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An Overview of the HOME Investment Partnerships Program

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Summary

The HOME Investment Partnerships Program was authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625). HOME is a federal block grant program that provides funding to states and localities to be used exclusively for affordable housing activities to benefit low-income households.

Funds for HOME are appropriated annually to the Department of Housing and Urban Development (HUD), which in turn distributes funding to states and certain localities by formula. Forty percent of HOME funds are allocated to states and 60% are allocated to localities. The formula takes into account six factors, including the number of units in a jurisdiction that are substandard or unaffordable, the age of a jurisdiction's housing, and the number of families living below the poverty line in the jurisdiction.

States and localities that receive HOME funds are known as "participating jurisdictions." Participating jurisdictions must match the HOME funds they spend with their own 25% permanent contribution to affordable housing activities. They also must submit a Consolidated Plan to HUD that identifies the community's housing needs and describes in detail how HOME and other HUD block grant funds will be used to meet those needs. Participating jurisdictions can administer HOME funds themselves, or they can designate public agencies or nonprofit organizations to administer all or part of the HOME program on their behalf.

HOME funds can be used to finance a wide variety of affordable housing activities that generally fall into four categories: rehabilitation of owner-occupied housing; assistance to home buyers; acquisition, rehabilitation, or construction of rental housing; and tenant-based rental assistance. Projects that use HOME funding must meet certain income targeting and affordability requirements. Specifically, all HOME-assisted housing units must benefit households with incomes at or below 80% of area median income. Additionally, 90% of occupants of HOME-assisted rental units and households that receive tenant-based rental assistance must have incomes at or below 60% of area median income. HOME-assisted housing must also meet certain definitions of affordability and must continue to remain affordable to low-income households for a specified period of time. The specific affordability requirements vary according to the type of activity for which funds are used and the amount of HOME funding contributed to the project.

Funding for HOME fluctuated between \$1.5 billion and \$2 billion for several years before falling to \$1 billion in FY2012-FY2014. (The FY2013 appropriation was about \$950 million after accounting for sequestration.) In FY2014, all 50 states and 587 localities received HOME formula grants, along with the District of Columbia, Puerto Rico, and four insular areas. The median state grant amount (including the District of Columbia and Puerto Rico) was about \$6 million, and the median locality grant amount was about \$580,000.

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Introduction

The HOME Investment Partnerships Program was created by the Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625). HOME is a federal block grant program administered by the Department of Housing and Urban Development (HUD) that provides funding for affordable housing activities to states and certain localities through formula grants. States and localities that receive HOME grants can choose to fund a wide range of rental and homeownership housing activities that benefit low-income households in order to best meet local affordable housing needs. This report provides an introduction to the HOME program, including a brief history, an overview of allowable uses of HOME funds, and a description of certain program requirements. It also provides information on funding for the program and how that funding has been used.

Background and Context

In the late 1980s, some members of Congress expressed concern about the state of the nation's housing. This concern stemmed from an increasing awareness of a variety of problems related to housing, including homelessness, families living in sub-standard housing, and decreasing opportunities for homeownership.¹ The concern over these issues led to a number of efforts to focus attention on housing policy, including the creation of a National Housing Task Force that included housing policy experts and industry leaders. In March 1988, the task force produced a report on its findings.² Among the housing issues that the task force report identified was a diminishing supply of rental and homeownership housing that was affordable to low-income households.³

In a 1988 hearing on the task force report, some members of the Senate Committee on Banking, Housing, and Urban Affairs suggested that federal funding for housing programs was inadequate to meet the affordable housing needs identified in the report.⁴ Most federal housing assistance distributed to states and localities at the time was restricted to specific uses, such as Section 8 vouchers or Public Housing projects. Furthermore, programs that did give communities flexibility to choose how to use their funds, such as the Community Development Block Grant (CDBG) program,⁵ were primarily meant to fund economic development and community revitalization activities and restricted the ways in which funding could be used for affordable housing (for example, CDBG funds could be used for some housing rehabilitation but could not generally be

¹ U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs and House Committee on Banking, Finance, and Urban Affairs, *A New National Housing Policy: Recommendations of Organizations and Individuals Concerned about Affordable Housing in America*, joint committee print, 100th Cong., 1st sess., October 1987, S. Prt. 100-58 (Washington: GPO, 1987), p. V.

² The National Housing Task Force, *A Decent Place to Live*, March 1988.

³ U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, Subcommittee on Housing and Urban Affairs, hearing on the report of the National Housing Task Force, 100th Cong., 2nd sess., April 12 and 14, 1988, S. Hrg. 100-689 (Washington: GPO, 1988), pp. 1-10. "Affordable housing" can be defined differently in different contexts, but is generally understood to mean housing that costs 30% or less of a household's income. Households that pay more than 30% of their income for housing are considered cost-burdened, and households that pay more than 50% of their income for housing are considered severely cost-burdened.

⁴ *Ibid.*, p. 8.

⁵ CDBG was established by the Housing and Community Development Act of 1974 (P.L. 93-383).

used to construct new housing units).⁶ Concerned that existing programs were not meeting the nation's affordable housing needs, members of the Housing Task Force argued to the committee that the level of federal funding specifically dedicated to affordable housing should be increased in order to fully address affordable housing issues. At the same time, task force members argued that local jurisdictions should be allowed more control over the ways in which they used any such federal affordable housing funding.⁷

In 1990, Congress passed a major housing bill that responded to some of the issues raised by the Housing Task Force and other experts.⁸ The Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625), or NAHA, stated that the nation's housing policy was not meeting the goal of providing "decent, safe, sanitary, and affordable living environments for all Americans" that was first set out in the Housing Act of 1949.⁹ The law revised, amended, or repealed several existing housing programs and authorized some new programs, including the HOME Investment Partnerships Program (often just referred to as HOME).¹⁰

HOME is the largest federal block grant program that provides funding dedicated exclusively to increasing the availability of adequate, affordable housing for low- and very low-income households.¹¹ The program places a particular emphasis on giving states and localities flexibility in how they achieve their affordable housing goals, and funds can be used for a variety of activities related to both rental and owner-occupied housing. HOME is also designed to expand the capacity of states and localities to meet their long-term affordable housing needs by leveraging federal funding to attract state, local, and private investment in affordable housing and by strengthening the ability of government and nonprofit organizations to meet local housing needs.¹²

HOME is authorized by Title II of NAHA.¹³ HUD promulgated regulations governing the program in September 1996. In July 2013, HUD issued a final rule making significant revisions to certain program requirements, representing the first substantive changes to the regulations since they were first finalized in 1996.¹⁴

⁶ Eligible activities that can be undertaken with CDBG funds are specified in statute at 42 U.S.C. §5305. For more information on CDBG, see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by (name redacted).

⁷ S. Hrg. 100-689, hearing before the Subcommittee on Housing and Urban Affairs on the report of the National Housing Task Force, p. 21.

⁸ U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *National Affordable Housing Act*, report to accompany S.566, 101st Cong., 2nd sess., S.Rept. 101-316 (Washington: GPO, 1990), pp.1-5.

⁹ 42 U.S.C. §12721

¹⁰ Other programs authorized by NAHA include the Homeownership and Opportunity for People Everywhere (HOPE) program, which is no longer funded, and the Housing Opportunities for Persons with AIDS (HOPWA) program. For more information on HOPWA, see CRS Report RL34318, *Housing for Persons Living with HIV/AIDS*, by (name redacted).

¹¹ U.S. Department of Housing and Urban Development web page, *HOME Investment Partnerships Program*, available at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/>. Low-income households are generally defined as households with incomes at or below 80% of area median income (AMI), and very low-income households are defined as those households with incomes at or below 50% of AMI.

¹² 42 U.S.C. §12722

¹³ The HOME statute is at 42 U.S.C. §12722 et. seq.

¹⁴ Regulations governing the HOME program are at 24 C.F.R. Part 92.

The HOME Program

This section of the report describes the structure of the HOME program, including the requirements that states and localities must meet in order to receive their own allocations of HOME funds, eligible uses of program funds, and certain requirements that HOME-assisted housing must meet. The following section on “HOME Program Funding” describes the funding for the program, including appropriations for HOME and the funding formula that is used to allocate the funds to states and eligible localities.

Participating Jurisdictions

Each fiscal year, Congress appropriates funding to HUD for the HOME program during the annual appropriations process. HUD then uses a formula to allocate 40% of the funds to states and the remaining 60% to eligible localities. (This is discussed in more detail in the “HOME Program Funding” section of this report.) States and localities that meet certain requirements to receive their own allocations of HOME funds are referred to as “participating jurisdictions” (PJs).

States are automatically eligible to become PJs and receive the greater of their formula grant amount or \$3 million annually.¹⁵ Localities can only become PJs if they are metropolitan cities or urban counties,¹⁶ and if they meet two funding thresholds. First, localities must be eligible for a minimum amount of funding under the formula, usually \$500,000.¹⁷ Once localities meet this threshold, they must also meet a second threshold: localities must dedicate a total of at least \$750,000 to affordable housing activities, either by having a HOME formula grant of at least \$750,000 or by making up the difference between their grant amount and the \$750,000 threshold with their own funds or HOME funds provided by the state from the state’s formula allocation.¹⁸

Localities that do not meet the requirements to become participating jurisdictions may join with other contiguous localities to form consortia in order to reach the minimum funding thresholds.

¹⁵ 42 U.S.C. §12747(b)(2)(A)

¹⁶ A metropolitan city is defined to be the central city of a metropolitan statistical area (MSA), as defined by the Office of Management and Budget (OMB), or any other city within a metropolitan area with a population of at least 50,000 people. An urban county is defined to be a county in a metropolitan area that is authorized by state law to undertake essential community development and housing assistance activities in its unincorporated areas and either (1) has a population of at least 200,000 people, excluding metropolitan cities within the county, with at least 100,000 of that population residing in unincorporated areas or included units of general local government in which the county has the authority or has entered into agreements to undertake community development or housing assistance activities, or (2) has a population of at least 100,000 people, a population density of at least 5,000 people per square mile, and includes no incorporated places (as defined by the U.S. Census Bureau) within its borders. These definitions can be found at 42 U.S.C. §5302(a)(4) and 42 U.S.C. §5302(a)(6).

¹⁷ The minimum direct allocation threshold is reduced to \$335,000 in years when appropriations for HOME are less than \$1.5 billion. However, Congress has sometimes included provisions in annual appropriations acts to disregard this lower threshold for the fiscal year. In years that such a provision is included in appropriations acts, localities still must meet the higher \$500,000 threshold to become participating jurisdictions during that fiscal year even though less than \$1.5 billion is appropriated.

¹⁸ The minimum contribution to affordable housing activities is reduced to \$500,000 in years when appropriations for HOME are less than \$1.5 billion. However, Congress has sometimes included provisions in annual appropriations acts to disregard this lower threshold for the fiscal year. In years that such a provision is included in appropriations acts, localities still must meet the higher \$750,000 minimum contribution for affordable housing activities to become a participating jurisdiction even though less than \$1.5 billion is appropriated.

Localities that are not PJs can also participate in the HOME program by applying to their home state to receive a portion of the state's allocation of HOME funds. States in which no locality receives its own allocation of HOME funding have their grant amounts increased by \$500,000.¹⁹

A state or locality that is otherwise eligible to receive HOME funds must submit a document describing how it plans to use HOME funds to meet its affordable housing needs for HUD's approval before it can become a PJ. (This document, called a Consolidated Plan, is described in more detail in the following subsection.) Once a state or locality has been designated a PJ, it remains one – and therefore continues to be eligible to receive its own allocation of HOME funds – unless its designation is revoked by the Secretary of HUD. The Secretary has the authority to revoke a jurisdiction's designation if he finds that the jurisdiction is not complying with program requirements, or if a locality's formula grant amount falls below certain thresholds over a specified period of time, although he is not required to do so.²⁰

A participating jurisdiction can administer HOME funds itself, or it can designate a public agency or nonprofit organization to administer all or part of the HOME program on its behalf. Such an organization is referred to as a subrecipient. Participating jurisdictions or their subrecipients can distribute funds to a variety of organizations to undertake specific projects. These organizations can include developers, owners, and sponsors of affordable housing, Community Housing Development Organizations (CHDOs),²¹ private lenders, faith-based organizations, and third-party contractors.

The Consolidated Plan

In order to receive HOME funding, a state or locality must submit a Consolidated Plan to HUD for approval.²² The Consolidated Plan covers a three- to five-year period and includes a detailed description of the jurisdiction's housing needs and an explanation of how it will use HOME funding and funding from three other HUD block grant programs to meet its specific housing needs.²³ The Consolidated Plan also describes how the jurisdiction will leverage HOME funds to attract local, private, nonprofit, or other non-federal sources of funds for affordable housing, and it prioritizes projects by type and geographic location. While many activities are eligible uses of HOME dollars, participating jurisdictions must specify in their Consolidated Plan which activities they intend to fund.

¹⁹ 42 U.S.C. §12747(b)(2)(B)

²⁰ The provisions related to revoking a locality's designation as a PJ are at 42 U.S.C. §12746(9) and 24 C.F.R. §92.107.

²¹ Community Housing Development Organizations are private, nonprofit organizations that meet certain legal and organizational requirements, as well as requirements concerning their capacity and experience related to affordable housing activities. PJs are required to provide at least 15% of their HOME funding to projects that are owned, sponsored, or developed by CHDOs. That requirement is described in the "Community Housing Development Organizations (CHDOs)" section of this report.

²² Regulations governing the consolidated planning process are at 24 C.F.R. Part 91. Information on the process is also available on HUD's website at <https://www.hudexchange.info/consolidated-plan/consolidated-plan-process-grant-programs-and-related-hud-programs/>.

²³ The other programs included in the Consolidated Plan are Community Development Block Grants (CDBGs), Emergency Solutions Grants (ESGs), and Housing Opportunities for Persons with AIDS (HOPWA). For more information on CDBG, see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by (name redacted). For more information on ESG, see CRS Report RL33764, *The HUD Homeless Assistance Grants: Programs Authorized by the HEARTH Act*, by (name redacted), and for more information on HOPWA, see CRS Report RL34318, *Housing for Persons Living with HIV/AIDS*, by (name redacted).

As part of the consolidated planning process, PJs submit annual Action Plans that describe the specific activities that a PJ plans to undertake during the year to address its housing needs and make progress towards the goals that are included in its Consolidated Plan. PJs also submit annual performance reports on their use of funds and their progress towards their goals.²⁴

The Consolidated Plan is meant to be the product of “a participatory process among citizens, organizations, businesses, and other stakeholders” in a community.²⁵ The HOME regulations stress community participation, especially by low- and moderate-income individuals, in developing the Consolidated Plan, and jurisdictions must submit a “citizen participation plan” that describes how citizens have been included and consulted in the process.

In 2012, HUD implemented certain changes to the Consolidated Planning process. Specifically, HUD began providing additional data and mapping tools for PJs to utilize for planning purposes. The public can also access these data and mapping tools, which is intended to enable the community to be a more informed part of the consolidated planning process.²⁶ Furthermore, HUD now requires Consolidated Plans to be submitted through a standardized template in the Integrated Disbursement & Information System (IDIS), the computer system into which PJs report their activities and uses of HOME funds.²⁷ According to HUD, the new data are expected to help PJs produce better Consolidated Plans that more fully reflect local needs and to increase public participation in the process. The ability to submit plans directly to IDIS through a standard template is expected to make it easier for PJs to produce and submit Consolidated Plans, and to make it easier for HUD to track PJs’ progress toward the goals that they include in their plans.²⁸

Eligible HOME Activities

In the years leading up to NAHA’s passage, some experts argued that local affordable housing needs varied, and that localities should be free to develop solutions that fit local conditions.²⁹ HUD describes one of the purposes of the HOME program as reinforcing the principle that states and localities should have flexibility and control over how to best meet their affordable housing needs.³⁰ Accordingly, a wide range of activities related to increasing the supply of affordable housing for low-income households qualifies for HOME funding. These include both homeownership and rental housing activities.

The eligible uses of HOME funds fall into four broad categories:

- *Rehabilitation of Owner-Occupied Housing.* Funds may be used to help existing homeowners repair, rehabilitate, or reconstruct their homes.

²⁴ The annual report is referred to as the Consolidated Annual Performance and Evaluation Report (CAPER).

²⁵ 24 C.F.R. Part 91.1(b)(1)

²⁶ The data are available at <http://egis.hud.gov/cpdmaps/>.

²⁷ See the HUD Exchange website at <https://www.hudexchange.info/consolidated-plan/econ-planning-suite>.

²⁸ U.S. Department of Housing and Urban Development, “HUD Launches Overhaul of Consolidated Planning Process,” press release, May 7, 2012, http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2012/HUDNo.12-077.

²⁹ S. Hrg. 100-689, hearing before the Subcommittee on Housing and Urban Affairs on the report of the National Housing Task Force, p. 21.

³⁰ U.S. Department of Housing and Urban Development webpage, *HOME Investment Partnerships Program*, available at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/>.

- *Assistance to Home Buyers.* Funds may be used to help home buyers acquire, acquire and rehabilitate, or construct homes. For example, down payment assistance is an eligible use of funds under this category.
- *Rental Housing Activities.* Funds may be used to help developers or other housing organizations acquire, rehabilitate, or construct affordable rental housing.
- *Tenant-Based Rental Assistance.* Funds may be used to help renters with costs related to renting, such as security deposits, rent, and, under certain circumstances, utility payments. “Tenant-based” means that the rental assistance moves with the tenant rather than being tied to a specific housing unit.

A participating jurisdiction may use up to 10% of the funds it is allocated in a fiscal year for administrative purposes.³¹

The law requires participating jurisdictions to give preference to rehabilitation of existing rental and owner-occupied units. However, a PJ can undertake other activities if it determines that rehabilitation is not the most cost-effective way for it to increase its supply of affordable housing or that rehabilitation of the existing housing stock would not adequately meet its affordable housing needs.³²

Participating jurisdictions can disburse HOME funds in a variety of ways. Forms of assistance that may be provided with HOME funds include grants, various types of loans, loan guarantees to lending organizations, interest rate subsidies, equity investments.

Certain activities are not eligible for funding under the HOME program. Ineligible uses of HOME funds include modernizing public housing, providing tenant-based rental assistance under the Section 8 program, supporting ongoing operational costs of rental housing, paying back taxes or fees on properties that are or will be assisted with HOME funds, and providing non-federal matching funds for any other federal program. Other uses not authorized in statute or regulation are also prohibited.³³

Selected HOME Program Requirements

While PJs have much flexibility in choosing which eligible activities they will fund with HOME dollars, any projects funded through HOME must meet certain requirements in keeping with the program’s stated objectives. This section describes some of the key requirements with which PJs must comply.

Income Targeting

A stated purpose of the HOME program, according to the authorizing statute, is to increase the supply of decent, affordable housing for people with low incomes and very low incomes.³⁴

³¹ 42 U.S.C. §12742(c)

³² 42 U.S.C. §12742(a)(2)

³³ Activities that are prohibited uses of HOME funds are described at 42 U.S.C. §12742(d) and 24 C.F.R. §92.214.

³⁴ 42 U.S.C. §12722

Accordingly, all HOME funds must be used to assist low-income households, which are defined as households with annual incomes at or below 80% of area median income (AMI). Deeper income targeting requirements apply to rental housing and tenant-based rental assistance.

Owner-Occupied Housing. All HOME funds that are used for existing owner-occupied housing or to assist home buyers must benefit units that are occupied by households with incomes at or below 80% of area median income.

Rental Housing and Tenant-Based Rental Assistance. At least 90% of HOME-assisted rental units must be occupied by households whose incomes are at or below 60% of area median income, and at least 90% of households that receive tenant-based rental assistance with HOME funds must have incomes at or below 60% of area median income. The remaining rental units or TBRA must benefit households with incomes at or below 80% of area median income.

Affordability and Other Requirements

The income targeting requirements described above ensure that HOME-assisted units benefit low-income households. Additionally, HOME-assisted units must be affordable to low-income households, and must continue to be occupied by low-income households and remain affordable to such households over the long term.

In order to achieve this goal, HOME-assisted units must meet a number of requirements. Some of these requirements govern the value of HOME-assisted units or the amounts that a household can pay to rent or purchase a unit. HOME-assisted units must also meet additional requirements, separate from the value of the home, to ensure affordability. As with income targeting, the precise requirements that must be met depend on whether HOME funding is used for assistance to home buyers, owner-occupied housing rehabilitation, or rental housing activities.

Assistance to Home Buyers. Housing bought by home buyers with the assistance of HOME funds must meet the following requirements:

- The home buyer must belong to a low-income family, and the family must use the home as a principal residence.
- The initial purchase price or value after rehabilitation must be no more than 95% of the median purchase price of homes in the area, as determined by the Secretary of HUD and adjusted as the Secretary deems necessary for different types of structures and the age of the housing.³⁵
- Home buyer units must continue to meet the definition of affordability described above for between five and fifteen years, depending on the per-unit amount of HOME funds expended on a project.
- The housing must be single-family housing.³⁶

³⁵ Participating jurisdictions can base their calculation of 95% of the median purchase price of homes in the area on either the single-family mortgage limits established for the Federal Housing Administration's single-family mortgage insurance program, found at 12 U.S.C. §1709(b), or on a detailed market analysis that conforms to requirements set out by HUD, which can be found at 24 C.F.R. §92.254.

³⁶ HUD defines single-family housing to be "a one- to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot." 24 C.F.R. §92.2.

- If the housing is newly constructed, it must meet energy-efficiency standards.
- Participating jurisdictions must impose resale or recapture restrictions on units in which they have assisted the home buyer using HOME funds. These restrictions specify that if a homeowner sells his or her home during the affordability period, he or she is required to sell it to another qualified low-income buyer (resale) or to return some of the proceeds of the sale to the PJ in order to cover the HOME funds that were invested in the home (recapture).
- HOME-assisted home buyers must receive housing counseling.³⁷

Home buyer units that are not sold to eligible home buyers within nine months of the project's completion are to be rented to eligible tenants.³⁸

Resale and recapture restrictions are set by the jurisdiction and approved by the Secretary. Resale restrictions must ensure that, upon resale, (1) the housing remains affordable to low-income home buyers, and (2) the owner receives a fair return on investment. Recapture restrictions must ensure that the investment in the housing is recaptured in order to assist others who qualify for HOME-assisted housing.

Owner-Occupied Housing Rehabilitation. Owner-occupied housing that is rehabilitated using HOME funds must meet the following requirements:

- The owner must belong to a low-income family at the time HOME funds are committed to the project, and the family must use the housing as a principal residence.
- The value of the housing after rehabilitation must be no more than 95% of the median purchase price of homes in the area, as determined by the Secretary of HUD and adjusted as the Secretary deems necessary for different types of structures and the age of the housing.³⁹
- There are no statutory long-term affordability requirements for owner-occupied units that are rehabilitated using HOME funds. However, the PJ can choose to impose an affordability period.

Rental Housing. Rental housing that benefits from the use of HOME funds must meet the following requirements:

- HOME-assisted units must be occupied only by low-income households.
- Rents must not exceed HUD's published maximum rents for the HOME program. The maximum rent for a HOME-assisted rental unit is the lesser of (1) the fair market rent⁴⁰ for comparable units in the jurisdiction, or (2) 30% of the adjusted income of a household whose income is 65% percent of area median income.⁴¹

³⁷ The 2013 final rule, described in the "Changes in 2013 HOME Final Rule" section, added this requirement at 24 C.F.R. §92.254(a)(3).

³⁸ The 2013 final rule, described in the "Changes in 2013 HOME Final Rule" section, added this requirement at 24 C.F.R. §92.254(a)(3).

³⁹ The methods by which participating jurisdictions can calculate 95% of the median purchase price of homes in the area are described in footnote 35.

⁴⁰ Fair market rents (FMRs) are calculated annually by HUD and are meant to reflect the cost of modest housing in a (continued...)

- If a project includes five or more HOME-assisted units, at least 20% of the HOME-assisted units must be occupied by families with incomes at or below 50% of area median income. Additionally, those families must have rents that meet *one* of the following requirements:
 - Rents are no higher than (1) the fair market rent for a comparable unit in the jurisdiction, or (2) 30% of 50% of area median income, whichever is lower.
 - Rents are no higher than 30% of the household’s adjusted income.

If rental projects temporarily fail to meet the requirements governing the incomes of occupants of HOME-assisted units because of an increase in the current tenants’ income, the project is still considered to be in compliance as long as vacancies are filled according to these requirements.

- Rental units must continue to meet these requirements for between five and twenty years, depending on the per-unit amount of HOME funds expended on a project and the type of activity for which HOME funds are used.
- If the housing is newly constructed, it must meet energy-efficiency standards.
- The housing must be available to Section 8 voucher holders.

PJs must repay any HOME funds used for rental units that are not rented to eligible tenants within 18 months of the project being completed.⁴²

HOME Subsidy Limits

When using HOME funds for owner-occupied housing rehabilitation, home buyer assistance, or rental housing activities, participating jurisdictions must follow restrictions on the minimum and maximum amounts of HOME funds that they can contribute to a given project. When participating jurisdictions use HOME funds for tenant-based rental assistance, they must establish both a maximum subsidy amount and a minimum tenant contribution to the tenant’s rent.

Owner-Occupied and Rental Housing. The minimum amount of HOME funds that can be used for new construction, rehabilitation, or acquisition of owner-occupied or rental housing is \$1,000 multiplied by the number of HOME-assisted units in a project. The maximum per-unit subsidy for a project varies by participating jurisdiction and is based on the Federal Housing Administration’s mortgage limits for moderate-income multifamily housing.⁴³

Tenant-Based Rental Assistance. The maximum HOME subsidy amount for tenant-based rental assistance is the difference between 30% of the household’s adjusted monthly income and a

(...continued)

community. FMRs can be found on HUD’s webpage at <http://www.huduser.org/datasets/fmr.html>.

⁴¹ Participating jurisdictions must determine tenants’ annual income according to the guidelines at 24 C.F.R. §92.203. HUD’s maximum HOME rents will also take into account the number of bedrooms in a unit and average occupancy per unit.

⁴² The 2013 final rule, described in the “Changes in 2013 HOME Final Rule” section, added this requirement at 24 C.F.R. §92.252.

⁴³ These limits are published annually and are available from HUD Field Offices.

jurisdiction-wide rent limit established by the participating jurisdiction. The rent limit must conform to certain parameters established by HUD.⁴⁴ Each participating jurisdiction is also required to set a minimum tenant contribution for tenant-based rental assistance. The minimum tenant contribution can either be a flat dollar amount or a percentage of tenant income.

Subsidy Layering

HOME funds may be combined with other federal resources to support affordable housing projects. For example, a project that uses HOME funds might also use funds from other HUD programs, funds raised through the Department of the Treasury's Low-Income Housing Tax Credit (LIHTC) program, or funds from rural housing programs administered by the U.S. Department of Agriculture.

Using a combination of federal funds from different sources for a single project is known as subsidy layering. The HOME statute and regulations require a participating jurisdiction that plans to use both HOME funds and other federal funds for a project to certify to HUD that the aggregate amount of federal funds, including HOME funds, that is invested in a housing project is no more than is necessary to provide affordable housing.⁴⁵

Community Housing Development Organizations (CHDOs)

As noted earlier, one of the stated purposes of the HOME authorizing legislation is to expand the capacity of nonprofit agencies to provide affordable housing for low and very-low income households. As a means of furthering this goal, the HOME statute requires each participating jurisdiction to reserve at least 15% of its HOME funding for Community Housing Development Organizations (CHDOs).⁴⁶ CHDOs are private nonprofit organizations that meet certain legal and organizational requirements and have the capacity and experience to carry out affordable housing projects.

CHDO reservation funds must be used for projects where the CHDO develops, owns, or sponsors affordable housing. CHDOs can engage in other eligible HOME activities using HOME funds, but any funding spent on projects in which the CHDO is not the developer, owner, or sponsor will not count toward the 15% set-aside requirement for CHDOs.⁴⁷ For example, a CHDO could administer a TBRA program, but since the CHDO would not be developing, owning, or sponsoring affordable housing in this case the funds would not count towards the 15% of funds that must be reserved for CHDOs.

The HOME final rule promulgated in July 2013 to amend the HOME program regulations made several changes related to CHDOs.⁴⁸ Among other things, the rule made changes to the requirements that an organization must meet to qualify as a CHDO, and it clarified the activities

⁴⁴ For requirements governing rent limits, see 24 C.F.R. §92.209.

⁴⁵ See 42 U.S.C. §12742(f) and 24 C.F.R. §92.250(b).

⁴⁶ 42 U.S.C. §12771

⁴⁷ U.S. Department of Housing and Urban Development, *Building HOME: A HOME Program Primer*, February 2006, page 3-1, available at <http://www.hud.gov/offices/cpd/affordablehousing/training/materials/building/>.

⁴⁸ More detailed information on the changes made by the 2013 final rule is available on the HUD Exchange website at <https://www.hudexchange.info/home/home-final-rule>.

that CHDOs can undertake with a reservation of CHDO funds. It also increased PJs' oversight of CHDO reservation funds by strengthening the requirement for PJs to ensure that organizations meet the definition of a CHDO and requiring PJs to document that an organization has the necessary capacity to undertake affordable housing activities each time the CHDO receives a commitment of HOME funds. The rule also requires PJs to commit funds to CHDOs for specific projects, rather than committing funds to CHDOs for projects that have not yet been identified.

The 2013 rule also made changes to how a CHDO must demonstrate that it has the capacity to undertake affordable housing activities. Under the new rule, a CHDO must have paid staff with experience in the affordable housing role that the CHDO intends to play in a project (e.g., a CHDO that will develop affordable housing must have staff with development experience, and a CHDO that will own and manage affordable housing must have staff with owner and management experience). CHDOs can use consultants or volunteers to undertake some project activities, but it cannot use consultants or volunteers to demonstrate its capacity. A CHDO can use consultants to demonstrate development capacity during its first year as CHDO only, if the consultant trains the CHDO's staff to undertake affordable housing development.

HOME Program Funding

This section describes funding for the HOME program, including its appropriations history, the formula that HUD uses to distribute funds to PJs, and the distribution of HOME funds in FY2014 (the most recent HOME funding distributed as of the date of this report). It also discusses the concept of leveraging HOME funds to attract other sources of funding for affordable housing activities.

Annual Appropriations

Each year, during the annual appropriations process, Congress appropriates funding to the HOME account within HUD's overall appropriation. In FY1992, the first year in which HOME was funded, Congress appropriated \$1.5 billion to the HOME account. From FY1993-FY1998, annual appropriations to the HOME account fluctuated between \$1 billion and \$1.5 billion, and from FY1999 through FY2011 appropriations fluctuated between \$1.6 billion and \$2 billion, reaching a high of just over \$2 billion in FY2004. Since FY2012, appropriations to the HOME account have been \$1 billion or below. Decreased funding for the HOME program in recent fiscal years reflects the overall fiscal environment, and may also reflect concerns about the oversight of HOME funds. (For more information on oversight issues, see the "Program Oversight" section of this report.)

While most of the funding appropriated to the HOME account is used for formula grants to states and localities, over the years the HOME account has sometimes also included funding that was set aside for related affordable housing programs or activities. For example, in some years HOME account set-asides have included funding for technical assistance or transfers to the Working Capital Fund (which supports the development and maintenance of HUD's information technology systems). For several years prior to FY2008, two major set-asides funded through the HOME account were housing counseling (which is now funded in its own account) and down payment assistance through the American Dream Downpayment Initiative, or ADDI (which is no longer specifically funded, although down payment assistance is an eligible use of HOME funds). The former HOME account set-asides for housing counseling and ADDI are discussed in more

detail in **Appendix A**. Since FY2012, the only set-asides funded within the HOME account have been HOME formula grants for the insular areas.

Table 1 shows annual appropriations levels for the HOME program from FY1992 to FY2014, including the amounts appropriated for formula grants and for set-asides. The figures are not adjusted for inflation.

Table 1. Appropriations for the HOME Account, FY1992-FY2014

(dollars in millions)

Fiscal Year	HOME Formula Grants	HOME Set-Asides	HOME Account Total ^a
1992	1,460	40	1,500
1993	988	12	1,000
1994	1,213	62	1,275
1995	1,336	64	1,400
1996	1,361	39	1,400
1997	1,332	68	1,400
1998	1,438	62	1,500
1999	1,550	50	1,600
2000	1,553	47	1,600
2001	1,734	62	1,796
2002	1,743	53	1,796 ^b
2003	1,850	137	1,987
2004	1,855	150	2,006
2005	1,785	115	1,900
2006	1,677	81	1,757
2007	1,677	81	1,757
2008	1,625	79	1,704
2009	1,805	20 ^c	1,825 ^d
2010	1,803	22	1,825
2011	1,587	19	1,607
2012	998	2	1,000
2013	946	2	948 ^e
2014	998	2	1,000

Source: Figures are from HUD’s FY1994-FY2015 Budget Justifications and annual appropriations acts.

- a. Totals may not add due to rounding. All appropriations figures are post-rescission and do not include any supplemental emergency or disaster funding.
- b. The original HOME appropriation for FY2002 was \$1,796 million, with \$103 million of that amount accounting for HOME set-asides. This included \$50 million for a “Downpayment Assistance Initiative,” a precursor to the American Dream Downpayment Initiative (ADDI). However, the appropriation for the down payment assistance program was subject to the program’s being authorized by June 30, 2002. This

- authorization did not occur in time, and a supplemental FY2002 appropriations bill (P.L. 107-206) rescinded the \$50 million appropriation for down payment assistance.
- c. Beginning in FY2009, the appropriation to the HOME account no longer includes set-asides for either the American Dream Downpayment Initiative or housing counseling (housing counseling was funded under its own account). Both programs are discussed in further detail in **Appendix A**.
 - d. Total does not include additional funding for the HOME account appropriated in the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5), which was enacted in February 2009. ARRA provided supplemental appropriations to a number of programs with the intention of stimulating the economy. The HOME account received \$2.25 billion under ARRA, which was in addition to its regular FY2009 appropriation. However, rather than being used for traditional HOME program activities, Congress specified that the HOME funding appropriated under ARRA was to be used solely for states to provide gap financing to stalled Low-Income Housing Tax Credit (LIHTC) projects. This funding is referred to as the Tax Credit Assistance Program (TCAP). For more information on TCAP, see HUD's website at <http://portal.hud.gov/hudportal/HUD?src=/recovery/programs/tax>.
 - e. The FY2013 figures include reductions due to sequestration.

The HOME Formula

HUD distributes the funds appropriated to the HOME program to participating jurisdictions using a formula. By law, 40% of the funds are allocated to states and the remaining 60% are allocated to localities.⁴⁹ For the purposes of the HOME program, the District of Columbia and Puerto Rico are considered to be states.⁵⁰

Before distributing funds to states and localities, HUD sets aside the greater of \$750,000 or 0.2% of the total HOME appropriation for insular areas. In FY2014, the amount set aside for the insular areas was \$2 million. Insular areas eligible for HOME funds are Guam, the Northern Mariana Islands, the United States Virgin Islands, and American Samoa.

The HOME formula takes into account six factors.⁵¹ Four of these factors are weighted 20%:

- The number of occupied rental units in a jurisdiction that have at least one of four problems: (1) overcrowding, defined as more than one occupant per room; (2) incomplete kitchen facilities, defined as the lack of a sink with running water, a range, or a refrigerator; (3) incomplete plumbing, defined as the lack of hot and cold piped water, a flush toilet, or a bathtub or shower that is inside the unit and used solely by the unit's occupants; or (4) high rent costs, defined as rent that costs more than 30% of the household's income.
- The number of rental units in a jurisdiction that were built before 1950 and are occupied by poor households.
- The number of occupied rental units in a jurisdiction that have at least one of the four problems discussed above (overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs) multiplied by the ratio of the cost of producing housing within the jurisdiction to the cost of producing housing nationally.

⁴⁹ 42 U.S.C. §12747

⁵⁰ 24 C.F.R. §92.2

⁵¹ 24 C.F.R. §92.50.

- The number of families at or below the poverty level in a jurisdiction.

The remaining two factors are weighted 10%:

- The number of rental units in a jurisdiction, adjusted for vacancies, where the head of household's income is at or below the poverty line. This number is multiplied by the ratio of the national rental unit vacancy rate over the jurisdiction's rental unit vacancy rate.
- The jurisdiction's population multiplied by its net per capita income.⁵²

Once a participating jurisdiction receives its formula allocation, it has to meet several deadlines. The PJ has 24 months to commit HOME funds to specific projects (such as by signing a written agreement with a developer), and five years to expend the funds.⁵³ If a PJ does not commit its funds within the time allotted, the funds will revert to HUD and be reallocated to other PJs. Furthermore, the 2013 final rule that made changes to the HOME program regulations specified that the PJ must repay any HOME funds provided to projects that are not completed within four years of the date that the funds are committed.⁵⁴

Grants to States in FY2014

In FY2014, every state received a HOME formula grant. (This includes Washington, D.C. and Puerto Rico, which are considered states for the purposes of the HOME program.) The median state grant amount was about \$6 million, and the mean grant was close to \$8 million.⁵⁵ The mean is pulled upward by a few states that received especially large formula grant allocations; for example, California received the largest state allocation at nearly \$31 million. As shown in **Figure 1**, nearly half of the states received less than \$5 million in funding, and all but twelve states received less than \$10 million.

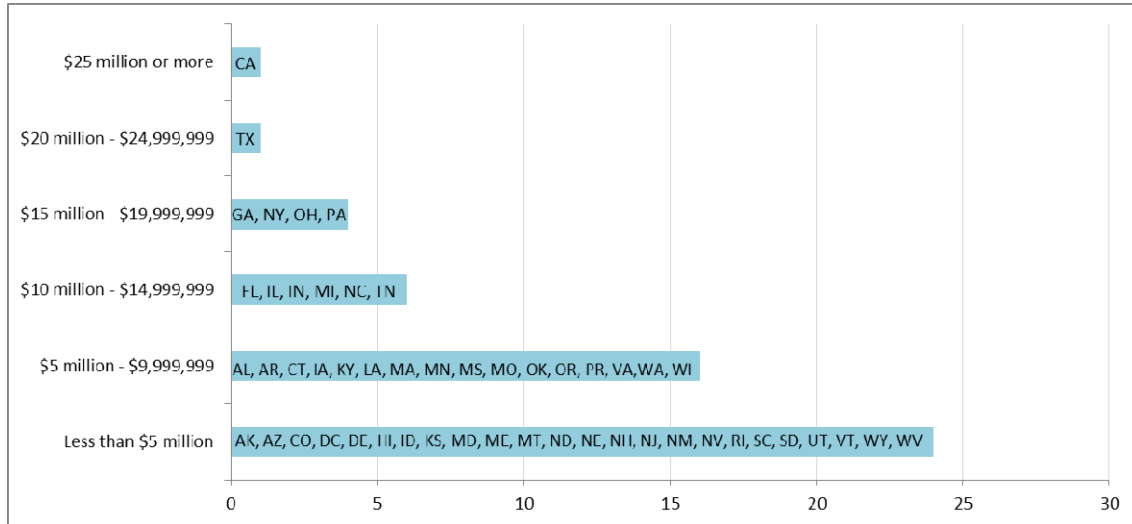
⁵² A jurisdiction's net per capita income is computed by subtracting the per capita income of a family of three at the poverty threshold from the jurisdiction's per capita income. An index is constructed by dividing the national net per capita income (which is computed in the same way) by a jurisdiction's net per capita income (24 C.F.R. §92.50).

⁵³ See 42 U.S.C. §12748, 24 C.F.R. §92.500(d), and U.S. Department of Housing and Urban Development, *Building HOME: A Home Program Primer*, page 1-3, <https://www.hudexchange.info/resource/2368/building-home-a-home-program-primer/>. Furthermore, the 2013 final rule established a separate five-year expenditure deadline for CHDO funds that is distinct from the five-year expenditure deadline for other HOME funds.

⁵⁴ The Secretary of HUD can extend this deadline by one year if he determines that the delay was caused by circumstances outside of the PJ's control.

⁵⁵ The median state grant amount was \$6,034,041 and the mean state grant amount was \$7,742,040. Average and median state grant amounts include the fifty states, the District of Columbia, and Puerto Rico, but exclude grants to insular areas.

Figure I. HOME Grants to States in FY2014



Source: Figure created by CRS based on HUD data.

Note: Figure only includes formula grants to states, not grants to PJs within states.

Given the lower amount of funding appropriated to the HOME program in recent years compared to earlier years, the median and mean grant amounts are also lower than in some previous years. In FY2010, for example, the median state grant amount was almost \$11 million and the mean was almost \$14 million. Furthermore, in FY2010, ten states received grants of \$5 million or less, and ten states received grants of \$20 million or more (including five states with grants over \$25 million). The largest state grant in FY2010 was \$62 million, compared to \$31 million in FY2014 (in both years, the largest state grant was to California). New York and Texas also received grants in FY2010 that exceeded the maximum grant amount awarded in FY2014.

Grants to Localities and Consortia in FY2014

In FY2014, 587 localities or consortia also received their own HOME formula grant allocations.⁵⁶ The median grant to localities was almost \$580,000 and the mean grant was just over \$1 million.⁵⁷ Again, the mean grant amount is higher than the median because some localities received especially large grants. In particular, New York City received a grant of close to \$60 million, nearly three times the size of the next largest formula grant to a locality (Los Angeles was the locality with the next-largest formula grant, at almost \$21 million), and nearly twice the next highest formula grant amount awarded (the grant to the state of California of nearly \$31 million). Most localities (about 450) received formula grants of less than \$1 million. The smallest formula grant amount to a locality was less than \$72,000 and was awarded to East Orange, NJ.⁵⁸

⁵⁶ Forty-nine states and Puerto Rico had at least one locality that was a participating jurisdiction and received its own HOME funding in FY2014. Wyoming had no localities that received their own allocations of HOME funds.

⁵⁷ Specifically, the median grant amount for localities was \$579,701 and the mean grant amount for localities was \$1,035,986.

⁵⁸ Over 250 localities received formula grants under the \$500,000 minimum in FY2014, compared to 61 localities in FY2010. These localities met the minimum funding threshold in the first year in which they became participating jurisdictions.

An increasing number of participating jurisdictions and a decreasing amount of funding have meant that many cities and counties qualify for a relatively small grant amount. In FY2014, over 250 local jurisdictions received formula grants of \$500,000 or less, including over 100 local jurisdictions with grants of less than \$335,000.⁵⁹ In its FY2014 and FY2015 budget submissions, the Obama Administration proposed legislative changes to the requirements for becoming and remaining a PJ that could affect the number of localities that would continue to qualify for their own formula allocations. Namely, the Administration has proposed removing the lower funding threshold to become a participating jurisdiction that applies in years when less than \$1.5 billion is appropriated to the program (described in the “Participating Jurisdictions” section of this report) and ending the practice of allowing localities to remain PJs indefinitely after they first qualify.⁶⁰ Instead, under the Administration’s proposal, a locality that becomes a PJ would remain one for five years before having to qualify again.⁶¹

Appendix B at the end of this report shows the number of participating jurisdictions (localities and consortia) in each state in FY2014. It also shows the total combined formula grant funding that each state and its participating jurisdictions received that year, and the percentage of total HOME funding for formula grants that each state’s combined allocation represents.

Matching Requirement

Two stated goals of the HOME program are to leverage federal affordable housing funds by encouraging state, local, and private investment in affordable housing activities, and to increase the capacity of states and localities to meet their affordable housing needs.⁶² Accordingly, the HOME statute requires participating jurisdictions to match the HOME funds that they spend in a fiscal year with their own 25% permanent contribution to affordable housing activities.

A PJ’s matching funds can come from a wide variety of non-federal sources, including state or local governments, charitable organizations, and the private sector. The matching funds must be devoted to affordable housing activities that are eligible under the HOME guidelines, but they do not necessarily have to support projects that use HOME funds. The match can also take many forms, including in-kind contributions such as labor, construction materials, and land for HOME-eligible projects. Other contributions, such as foregone taxes, other foregone fees, and infrastructure improvements, may also count toward the matching requirement if they are used specifically for projects funded by HOME dollars. The matching requirement may not be met using federal funds.⁶³

⁵⁹ A list of FY2014 HOME grantees and the amount each received can be found on the HUD Exchange website at <https://www.hudexchange.info/grantees/cpd-allocations-awards/>.

⁶⁰ In recent years, Congress has included provisions in annual appropriations acts to disregard the lower funding thresholds for becoming a participating jurisdiction during the fiscal year. In years that such a provision is included in appropriations acts, localities still must meet the higher thresholds (a \$500,000 formula allocation and a \$750,000 contribution to affordable housing activities) in order to become participating jurisdictions during that fiscal year, even though less than \$1.5 billion is appropriated. These provisions apply only to funds appropriated for that fiscal year and do not permanently change the funding thresholds specified in statute.

⁶¹ See page S-15 of the HUD FY2015 Congressional Budget Justification for the HOME program at http://portal.hud.gov/hudportal/documents/huddoc?id=fy15cj_home_inv_prt_prog.pdf.

⁶² 42 U.S.C. §12722

⁶³ For the purposes of the matching requirement, equity derived from Low-Income Housing Tax Credits (LIHTCs) is considered federal funding. See U.S. Department of Housing and Urban Development CPD Notice 97-03, March 27, (continued...)

The matching requirement must be met in the same fiscal year that HOME funds are used, but if a jurisdiction provides more matching funds than are required in a given year, it can carry those funds forward to meet the matching requirement in subsequent years.⁶⁴ The statute directs the Secretary to reduce or eliminate a participating jurisdiction's match requirement if the PJ certifies that it is under a condition of fiscal distress. The Secretary can choose to reduce or eliminate the match requirement if the President declares the jurisdiction to be a major disaster area.⁶⁵

Although nearly all HOME funds are subject to the matching requirement, certain uses of funds are not required to be matched by the PJ. Funds that do not have to be matched include forgiven loans to Community Housing Development Organizations (CHDOs), funds used for administrative purposes (up to an allowable limit), and funds used to fill the threshold gap between a locality's formula allocation and its required \$750,000 contribution to affordable housing activities, unless the locality obtains the latter from state HOME funds.

Leveraging

Leveraging refers to a program's ability to use its own program dollars to attract additional funding from other sources, including non-federal sources of funds. Leveraging can be an important concept for affordable housing because attracting multiple funding sources makes projects more feasible, and because the ability to attract other sources of funds could reduce the amount of federal funding that needs to be invested in a project. Attracting other types of funding for affordable housing can also help to build the capacity of organizations that might not be able to undertake projects without the assistance of HOME funds. HOME does not have a specific leveraging requirement, although PJs do have to meet the matching requirement described previously.

HUD reports leveraging statistics for HOME. According to HUD, every dollar of HOME funds used for housing units that were completed between FY1992 (the first year in which the program was first funded) and July 31, 2014, attracted \$4.16 in non-HOME funds.⁶⁶ This amount includes other federal funding sources as well as funding from other sources (such as states, local governments, and private entities).

(...continued)

1997, p. 14, available at <http://www.hud.gov/offices/cpd/lawsregs/notices/1997/97-3.pdf>. There is some disagreement over whether tax credits such as the LIHTC should be considered federal spending. Some argue that since tax credits represent foregone revenues, rather than government outlays, they should not be counted as federal spending; others argue that since tax credits represent money that otherwise would have accrued to the federal government, they should be counted as federal spending. For more information on the LIHTC, see CRS Report RS22389, *An Introduction to the Low-Income Housing Tax Credit*, by (name redacted).

⁶⁴ 24 C.F.R. §92.221(b)

⁶⁵ The Secretary is required to reduce a jurisdiction's match requirement by 50% if the jurisdiction certifies that it is in a condition of fiscal distress and by 100% if the jurisdiction certifies that it is in a condition of severe fiscal distress. A jurisdiction other than a state is considered to be fiscally distressed if it (1) has an average poverty rate in the preceding calendar year that is equal to or greater than 125% of the average national poverty rate, or (2) has an average per capita income in the preceding calendar year that is less than 75% of the average national per capita income. A jurisdiction is considered severely fiscally distressed if it meets both of these conditions. The Secretary may choose to reduce a jurisdiction's match requirement by up to 100% if the jurisdiction is in an area in which a declaration of a disaster under the Stafford Act is in effect for any part of the fiscal year.

⁶⁶ HUD Office of Community Planning and Development, HOME National Production Report, July 31, 2014. The National Production Reports are available at <https://www.hudexchange.info/manage-a-program/home-national-production-reports/>.

In 2008, the Government Accountability Office (GAO) released a report analyzing the leveraging statistics that HUD and the Department of the Treasury report for various programs and calculating alternative leverage measures.⁶⁷ It found that alternative measures of a program's leverage ratio may provide a more complete picture of how effective a program is at leveraging specific types of funds. For example, according to the GAO report, for HOME-assisted units completed in FY2006, HUD's reported leverage ratio was \$4 of non-HOME funding for every dollar of HOME funding. Using the same data, GAO found that for every dollar of HOME funding used in units that were completed in FY2006, HOME-assisted units used \$1.92 of private spending, \$1.33 of other federal spending, and \$0.76 of state or local spending. Therefore, a leverage ratio that only took into account other non-federal sources of funding for HOME-assisted projects completed in 2006 would be \$2.68 for every dollar of HOME funding (\$1.92 of private funding and \$0.76 of state and local funding).

Uses of HOME Funds

HUD reports a number of HOME program performance statistics. These include statistics on the types of completed units that have been assisted with HOME funding (rental units, home buyer units, and homeowner units), the eligible activities funded with HOME dollars (rehabilitation, new construction, acquisition, and households that have received TBRA), and characteristics of households that benefit from HOME funds.

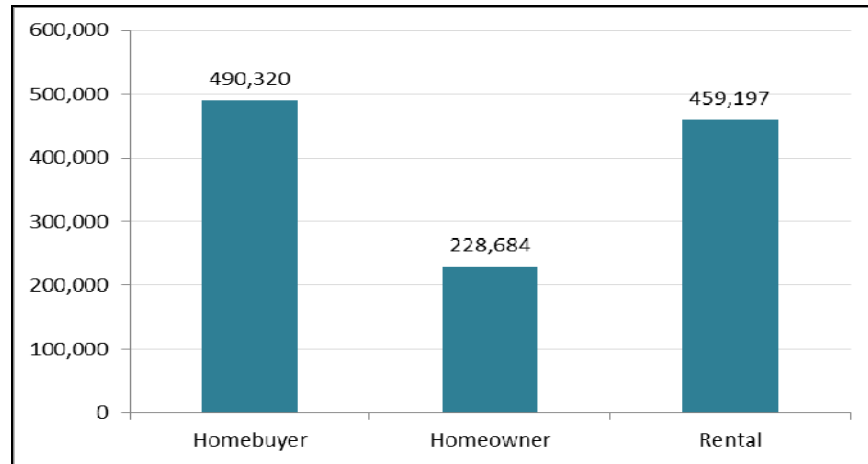
Types of Units (Homeowner, Home Buyer, or Rental)

Between the beginning of the HOME program in FY1992 and July 31, 2014, nearly 1.2 million units of affordable housing were constructed, rehabilitated, or acquired using HOME funding, and over 290,000 families were assisted through tenant-based rental assistance (TBRA). Together, this amounts to nearly 1.5 million completed units and TBRA-assisted households that have benefitted from HOME funds since the program's inception.

Units assisted with HOME funds can be homeowner units (that is, existing owner-occupied housing that is rehabilitated with HOME funds), home buyer units (owner-occupied housing where HOME funds are used to help prospective home buyers acquire, rehabilitate, or construct the home), or rental units. Of the physical units that have used HOME funds since the program's inception (that is, excluding households that received TBRA), home buyer units represent the largest share, followed by rental units. As shown in **Figure 2**, 42% of all completed units to date are home buyer units (about 490,000 units), 39% are rental units (about 460,000 units), and 19% are homeowner units (about 230,000 units).

⁶⁷ U.S. Government Accountability Office, GAO-08-136, *More Information on Leverage Measures' Accuracy and Linkage to Program Goals is Needed in Assessing Performance*, January 2008, p. 50-53, <http://www.gao.gov/new.items/d08136.pdf>.

Figure 2. Completed HOME Units by Unit Type
(through July 2014)



Source: Figure created by CRS based on data in HUD's July 31, 2014, HOME National Production Report.

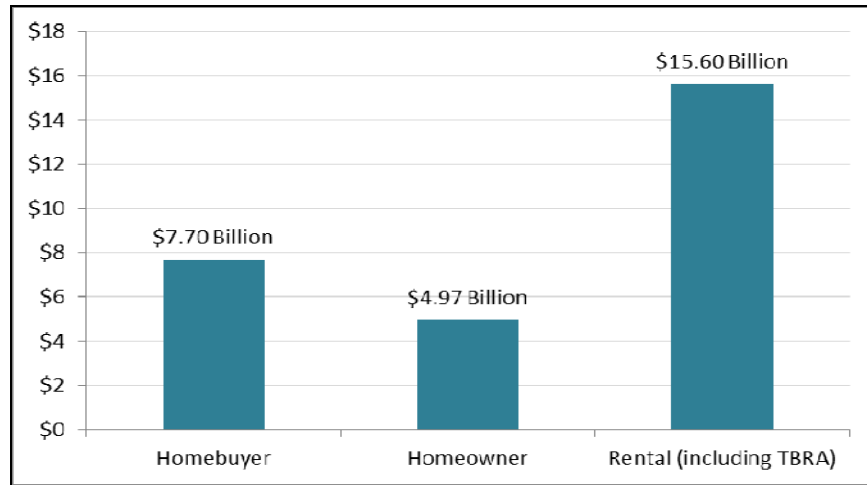
Note: Rental units only include physical units, and do not include households receiving TBRA.

In FY2013 alone, HOME funds contributed to a total of about 21,000 completed housing units and tenant-based rental assistance for nearly 13,000 households.⁶⁸

In addition to statistics on completed units, HUD also reports how much HOME funding was used for each unit type. Since the program began, over \$28 billion of HOME funding has been spent on units that were completed as of July 31, 2014. As shown in **Figure 3**, nearly \$16 billion (55%) of HOME funding that has been spent on completed units was used for rental units or TBRA, while \$8 billion (27%) was used for home buyer units and \$5 billion (18%) for homeowner units. Of the amounts spent on rental housing since the program began, about 95% (nearly \$15 billion) has been used to develop rental housing units, while the remaining 5% (less than \$1 billion) has been used for TBRA.

⁶⁸ U.S. Department of Housing and Urban Development, HOME National Production Report, July 31, 2014, page 3, https://www.hudexchange.info/reports/HOME_Prod_Natl_20140731.pdf.

Figure 3. HOME Funds Spent by Unit Type
(through July 2014; \$ in billions)



Source: Figure created by CRS based on data in HUD’s July 31, 2014, HOME National Production Report.

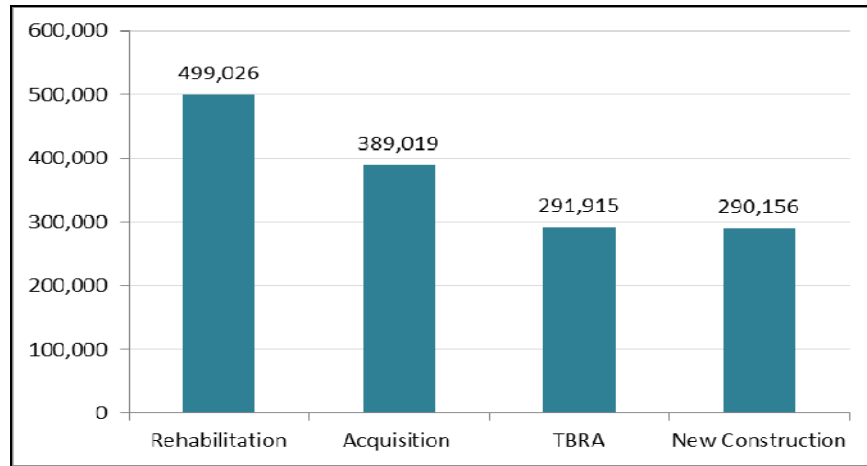
Note: Rental units include households receiving TBRA.

Types of Activities (Rehabilitation, Acquisition, New Construction, or Tenant-Based Rental Assistance)

Eligible uses of HOME funds generally fall into four categories: owner-occupied housing rehabilitation activities, assistance to home buyers, rental housing development activities, and tenant-based rental assistance (TBRA). The HOME statute specifies that rehabilitation of both rental and homeowner units should be given preference over other types of eligible uses of HOME funds, such as acquiring or constructing affordable housing.

As shown in **Figure 4**, of the nearly 1.5 million housing units and TBRA households that have been assisted using HOME funding from the program’s beginning through July 31, 2014, nearly 500,000 (34%) were rehabilitated units, about 390,000 (26%) were acquired units, and about 290,000 (20%) were newly constructed units. An additional 290,000 (20%) of “units” were households that received TBRA rather than physical housing units.

Figure 4. Number of Completed HOME Units and Households Receiving TBRA by Activity Type
(through July 2014)



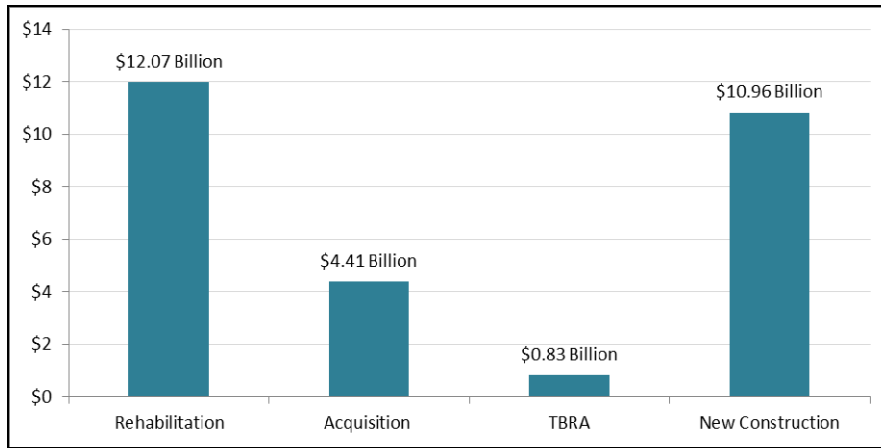
Source: Figure created by CRS based on data in HUD’s July 31, 2014, HOME National Production Report.

Some activities are more expensive than others and require a larger investment of HOME funds. Therefore, the breakdown of total HOME funding used for each eligible activity looks somewhat different than the number of units completed for each eligible activity. For example, rehabilitated units accounted for just over one-third of the completed units (including TBRA) that used HOME funds, but the funds used for rehabilitation account for nearly 43% of total HOME funds expended on completed units (a total of about \$12 billion since the program’s inception). Acquired units accounted for over a quarter of completed units that use HOME funds, but account for only about 15% of the funding (about \$4 billion). New construction and TBRA each accounted for about 20% of completed units, but new construction accounts for nearly 40% of the funds spent (almost \$11 billion) while TBRA accounts for only 3% of funds spent (less than \$1 billion). **Figure 5** illustrates the amount of funding that has been spent on each activity since the program began.

The difference between the percentage of funding going toward each activity and the percentage of completed units of each activity type reflects the difference in the average investment of HOME funds required for each activity. A newly constructed unit costs the most, on average: a newly constructed unit costs an average of \$38,000 in HOME funds, while the average cost of rehabilitating a unit is \$24,000 in HOME funds and the average cost of acquiring a unit is about \$11,000 in HOME funds.⁶⁹

⁶⁹ Average activity costs are based on data included in HUD’s National Production Report through July 31, 2014. The National Production Reports are available at <https://www.hudexchange.info/manage-a-program/home-national-production-reports/>.

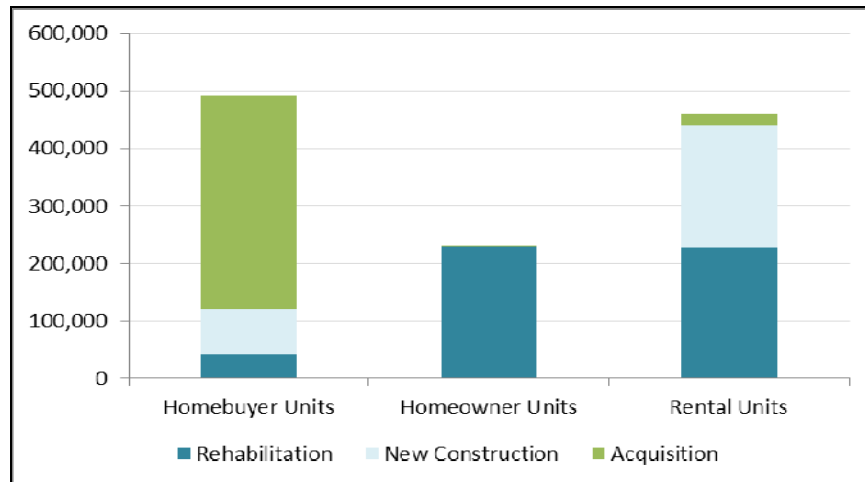
Figure 5. HOME Funds Spent by Activity Type
(through July 31, 2014; \$ in billions)



Source: Figure created by CRS based on data in HUD’s July 31, 2014, HOME National Production Report.

Whether a PJ uses HOME funds for rehabilitation, acquisition, or new construction depends in part on the types of programs it is administering and the housing needs it is trying to meet. As shown in **Figure 6**, about three quarters of home buyer units that receive HOME funds use those funds for acquisition costs (such as down payment assistance). A relatively small number of home buyer units use HOME funds for rehabilitation or new construction. In contrast, virtually all owner-occupied units with HOME investments use those funds for rehabilitation activities. For rental units that use HOME funds, about half of the units are rehabilitated. Most of the remaining HOME rental units are newly constructed, with just a small number of rental units receiving HOME funds for acquisition costs.

Figure 6. Type of Investments in HOME Units by Unit Type
(through July 31, 2014)



Source: Figure created by CRS based on data in HUD’s July 31, 2014, HOME National Production Report.

Selected Characteristics of HOME Beneficiaries

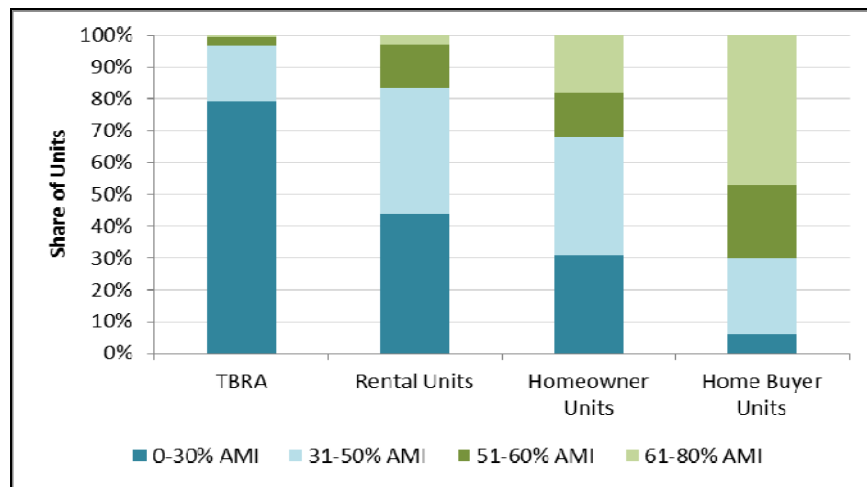
HUD reports on certain characteristics of the households that benefit from HOME funds, including household income and household type (e.g., two-parent households, single-parent households, elderly households, etc.).

Household Income

As required by statute, all HOME funds benefit families with incomes at or below 80% of area median income. Not surprisingly, HOME funds used for rental activities (including tenant-based rental assistance and the construction, acquisition, and rehabilitation of rental housing) benefit a lower-income population than funds used for homeowner and home buyer units. As explained earlier in this report, HOME funds used for rental activities must target a lower-income population than funds used for homeowner or home buyer activities.⁷⁰ Households at the lowest end of the income spectrum are also more likely to rent than to own their homes.

Figure 7 shows the share of units for each unit type (homeowner, home buyer, rental, or TBRA) that has benefitted households at different income levels. As of July 31, 2014, HUD reported that nearly 80% of HOME-assisted TBRA households were families with incomes at or below 30% of area median income (AMI), as were nearly 44% of occupants of HOME-assisted rental units. In contrast, less than one-third of HOME-assisted homeowner units benefitted households with incomes at or below 30% of area median income, and only 6% of HOME-assisted home buyer units benefitted households with incomes in this range.

Figure 7. Income of Households Occupying HOME Units
(through July 2014)



Source: Figure created by CRS based on HUD's July 31, 2014, HOME National Production Report.

Note: AMI is area median income.

⁷⁰ Ninety percent of households receiving tenant-based rental assistance or occupying HOME-assisted rental units are required to be households with incomes at or below 60% of area median income, while the rest must be households with incomes at or below 80% of area median income. HOME funds used for homeowner and home buyer housing are only required to benefit households with incomes at or below 80% of area median income.

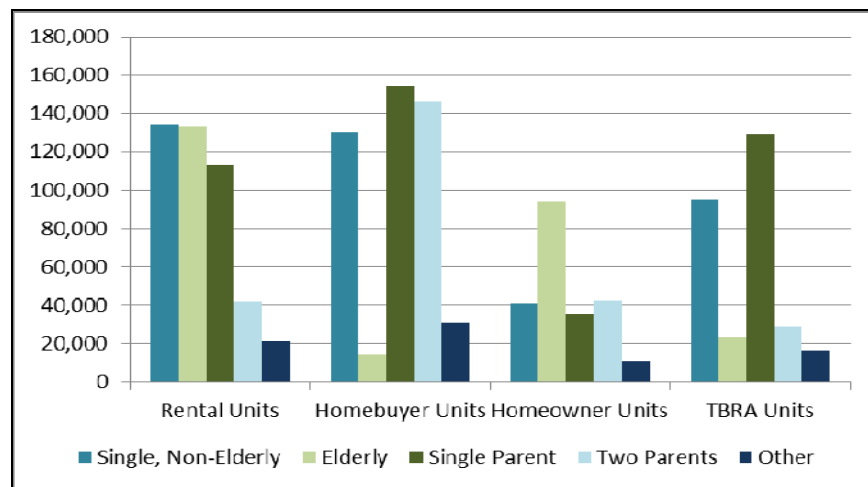
Household Type

Overall, about 30% of HOME-assisted units (including households that receive TBRA) are occupied by single-parent households. Nearly another 30% are occupied by single, non-elderly households. About 18% apiece are occupied by elderly households and two-parent households, and about 5% of households are categorized as “other.”

As shown in **Figure 8**, different types of units are more or less likely to serve specific types of households. Specifically:

- Rental units assisted with HOME funds are most likely to be occupied by single, non-elderly households or elderly households, followed closely by single-parent households. Two-parent households are less likely to live in HOME-assisted rental units.
- HOME-assisted home buyer units are most likely to be occupied by single parents or two-parent households, followed by single, non-elderly households. Not surprisingly, few home buyer units are occupied by elderly households.
- By contrast, HOME-assisted owner-occupied units are most likely to be occupied by elderly households, as elderly households might be the most likely to seek HOME funds for repairs to their existing housing.
- HOME-funded TBRA is most commonly received by single-parent households, followed by single, non-elderly households.

Figure 8. Household Types Served with HOME Funds
(through July 2014)



Source: Figure created by CRS based on data from HUD’s July 31, 2014, HOME National Production Report.

Program Oversight

Oversight of the HOME program involves monitoring both processes and outcomes. Monitoring processes includes ensuring that HOME funds are committed and expended according to the timelines specified in statute and regulation and that program requirements are followed.

Monitoring outcomes includes ensuring that investments of program funds ultimately help to achieve the program’s goal, namely, providing housing that is affordable to low-income households.

Given HOME’s structure as a block grant program, participating jurisdictions (PJs) bear much of the responsibility for ensuring that subrecipients adhere to HOME program requirements and that specific projects result in their intended outcomes. Nonetheless, HUD is ultimately responsible for overseeing PJs’ use of HOME funds to ensure that HOME funds are spent properly.

HUD’s Oversight of PJs

HUD’s oversight of PJs includes activities that occur both before and after funds are granted to PJs. Before granting funds to PJs, HUD must approve PJs’ Consolidated Plans. As described earlier in the “The Consolidated Plan” section of this report, PJs submit Consolidated Plans to HUD describing their affordable housing needs and specifying how HOME funds will be used to meet those needs. Prior to approving a PJ’s Consolidated Plan, HUD reviews the plan to ensure that it is complete, consistent with the purposes of the HOME statute, and meets all regulatory requirements.⁷¹

After funds are granted to PJs, HUD’s oversight includes ensuring that PJs’ activities match their Consolidated Plans and monitoring how and when PJs spend their funds. PJs report their commitments and expenditures of HOME funds to HUD through a computer system known as the Integrated Disbursement & Information System (IDIS), along with the activities to which funds are committed or expended. HUD uses this system to track PJs’ commitments and expenditures of HOME funds and the progress of projects that are using HOME funds. HUD also publishes a number of reports related to PJs’ activities and the status of HOME funds on its website.⁷²

The HOME statute and regulations include provisions requiring PJs to lose or repay HOME funds to HUD if they are not spent in a timely manner or are not used for housing that meets the HOME requirements. HOME funds that are not committed by PJs within 24 months will expire,⁷³ and those funds will be reallocated by formula to eligible PJs.⁷⁴ PJs must expend HOME funds within five years.⁷⁵ PJs are required to repay HOME funds used for any activities that do not meet the affordability period requirements or for activities that are terminated before project completion.⁷⁶

⁷¹ Regulations governing the Consolidated Plan requirements are at 24 C.F.R. Part 91.

⁷² These reports are available at <https://www.hudexchange.info/home/> under the heading “HOME Reports.”

⁷³ 42 U.S.C. 12748

⁷⁴ According to the HOME statute (42 U.S.C. 12747(d)(3)), reallocations that come from state HOME funds will only be reallocated among participating states, and reallocations from localities will only be reallocated among participating localities.

⁷⁵ 24 C.F.R. §92.500

⁷⁶ 24 C.F.R. §92.503. Furthermore, in addition to the requirements in the HOME program statute and regulations related to the timely expenditure of HOME funds, HOME funds are also subject to the requirements of the National Defense Authorization Act of 1991 (P.L. 101-510), which required that funds appropriated for a definite period of time be spent by the end of the fifth fiscal year after the availability period ends or be returned to Treasury. Beginning in FY2002, HOME funds have been appropriated for a definite, rather than an indefinite, period of time, and have therefore become subject to these requirements. For example, the FY2014 appropriations law specifies that HOME funds appropriated in FY2014 remain available until the end of FY2016. Therefore, any funds not spent by the end of FY2021 (five years after the last date the funds were available) are to be returned to Treasury.

PJs must also repay any funds spent on projects that are not completed as of four years of the date the funds were committed.⁷⁷ The Secretary of HUD also has the authority to impose penalties on PJs that misuse HOME funds, such as preventing PJs from drawing down HOME funds, restricting PJs' activities, or removing PJs from formula allocations.⁷⁸

PJs' Oversight of Entities Receiving HOME Funds

While HUD is responsible for overseeing PJs, PJs are responsible for ensuring that their HOME-funded activities meet program requirements. PJs oversee subrecipients and any other entities that receive HOME funds from the PJ, and are supposed to monitor performance and address any problems. Participating jurisdictions must also comply with record-keeping and monitoring requirements to ensure that they are using funds appropriately, making progress toward their housing goals, and generally funding activities in line with their Consolidated Plans.⁷⁹

Before disbursing any HOME funds to an entity (including a subrecipient, a contractor, or a household), a PJ must enter into written agreement with that entity. These written agreements may vary based on the project type and the entity's role, but all must ensure compliance with HOME program requirements. Certain minimum provisions that must be included in different types of agreements are described in the HOME program regulations at 24 CFR §92.504.

PJs must review the performance of subrecipients and contractors on an annual basis.⁸⁰ PJs must also perform on-site inspections of HOME-assisted projects when a project is completed and, for HOME-assisted rental housing, throughout the affordability period. HOME-assisted rental units must be inspected at least every three years during the affordability period (or more frequently if problems related to health and safety are discovered) and the property owner must certify annually that the project and the HOME-assisted units are "suitable for occupancy." Units occupied by households receiving HOME-funded TBRA should be inspected by the PJ annually. PJs must also examine the financial viability of HOME-assisted rental projects with ten or more units at least annually during the affordability period.⁸¹

Concerns Related to Oversight of HOME Funds

Over the past several years, several concerns have been raised about whether PJs have adequately overseen projects that use HOME funds and, ultimately, whether HUD has adequately monitored PJs' uses of HOME funds.

Some concerns related to HUD's oversight of PJs have been raised by HUD's Office of the Inspector General (OIG). A 2009 OIG report questioned several aspects of HUD's monitoring of program funds, including whether HUD's methodology for tracking when PJs had spent their

⁷⁷ This deadline was added by the 2013 final rule. The Secretary of HUD may extend the deadline by one year under certain circumstances.

⁷⁸ 42 U.S.C. 12753

⁷⁹ Record-keeping requirements are described at 24 C.F.R. §92.508. Reporting requirements include the submission of an annual performance report as part of the Consolidated Planning process described in 24 C.F.R. Part 91.

⁸⁰ 24 C.F.R. §92.504

⁸¹ 24 C.F.R. §92.504(d). These requirements were revised in the 2013 final rule. The discussion in the text describes reflects the revisions.

funds was appropriate; whether the IDIS system allows HUD to adequately monitor information reported by PJs; and whether funds had been expended on projects that should have been classified as terminated.⁸² Other OIG reports have raised questions about whether HUD has ensured PJs' compliance with program rules. For example, a 2010 OIG audit report found that, in some cases, HUD had not ensured that PJs included appropriate resale and recapture provisions in projects that used HOME funds.⁸³ The OIG has also reported conducting over 60 external audits of specific PJs in recent years, some of which were undertaken at the request of HUD.⁸⁴

Another source of concern about HUD's oversight of the HOME program was a series of investigative articles published in the *Washington Post* beginning in the spring of 2011. These articles focused on PJs' alleged mismanagement of HOME funds used for rental housing developments and problems with HUD's oversight of PJs. The articles suggested that nearly 15% of HOME-assisted rental projects were experiencing significant delays, and that almost 700 rental housing projects that had been awarded a total of \$400 million in HOME funds over the program's life had since stalled and were either incomplete or unoccupied. The article also claimed that HUD did not properly oversee funds that are awarded to PJs in order to identify such stalled or abandoned projects, that it had difficulty tracking program funds, and that it did not adequately demand reimbursement from PJs for misused funds.⁸⁵

In response to the articles, HUD maintained that the *Post*'s methodology for identifying troubled projects was flawed and that the amount of funds that were mismanaged or committed to stalled projects was much smaller than the *Post* articles suggested.⁸⁶ It also noted that some stalled projects were the result of a weak economy rather than mismanagement or other problems. HUD argued that its oversight of the program was adequate and that it had de-obligated HOME funds from PJs that did not meet commitment and expenditure deadlines and recovered additional funds that were spent improperly by PJs.⁸⁷

Questions about HUD's oversight of HOME funds led Congress to hold hearings on the topic in 2011, during which several Members of Congress expressed concern about HUD's ability to

⁸² James D. McKay, Regional Inspector General for Audit, Atlanta Region, *HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME Funds*, U.S. Department of Housing and Urban Development, Office of the Inspector General, Audit Report Number 2009-AT-0001, September 28, 2009, <http://www.hud.gov/offices/oig/reports/files/ig0940001.pdf>.

⁸³ Heath Wolfe, Regional Inspector General for Audit, *The Office of Affordable Housing Programs' Oversight of Resale and Recapture Provisions for HOME Investment Partnerships Program-Assisted Homeownership Projects Was Inadequate*, U.S. Department of Housing and Urban Development, Office of the Inspector General, Audit Report Number 2010-CH-0002, April 13, 2010, <http://www.hud.gov/offices/oig/reports/files/ig1050002.pdf>.

⁸⁴ James A. Heist, Assistant Inspector General for Audit, Office of Inspector General, Testimony before the U.S. House of Representatives Committee on Financial Services on "Oversight of HUD's HOME Program," June 3, 2011, p. 4, <http://www.hudoig.gov/pdf/testimony/HUD-OIGHOMETestimony.pdf>.

⁸⁵ Debbie Cenziper and Jonathan Mummolo, "A trail of stalled or abandoned HUD projects," *The Washington Post*, May 14, 2011.

⁸⁶ U.S. Department of Housing and Urban Development, "HUD's Analysis of the Washington Post's Mislabeled HOME Projects," The HUDdle: U.S. Department of Housing and Urban Development's Official Blog, August 18, 2011, <http://blog.hud.gov/index.php/2011/08/18/hud%E2%80%99s-analysis-washington-post%E2%80%99s-mislabeled-home-projects/>.

⁸⁷ U.S. Department of Housing and Urban Development, "Setting the Record Straight: What the Washington Post Got Wrong About the HOME Program," The HUDdle: U.S. Department of Housing and Urban Development's Official Blog, May 19, 2011, <http://blog.hud.gov/index.php/2011/05/19/setting-record-straight-washington-post-wrong-home-program/>.

ensure that HOME funds are used in a way that produces the program's intended results.⁸⁸ Congress also included a number of provisions related to the oversight or use of HOME funds in both the FY2012 and FY2013 HUD appropriations laws, the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55) and the Consolidated and Continuing Appropriations Act, 2013 (P.L. 113-6).⁸⁹ (These provisions only apply to the HOME appropriations included in those laws, not HOME funds appropriated in other fiscal years.)

The 2013 HOME program final rule, described next, included a number of provisions to better ensure that HOME funds were being spent properly, including similar provisions to those that were included in the FY2012 and FY2013 appropriations laws. The provisions in the 2013 final rule apply to all HOME funds, rather than just the funds that were appropriated within a specific appropriations law.

Changes in 2013 HOME Final Rule

In December 2011, HUD published a proposed rule in the *Federal Register* revising several aspects of the HOME program regulations.⁹⁰ The final rule was promulgated in July 2013 and represented the first substantive changes to the HOME regulations since 1996.⁹¹

The stated purposes of the rule are to “address many of the operational challenges facing participating jurisdictions; improve understanding of HOME program requirements, update property standards to which housing funded by HOME funds must adhere, and strengthen participating jurisdictions’ accountability for both compliance with program requirements and performance.”⁹² To achieve these aims, the rule makes several changes to the HOME program. Some aspects of the rule are specifically concerned with oversight and would strengthen existing requirements or impose new requirements to attempt to enhance the accountability of states and localities that receive HOME funds. Other aspects of the rule would codify existing administrative requirements or best practices as identified by HUD.⁹³

Several major provisions of the 2013 final rule are described here. Some of these provisions are also discussed elsewhere in this report, and the description of program requirements throughout the report reflects relevant changes made in the 2013 rule.

⁸⁸ See U.S. Congress, House Committee on Financial Services, Oversight of HUD’s HOME Program, 112th Cong., 1st sess., June 3, 2011; and U.S. Congress, House Committee on Financial Services, Subcommittee on Insurance, Housing and Community Opportunity and Subcommittee on Oversight and Investigations, Fraud in the HUD HOME Program, 112th Cong., 1st sess., November 2, 2011.

⁸⁹ HUD issued guidance to PJs on the implementation of the requirements in CPD Notice 2012-07, “Operating Guidance for Implementing FY 2012 HOME Appropriations Requirements,” available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/cpd.

⁹⁰ U.S. Department of Housing and Urban Development, “HOME Investment Partnerships Program: Improving Performance and Accountability; and Updating Property Standards,” 76 *Federal Register* 78344-78382, December 16, 2011.

⁹¹ Department of Housing and Urban Development, “HOME Investment Partnerships Program: Improving Performance and Accountability; Updating Property Standards,” 78 *Federal Register* 44628-44683, July 24, 2013, <http://www.gpo.gov/fdsys/pkg/FR-2013-07-24/pdf/2013-17348.pdf>.

⁹² 78 FR 44629

⁹³ For more detailed information on the changes included in the rule, see HUD’s website at <https://www.hudexchange.info/home/home-final-rule>.

Among other things, the final rule does the following:

- Requires PJs to adopt written policies to improve program oversight and monitoring of recipients of HOME funds,
- Updates the property standards that HOME-assisted housing must meet,
- Requires PJs to conduct annual examinations of the financial condition of rental projects with at least 10 HOME-assisted units,
- Requires repayment of HOME funds used for rental projects that are not rented to eligible tenants within 18 months, and
- Requires HOME-assisted home buyers to receive housing counseling.

The rule also includes several provisions that are similar to those that were included in the FY2012 and FY2013 HUD appropriations laws.⁹⁴ These provisions specify the following:

- HOME funds used for projects that are not completed within four years of the date the funds are committed are to be repaid by the PJ.⁹⁵ The Secretary of HUD can extend this deadline by one year if he determines that the delay was caused by circumstances outside of the PJ's control.
- PJs cannot commit funds without conducting an underwriting review of the proposed project, assessing the developer's capacity and fiscal soundness, and examining market conditions.
- Home buyer units that are not sold to eligible home buyers within nine months of the project's completion are to be rented to eligible tenants.⁹⁶
- In order for CHDOs to demonstrate that they have the capacity to carry out housing activities, they must have paid staff with experience in the housing role the CHDO expects to play. Volunteers and donated staff cannot be used to demonstrate capacity (although they may assist with CHDO activities). Furthermore, a CHDO cannot rely on consultants to demonstrate capacity to undertake housing development, except in an organization's first year as a CHDO if the consultant trains the CHDO's staff.⁹⁷

The 2013 rule also included several additional provisions related to CHDOs. Some of these provisions were described in the "Community Housing Development Organizations (CHDOs)" section of this report.

Most of the provisions in the final rule became effective on August 23, 2013, with some exceptions.⁹⁸ While the provisions in the FY2012 and FY2013 appropriations laws only applied

⁹⁴ For a summary of differences between the provisions in the appropriations laws and those in the 2013 rule, see <https://www.hudexchange.info/home/home-final-rule/the-home-final-rule-and-the-2012-2013-home-appropriation-act>.

⁹⁵ The definition of project completion differs somewhat under the appropriations provisions and the 2013 rule.

⁹⁶ HUD defines a unit as sold when it is under a ratified sales contract. The provisions in the 2012 and 2013 appropriations acts required units to be rented if they were not sold to eligible home buyers within six months.

⁹⁷ The appropriations provisions specifically required CHDOs to demonstrate development experience. Since the 2013 rule allows CHDOs to undertake activities other than development, such as owning a property, the rule specifies that CHDOs must demonstrate capacity for the role they intend to undertake.

⁹⁸ Effective dates for other provisions of the rule are listed at 78 FR 44666.

to projects that used HOME funds appropriated in those years, these provisions now apply to all HOME funds committed after the effective date, regardless of the year the funds were appropriated.

Appendix A. Select Programs Formerly Funded Within the HOME Account

For several years prior to FY2008, two major HOME account set-asides provided funding for the American Dream Downpayment Initiative and HUD's housing counseling program. However, neither of these programs is currently funded through the HOME account. Housing counseling is now funded through its own account, and Congress has not appropriated funding for the American Dream Downpayment Initiative since FY2008. Each of these programs is described briefly below.

American Dream Downpayment Initiative

The American Dream Downpayment Initiative (ADDI) was funded in the HOME account from FY2003 through FY2008.⁹⁹ Congress has chosen not to fund ADDI in FY2009 or subsequent years.

ADDI was created by the American Dream Downpayment Act (P.L. 108-186), signed into law on December 16, 2003.¹⁰⁰ The program aimed to increase homeownership, especially among low-income and minority populations, by providing formula funding to all 50 states¹⁰¹ and qualified local jurisdictions for down payment and closing cost assistance for first-time home buyers. States and localities could use ADDI funds to provide closing cost and down payment assistance up to \$10,000 or 6% of a home's purchase price, whichever was greater. Additionally, up to 20% of ADDI funds could be used to assist homeowners with rehabilitation costs, as long as the rehabilitation was completed within a year of the home's purchase.

The formula used to award ADDI funds to states was based on the number of low-income households residing in rental housing in the state relative to the nation as a whole. For localities, the grant amount was based on the number of low-income households residing in rental housing in the jurisdiction relative to the entire state. In order for a local jurisdiction to receive its own allocation of ADDI funds, it had to have a population of at least 150,000 or be eligible for a minimum grant of \$50,000 under the ADDI formula.

While supporters of ADDI held that the program played an important role in increasing homeownership, critics argued that it was duplicative because states and localities could already choose to use their HOME funds for down payment assistance. ADDI was originally authorized to receive \$200 million annually through FY2007, but the program never received more than \$86 million in appropriations. The Consolidated Appropriations Act, 2008 (P.L. 110-161) appropriated \$10 million to ADDI and extended the program through the end of FY2008. President Bush's

⁹⁹ Although funding was appropriated for down payment assistance in FY2003, ADDI was not signed into law until December 2003. The FY2003 down payment assistance funding was distributed according to a different formula and a different set of requirements than the ADDI funding in subsequent years.

¹⁰⁰ ADDI is codified at 42 U.S.C. §12821, and the regulations governing the program can be found beginning at 24 C.F.R. §92.600.

¹⁰¹ The definition of "state" was different under ADDI than under HOME. Specifically, ADDI did not include Puerto Rico as a state after FY2003. Insular areas were not eligible to receive ADDI funds. See 42 U.S.C. §12821(a)(4) or the U.S. Department of Housing and Urban Development, *American Dream Downpayment Initiative Q&A*, revised May 5, 2005, available at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/addi/qa.pdf>.

budget requested \$50 million for ADDI in FY2009; however, the Omnibus Appropriations Act, 2009 (P.L. 111-8) did not include funding for ADDI, and the program has not been funded in subsequent years.

Housing Counseling

From FY1997 through FY2008, funding for HUD's housing counseling program was appropriated as a set-aside in the HOME account. Through the housing counseling program, authorized under section 106 of the Housing and Urban Development Act of 1968 (P.L. 90-448),¹⁰² as amended, HUD competitively awards funding to HUD-approved agencies that provide counseling on a range of housing issues.

For several years in the 2000s, President Bush requested that housing counseling be funded through its own account, but until FY2009 Congress continued to fund housing counseling as a set-aside in the HOME account. In FY2009, Congress appropriated funding for housing counseling in its own account rather than as a set-aside within HOME, and has continued to do so in subsequent fiscal years. For more information on the housing counseling program, including information on appropriations, see CRS Report R41351, *Housing Counseling: Background and Federal Role*, by (name redacted).

¹⁰² The housing counseling program is codified at 12 U.S.C. §1701x, and the regulations governing the program are found at 24 C.F.R. Part 214.

Appendix B. Distribution of Participating Jurisdictions and Total HOME Funding by State

Table B-1. Distribution of Participating Jurisdictions and Formula Funding by State for FY2014

(dollars in millions)

State	Number of PJs	Formula Grant Funding ^a	% of Total Formula Grant Funding
Alabama	8	\$13.84	1.37%
Alaska	1	\$3.62	0.36%
Arizona	4	\$16.13	1.60%
Arkansas	4	\$8.97	0.89%
California	97	\$133.03	13.16%
Colorado	10	\$13.02	1.29%
Connecticut	6	\$11.69	1.16%
Delaware	2	\$4.24	0.42%
Dist. of Columbia	0	\$4.29	0.42%
Florida	35	\$48.27	4.78%
Georgia	12	\$26.31	2.60%
Hawaii	1	\$5.46	0.54%
Idaho	1	\$4.15	0.41%
Illinois	17	\$43.71	4.32%
Indiana	13	\$19.71	1.95%
Iowa	6	\$8.64	0.85%
Kansas	5	\$7.99	0.79%
Kentucky	4	\$14.05	1.39%
Louisiana	9	\$14.01	1.39%
Maine	2	\$4.61	0.46%
Maryland	7	\$13.55	1.34%
Massachusetts	19	\$25.89	2.56%
Michigan	19	\$30.51	3.02%
Minnesota	6	\$14.29	1.41%
Mississippi	3	\$8.81	0.87%
Missouri	8	\$18.44	1.82%
Montana	3	\$3.89	0.38%
Nebraska	2	\$5.51	0.55%
Nevada	4	\$8.90	0.88%
New Hampshire	2	\$3.84	0.38%

State	Number of PJs	Formula Grant Funding ^a	% of Total Formula Grant Funding
New Jersey	27	\$25.26	2.50%
New Mexico	2	\$5.70	0.56%
New York	28	\$100.18	9.91%
North Carolina	19	\$26.88	2.66%
North Dakota	1	\$3.42	0.34%
Ohio	22	\$40.79	4.04%
Oklahoma	5	\$10.77	1.07%
Oregon	6	\$13.70	1.36%
Pennsylvania	30	\$43.30	4.28%
Puerto Rico	11	\$16.63	1.65%
Rhode Island	3	\$4.96	0.49%
South Carolina	15	\$12.64	1.25%
South Dakota	1	\$3.41	0.34%
Tennessee	9	\$18.36	1.82%
Texas	41	\$67.49	6.68%
Utah	4	\$6.60	0.65%
Vermont	1	\$3.41	0.34%
Virginia	20	\$19.33	1.91%
Washington	16	\$20.11	1.99%
West Virginia	5	\$5.88	0.58%
Wisconsin	11	\$19.01	1.88%
Wyoming	0	\$3.52	0.35%
Totals	587	\$1,010.71	100.00%

Source: U.S. Department of Housing and Urban Development, Community Planning and Development Program Formula Allocations for FY2014, available at <https://www.hudexchange.info/grantees/cpd-allocations-awards/>.

- a. Formula funding totals include both the state grant and grants to PJs within the state. Totals also include reallocated funds.

Table B-2. Formula Funding for Insular Areas for FY2014

(\$ in millions)

Insular Area^a	Number of PJs	Formula Grant Funding	% of Total Formula Grant Funding for Insular Areas
American Samoa	—	\$0.19	9.65%
Guam	—	\$0.79	39.41%
Northern Mariana Islands	—	\$0.34	17.18%
Virgin Islands	—	\$0.68	33.77%
Insular Areas Total	—	\$2.00	100.00%

Source: U.S. Department of Housing and Urban Development, Community Planning and Development Program Formula Allocations for FY2014, available at <https://www.hudexchange.info/grantees/cpd-allocations-awards/>.

- a. Insular areas are funded by a set-aside of HOME funds equal to the greater of \$750,000 or 0.2% of the HOME appropriation for the fiscal year. The percentages of formula grant funding for insular areas reflect the percentage of the set-aside funding that each insular area received.

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