and consult with IFA's Civil Rights/Fair Housing Specialist to ensure compliance.

While some of the civil rights and fair housing regulations simply prohibit discrimination, others require the subrecipient to take some affirmative steps or action. These are addressed below.

##  1. AFFIRMATIVELY FURTHERING FAIR HOUSING

Title VIII of the Civil Rights Act of 1968 and Title I of the Housing and Community Development Act of 1974 require that subrecipients take some action to affirmatively further fair housing in their communities. This means the subrecipient must conduct outreach and informational efforts to those who are least likely to know about and apply for the housing assistance.

Refer to the following links on IFA's website for information and examples:

* Affirmative Fair Housing Marketing Plan (Homebuyer)
* HOME/NHTF/LIHTC Affirmative Fair Housing Marketing Guide
* Equal Housing Opportunity Logo
* Federal Fair Housing Poster
* Iowa Fair Housing Poster
* Iowa Hate Crime Poster
* Equal Access to Housing in HUD Programs-Regardless of Sexual Orientation or General Identity

When the homebuyer project is monitored, the assigned IFA Project Manager will review the actions that the subrecipient took to affirmatively further fair housing. The subrecipient should document those activities and the results.

 a. Affirmative Fair Housing Marketing (AFHM) Plan

HOME subrecipients are required to develop an Affirmative Fair Housing Marketing Plan for the project.

Affirmative marketing analysis must be part of the marketing efforts to attract homebuyers to the project.

 2. AFFIRMATIVE ACTION IN SOLICITING MINORITY/WOMEN BUSINESS ENTERPRISES

Executive Orders 11625, 12432 and 12138 generally require subrecipients to make every effort to solicit the participation of minority and women business enterprises (MBE/WBE) in their activities. Subrecipients must specify the outreach actions they will take to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, in all contracts.

The subrecipient should include qualified MBE’s and WBE’s on its solicitation lists and solicit their participation whenever they are potential sources of goods or services that the subrecipient needs. A searchable database of registered MBE’s and WBE’s is available the Iowa Department of Inspections and Appeals website under the Certified Targeted Small Business section. When the homebuyer project is monitored, the assigned IFA Project Manager will review the actions that the subrecipient took to solicit MBE/WBE participation and the results.

##  3. SECTION 504 OF THE REHABILITATION ACT OF 1973/AMERICANS WITH

##  DISABILITIES ACT (ADA)

Section 504 and the ADA require accessibility of HOME activities to persons with disabilities.

**D. ENVIRONMENTAL REVIEW**

The National Environmental Policy Act of 1969 (NEPA) establishes national policies, goals and procedures for protecting, restoring and enhancing environmental quality. HOME subrecipients must comply with this law and with related federal regulations, which are referenced in 24 CFR Part 58. The HOME subrecipient is responsible for evaluating how existing environmental conditions may impact the project and how the project’s activity will affect the environment, by complying with the requirements set forth in 24 CFR Part 58. The requirements are complex and require time for the process to be completed. Depending on the “level of review”, it can take more than 60 days to complete the NEPA process.

The environmental process is a mindset that is process-driven, analytical, and interdisciplinary. Building a strong foundation of knowledge will ensure your project will not have a negative impact on the environment nor will the environment have a negative impact on your project. To build this knowledge:

* Understand NEPA and related environmental authorities;
* Compliance - follow procedures for carrying out the environmental review

 responsibilities;

* Quality - achieve genuine environmental protection;
* Efficiency - focus results on relevant issues and avoid missteps.

The IFA Environmental Specialist will meet with each subrecipient to provide guidance on the environmental review process. Current forms will be provided along with instructions on how to complete the correct level of review for the NEPA process. This meeting will be scheduled following the award of HOME funds.

IFA will determine which environmental level of review category applies to the HOME project. A homebuyer project level of review will either be categorically excluded subject to other federal laws and authorities (CEST) or categorically excluded not subject to other federal laws and authorities (CENST). To determine which level of review your project will require, you need to define: **who** is undertaking the project, **what** specific activities are proposed; **where** is the proposed action located; **when** will proposed action occur; and **why** is project being considered.

IFA is now using the HUD online environmental system (HEROS) to complete the NEPA process for each project funded by HOME. There are partner worksheets that have to be completed by the subrecipient to assist in this process. Along with the worksheets, all supporting documentation must be forwarded to IFA to complete the information in the HEROS system. The worksheets can be found on IFA’s website for the HOME Homebuyer program under the “Forms & Information – Environmental Review (Federal Regulations)” tab.

 1. INCURRING COSTS (24 CFR PART 58.22)

Completion of the environmental review process is MANDATORY before taking ANY action on a specific site, or making a commitment or expenditure of HUD or any other non-HUD project funds for property acquisition or transfer, rehabilitation, conversion, lease, repair, inhabiting a property or construction activities. 24 CFR Part 58.22 describes limitations on activities pending clearance as (a) neither a subrecipient nor any participant in the development process, including public or private non-profit or for-profit entities, or any of their contractors, may commit HUD or non-HUD assistance under a program listed in 58.1(b) on an activity or project until HUD has approved the subrecipient’s Request Release of Funds (RROF) and IFA has issued the certification to use HOME funds to the subrecipient. This certification will come in a letter through email addressed to the subrecipient’s contact person. If a violation occurs resulting in adverse environmental impact or limiting the choice of reasonable alternatives during this vital step in the NEPA process, funds will not be able to be utilized for the site that violated NEPA.

NOTE: A choice limiting action is ANY action done prior to the certification being issued by IFA. This is not an all-inclusive list of choice limiting actions: acquisition, purchase, moving tenants or homebuyers into property, rehabilitation, ground work, lease, repair, demolition, landscaping, etc. The subrecipient is to use “due diligence” that a violation does not occur during this step of the NEPA process or the funds will be lost to the project site.

The ONLY things that can be initiated prior to IFA releasing funds are contracting for preliminary architectural/engineering fees, and costs associated with the environmental review process. Keep in mind, even these exempt costs can only occur after the effective date of the contract. No costs incurred or obligated prior to the contract effective date are allowable HOME costs and could result in the loss of the subrecipient’s HOME award. When a subrecipient spends money on these exempt costs, they are taking a financial risk because if the environmental review concludes that a site is not eligible, the subrecipient will not be reimbursed for those costs spent.

For all other activities, subrecipients cannot obligate or incur costs or draw down funds until the environmental review requirements are satisfied and IFA has released funds to the project.

##  2. PROJECT AGGREGATION (24 CFR PART 58.32)

Subrecipients must group together and evaluate as a single project all individual activities which are related either on a geographical or functional basis, or are logical parts of a composite of contemplated actions. When grouping activities, the subrecipient should be aware that several sites, each requiring some degree of environmental review, actually might be considered one project (40 units being rehabilitated within a target area). The subrecipient is well served by grouping activity by projects, common locations and functions, and activity phasing. Some factors can be considered on an activity-wide basis, while others require site-by-site analysis.

##  3. ENVIRONMENTAL REVIEW RECORD (24 CFR PART 58.38)

Each HOME activity or project must have a written record of the environmental review process that documents the steps taken for the project that completed the NEPA process according to rules and authorities. This is the Environmental Review Record (ERR), which must be available for public review. The ERR must contain a description of the activity and its project's determination of level of review; a map of the activity/project area; documentation of compliance with environmental laws; other relevant documents, notices or information; and public comments on the subrecipient’s environmental review. Public comments and the subrecipient’s responses to those comments are extremely important and must be documented in the ERR. The ERR will vary in length and content by activity or project.

##  4. DETERMINE LEVEL OF REVIEW

## IFA will determine which level of review (CEST or CENST) will be required for the homebuyer project according to 24 CFR Part 58 definitions. Once a level of review is determined, all of the homes must go through the same review. All homes within that project must meet the requirements under that review level and go through the process for that review.

##  5. CATEGORICAL EXCLUSIONS (24 CFR PART 58.35)

 a. Categorically Excluded Subject To Other Federal Laws and Authorities (CEST)

Homebuyer acquisition with rehabilitation projects are CEST. The subrecipient’s project will fall under the categorically excluded subject to other laws and authorities as long as the project meets one of the following criteria:

* Special projects directed to the removal of material and architectural barriers;
* Rehabilitation of buildings and improvements when the following conditions are met:
	+ In the case of a building for residential use (with one to four units), the density is not increased beyond four units, the land use is not changed, and the footprint of the building is not increased, and the project is not in a floodplain or wetland.
* An individual action on up to four dwelling units where there is a maximum of four units on any one site. The units can be four one-unit buildings or one four-unit building or any combination in between;
* An individual action on a project of five or more housing units developed on scattered sites when the sites are more than 2,000 feet apart and there are not more than four housing units on any one site. The housing needs to be constructed or under construction at the time of application for HOME funds;
* Acquisition (including leasing) or disposition of, or equity loans on an existing structure, or acquisition (including leasing) of vacant land provided that the structure or land acquired, financed, or disposed of will be retained for the same use.
* Combinations of the above activities.

b. Environmental Assessment (EA)

Each project will also complete an environmental assessment according to the 24 CFR Part 58.6, other requirements.

##  6. TIERING (24 CFR PART 58.15)

## Homebuyer subrecipients with level of review CEST shall tier their environmental reviews and assessments to eliminate repetitive discussions of the same issues at subsequent levels of review. Tiering is appropriate when there is a requirement to evaluate a policy or proposal in the early stages of development or when site-specific analysis or mitigation is not currently feasible and a more focused analysis is better done at a later date. The site specific review needs only to reference or summarize the issues addressed in the broader review. The broader review should identify and evaluate those issues relevant for the decision and exclude those issues not relevant to the policy, program or project under consideration. The broader review should also establish the policy, standard or process to be followed in the site specific review. Tier I will evaluate the broader assessment of federal laws and authorities and shall include a summary of the assessment and identify the significant issues to be considered in site specific reviews (Tier II). Subsequent site-specific reviews (Tier II) will not require notices or a Request for Release of Funds unless the certifying officer determines that there are unanticipated impacts or impacts not adequately addressed in the prior review.

 a. Categorically Excluded But Not Subject To Other Federal Laws and Authorities (CENST)

Homebuyer acquisition providing only down payment are CENST. The subrecipient’s project will fall under the categorically excluded not subject to other laws and authorities as long as the project meets one of the following criteria:

* Activities to assist homebuyers to purchase an existing dwelling unit or dwelling units **under** construction, including closing costs and down payment assistance. \*These units must be constructed or under construction at the **time of application.**

## Each project will need to perform an environmental assessment according to the 24 CFR Part 58.36. The ERR must contain well organized written record of the process and determinations made under this section.

## If the activities in the subrecipient’s project do not meet CEST or CENST standards, then the subrecipient will need to contact the IFA Environmental Specialist for guidance.

##  7. PROCEDURE FOR CEST (CATEGORICALLY EXCLUDED SUBJECT TO OTHER FEDERAL LAWS AND AUTHORITIES)

 a. Document in the ERR in writing, the process for making the CEST determination.

* Complete the “Level of Review” determination
* Sign, date and place in ERR
* Include clear project description

 b. Prepare the Categorically Exclusion Projects Statutory Checklist and include supporting source documentation with the partner worksheets from HUD. Document compliance with the requirements of CFR Part 58.6. Forward the ERR to IFA. IFA will input the information and supporting documentation into the HEROS system.

 c. The subrecipient must publish the Notice of Intent to Request Release of Funds (NOI/RROF) in a local newspaper of general circulation. If a project has to post, please contact IFA for directions. The public must be given at least seven days to comment before moving to the next step. The subrecipient must use the HUD template for the publication. IFA will provide the template.

d. IFA will complete the HUD form 7015.15 and send it to you for your signature during the comment period. After the state’s seven-day comment period has elapsed, submit the Request for Release of Funds and Certification HUD form 7015.15 to IFA along with the proof of publication. These documents will be uploaded into the HEROS system for HUD’s 15-day comment period.

Once HUD’s 15 days have elapsed, HUD will provide IFA with a 7015.16 which is the certificate to use HOME funds for the project. IFA will then send out notification to the contact person for the project that the project can move forward. This will conclude the environmental process for Tier I.

Tier II for a homebuyer unit must address those federal laws and authorities that were not examined in Tier I. Usually this review will include, but not be limited to the following: Contamination and toxic substances, endangered species, explosive and flammable, floodplain management, historic preservation, and noise abatement. Tier II for each specific home will be forwarded to IFA to input into the HEROS system. This will conclude the environmental process for Tier II.

##  8. RELATED FEDERAL LAWS AND AUTHORITIES (24 CFR PART 58.5)

## In addition to following NEPA procedures and assessing the impact of the activity on the human environment (an integral part of the NEPA process), subrecipients must certify that they are in compliance with the following related laws and authorities:

## In addition to following NEPA procedures and assessing the impact of the activity on the human environment (an integral part of the NEPA process), recipients must certify that they are in compliance with the following laws and authorities:

 Air Quality (40 CFR Parts 6, 51, 93)

 Coastal Zone Management Act (Coastal Zone Management Act, Sections 307(c) &

 (d)

 Contamination and Toxic Substances (24 CFR Parts 50.3(i) & 58.5(i)(2)

 Radon, asbestos and lead need to be evaluated under this regulation.

 Endangered Species Act (50 CFR Part 402)

 Explosive and Flammable Hazards (24 CFR Part 51 Subpart C)

 Farmland Protection (7 CFR Part 658)

 Floodplain Management (24 CFR Part 55)

 Historic Preservation (36 CFR Part 800) (Programmatic Agreement between IFA and

 SHPO)

 Noise Abatement and Control (24 CFR Part 52 Subpart B)

 Sole Source Aquifers (40 CFR Part 149)

 Wetlands Protection (EO 11990)

 Wild and Scenic Rivers Act

 Environmental Justice (EO 12898)

##  9. OTHER REQUIREMENTS (24 CFR PART 58.6)

 Airport Hazards (24 CFR Part 51 Subpart D)

 Coastal Barrier Resources Ace (16 USC 3501)

 Flood Insurance (42 USC 4001-4128 & 42 USC 5154a)

NOTE: The Iowa Finance Authority does not allow single family housing to be located within a floodplain or wetland.

##  10. PROCEDURE FOR CENST (CATEGORICALLY EXCLUDED NOT SUBJECT TO OTHER FEDERAL LAWS AND AUTHORITIES)

 a. Document in the ERR in writing, the process for making the CENST determination.

* Complete the “Level of Review” determination
* Sign, date and place in ERR
* Include clear project description

 b. Document compliance with the requirements of CFR Part 58.6 and put into ERR. Forward the ERR packet to IFA along with the supporting documentation and IFA will upload it into the HEROS system. IFA will then send notification to the contact person for the project that the project can move forward with their project.

NOTE: If an amendment or change to the activity is proposed, the subrecipient must re-evaluate its environmental. An amendment may include new circumstances and/or environmental conditions arising during implementation or if an alternative not considered in the original assessment is selected. The reevaluation determines if the classification is still valid. If it is, but data or conditions have changed, the subrecipient must amend the original assessment and update the ERR.

**E.** **LABOR STANDARDS**

 1. CONTRACTOR ELIGIBILITY

Subrecipients must verify the eligibility status of all contractors and subcontractors prior to the construction contract being signed to ensure they are not listed on SAM (System for Award Management) and that they are an Iowa Registered Contractor. Requests for eligibility status must be submitted to IFA for approval on the Request for Contractor Eligibility Form. Draw requests for contractors/subcontractors that have not been cleared by IFA and deemed eligible will not be processed.

 2. FEDERAL CONTRACT PROVISION LANGUAGE

The subrecipient must certify that all federal requirements listed in its contract with IFA are satisfied. Further, the certifications must be part of every contract and subcontract funded in whole or in part with HOME funding.

The subrecipient must ensure that all contracts include the following provisions, as applicable:

* Required civil rights provisions
* Executive Order 11246 for contracts in excess of $10,000
* Section 3 of the Housing and Urban Development Act of 1968
* Guidance on Minority/Women’s Business Enterprise
* Access to records by government officials
* Maintenance of records for five years
* Termination clause(s)
* Equal Access to Housing in HUD Programs-Regardless of Sexual Orientation or Gender Identity

**F. LEAD SAFE HOUSING**

##  1. REGULATIONS

The HOME Program is impacted by HUD’s Lead Safe Housing Regulations. This legislation is formally known as the “Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance; Final Rule” (24 CFR, Part 35, et. Al). HUD has also issued "interpretive guidance" to Lead Safe Housing Regulations.

The subrecipient is encouraged to read and become familiar with the subparts of this legislation that apply to its activity. Be aware that more than one subpart may apply. If this is the case, the most restrictive subpart takes precedence. Everyone should become familiar with Subpart B (definitions of terms) and Subpart R (details specific requirements and procedures for reducing or abating lead-based paint hazards).

HUD’s Lead Safe Housing Regulations apply to all residential property constructed prior to January 1, 1978 (commonly referred to as “target housing”) being assisted with HUD funds. These requirements also apply to non-residential structures being converted into residential use (e.g. converting an old school building into multi-family, rental housing).

##  2. LEAD PROFESSIONALS NEEDED TO IMPLEMENT THE HUD REGULATIONS

Those trained and/or certified under Iowa Department of Public Health (IDPH) program are collectively referred to as lead professionals. Certain procedures or processes involved in the implementation of HUD’s Lead Safe Housing Regulations can only be accomplished by lead professionals.

Lead professionals include persons or firms who conduct lead abatement (lead hazard abatement or lead paint abatement), lead inspections, elevated blood lead (EBL) inspections, lead hazard screens, risk assessments, visual risk assessments, clearance testing after lead abatement, clearance testing after interim controls, paint stabilization or standard treatments, on-going maintenance, or rehabilitation pursuant to 24 CFR Part 35.1340.

These lead services must be procured according to federal procurement requirements described in Section 3, G of this Guide.

##  3. CLEANING AND CLEARANCE TESTING

Directly related to occupant and worker protection is the thorough cleaning procedures necessary to pass the required clearance testing at the conclusion of any rehabilitation that disturbs painted surfaces (known or presumed to be lead-based paint) and/or any lead hazard reduction or abatement activity.

The preceding information is only a brief summary of the requirements. The subrecipient should become familiar with HUD's Lead Safe Housing Regulations (particularly Subparts B and R, and any other subpart applicable to the type of activity it is conducting if its project or activity involves target housing). The HUD Guidelines for the Control of Lead-Based Paint in Housing (made available to all individuals that have taken any of the IDPH’s lead professional training and certification courses) is another valuable reference tool, particularly for procedural issues.

Remember there are varying requirements depending on the activity type the subrecipient is providing. Where one activity is subject to more than one subpart of the regulations, the more restrictive requirements apply. As the subrecipient conducts its activities that are subject to HUD’s Lead Safe Housing Regulations, feel free to contact the assigned IFA Project Manager with questions.

**G. PROCUREMENT AND CONFLICT OF INTEREST**

 1. PROCUREMENT

 All subrecipients must follow the General Procurement Standards in 2 CFR §200.318.

 2. CONFLICT OF INTEREST

Along with other requirements not mentioned in this Guide, this regulation states that non-federal entity recipients must maintain written standards of conduct covering conflicts of interest, including organizational conflicts of interest. “Organizational conflicts of interest” means that, because of relationships with a parent company, affiliate, or subsidiary organization, the non-federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

 3. MINORITY OR WOMEN-OWNED BUSINESSES

All projects utilizing HOME funding must take affirmative steps to use small businesses and minority- or women-owned businesses as sources of supplies, equipment, construction, and services. A searchable database of registered MBE’s and WBE’s is available at the Iowa Department of Inspection and Appeals website under the Certified Targeted Small Business section.

**SECTION 4. AFTER RECEIPT OF AWARD**

**A. AWARD LETTER**

The subrecipient will receive a conditional award letter. Upon receipt of the letter, the subrecipient must sign and return the Award Acceptance page acknowledging and accepting the award.

**B. ATTEND MEETINGS/TRAINING SESSIONS**

The subrecipient shall attend meetings/trainings as specified by IFA.

**C. READ HOME HOMEBUYER GUIDE**

**D. CONTRACT DOCUMENTS**

When the subrecipient receives the contract documents, it should review them carefully, obtain the required signature(s) and return it to the assigned IFA Project Manager. IFA will execute the contract and return a copy to the subrecipient. The Project Manager will also work with the subrecipient to obtain a required resolution and related documents for project signature authorizations.

**E. BEGIN ENVIRONMENTAL REVIEW PROCESS**

The environmental review process is required by federal law and has some built-in time constraints. The subrecipient should begin the environmental review immediately following receipt of the award letter. The subrecipient takes on the responsibility to evaluate how its project will affect the environment by complying with the requirements set out in 24 CFR Part 58.

**NOTE: The subrecipient must have IFA's Request for Release of Funds letter BEFORE it starts the Homebuyer project.**

**F. NOTICE TO PROCEED**

Only expenses incurred by the recipient after receipt of the IFA Notice to Proceed letter are eligible for reimbursement. (Applies to 2015 and newer projects.)

**G. ADMINISTRATION PLAN**

The subrecipient will prepare and submit its applicable Administration Plan and ensure the project‘s compliance with federal laws,regulations, state administrative rules provisions and providing its project “blueprint”. The subrecipient must describe its operational policies, procedures and standards, and operation consistency. IFA willmonitor the subrecipient’s project based on its Administration Plan.

See the Acquisition with Rehabilitation Assistance Project Administrative Plan or the Homebuyer Down Payment/Closing Cost Assistance Project Administrative Plan if doing a homebuyer project.

**H. AFFIRMATIVE FAIR HOUSING MARKETING PLAN**

The subrecipient must prepare and submit its Affirmative Fair Marketing Plan.

**I. PROCURE GENERAL ADMINISTRATION SERVICES AND TECHNICAL SERVICES**

Homebuyer projects may require administration and technical services. If in-house staff perform the services, nothing further is required. If an outside entity is used, non-profit subrecipients must procure such services through a competitive process, preferably from three or more firms or individuals. Ideally, the firms or individuals are familiar or experienced with HOME or similar programs, competent in the required technical areas and able to provide timely services.

**SECTION 5. PREPARATION AND SUBMITTAL OF DRAWS**

**A. GENERAL INFORMATION**

* The subrecipient must receive an IFA Notice to Proceed letter from IFA. (Applies to 2015 and newer projects.)
* The subrecipient has 24 months from the contract effective date to expend all awarded HOME funds.
* Draw requests will not be processed before clearance of all applicable contract conditions.
* Draw requests must be in whole dollar amounts and for a minimum of $1,000 dollars.
* Draw requests must not be made until funds are actually needed for payment. A request should be made only after work has been completed, inspected and deemed satisfactory.
* Draw requests must contain all supporting documentation for funds to be drawn.
* The subrecipient will be notified if the draw request is denied. IFA will inform the subrecipient of what needs to be corrected and re-submitted.
* If the draw request is approved, IFA will transfer the funds to the subrecipient through an Automated Clearing House (ACH) transfer.
* Funds must be disbursed at the local level within 10 working days of receipt from IFA.

**B. ITEMS NEEDED PRIOR TO FIRST DRAW**

These items have to be completed prior to the first draw (whether or not it is a regular fund draw or an administration fund draw).

* Administration Plan
* Authorized Signature Form
* ACH Transfer Authorization
* Affirmative Fair Housing Marketing Plan approved by IFA

**C. SUBMITTAL OF DRAWS FOR REGULAR FUNDS**

1. COMPILE DOCUMENTATION

Each assisted homebuyer activity will be allowed one regular fund draw. This first and final draw must be accompanied by the Homebuyer Completion Form and all of the associated due diligence documentation in order to be processed for payment. All costs related to the homebuyer activity must be covered by the subrecipient prior to requesting reimbursement.

 2. COMPLETE DRAW REQUEST FORM (REGULAR FUNDS) FOR ADDRESS/ACTIVITY

Complete the Draw Request Form (Regular Funds) and invoice documentation. Draws must be in whole dollar amounts.

3. SUBMIT DOCUMENTS TO IFA PROJECT MANAGER

Submit the documents to the assigned IFA Project Manager by email.

**D. SUBMITTAL OF DRAWS FOR ADMINISTRATION FUNDS**

Administrative funds to reimburse operating expenses may be drawn in advance of requests for regular funds. A limitation of 10% of the administrative budget will be allowed for this purpose.

 1. COMPLETE DRAW REQUEST FORM (ADMINISTRATION FUNDS)

Complete the Draw Request Form (Administration Funds) and attach supporting documentation. Draws must be in whole dollar amounts.

 2. SUBMIT DOCUMENTS TO IFA PROJECT MANAGER

Submit the documents to the assigned IFA Project Manager by email.

**SECTION 6. MONITORING REVIEW**

Before the contract end date, the assigned IFA Project Manager will contact the subrecipient to set up a monitoring review which will include both a physical and file inspection. The purpose of this review is to assess the subrecipient’s performance and compliance with HOME Program requirements.

The subrecipient will need to do the following to prepare for the visit:

* Give proper notification to the homebuyer for site visits
* Maintain well documented homebuyer and project records
* Document project progress
* Document actions take to satisfy the various federal/state requirements

**SECTION 7. CLOSEOUT PROCESS**

After a completion report has been submitted for each activity, the assigned IFA Project Manager will determine if there are any remaining items that need to be provided prior to transferring the project to long-term compliance.

1. **MATCH**

All HOME projects containing eligible match funds must submit match information to IFA until all required match (as identified on Exhibit A of the HOME contract) has been contributed to the activity. HOME subrecipients must maintain complete and current records regarding all eligible match contributions. Failure to provide match proposed in project application may result in reductions in scoring for future applications.

The match forms below can be found on IFA's website, under the HOME Program:

* Match Table - Eligible Forms, Calculations, Date of Contribution
* HOME Match Report with Instructions

**B. FINAL ALLOCATION COMPLIANCE LETTER**

When all required documentation for the project has been satisfied, the recipient will receive an Initial Allocation Compliance Letter, Audit Letter, and a Final Allocation Compliance Letter. The Final Allocation Compliance Letter will include a summary of the subrecipient’s project and activities.

NOTE: Although IFA may conclude that the subrecipient is in substantial compliance, the subrecipient’s HOME Program records may be reviewed as part of IFA's annual audit by HUD, an independent auditor or the State Auditor's Office. Any of these audits could result in findings or conclusions that differ from those of IFA.

Once the Final Allocation Compliance Letter has been received, the subrecipient will continue to work with IFA’s Long-Term Compliance Department for the remainder of the project’s affordability period.