

HOME Program 2025 Final Rule: In Brief

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The HOME Investment Partnerships Program is a federal block grant program that provides funding to states and eligible localities to be used exclusively for affordable housing activities to benefit low-income households. On January 6, 2025, the U.S. Department of Housing and Urban Development (HUD) published in the *Federal Register* a final rule related to the HOME program: “HOME Investment Partnerships Program: Program Updates and Streamlining.” The final rule makes several significant changes to the implementation of the HOME program, and represents the first major regulatory update since 2013. Major provisions include tenancy addenda that create tenant protections for residents of HOME-assisted rental housing and recipients of HOME tenant-based rental assistance, changes to maximum per-unit subsidy limits, changes to periods of affordability, updated guidance and policy changes for HUD-assisted homebuyer housing, and several provisions intended to streamline participation in the HOME program. This report summarizes the major provisions of the final rule.

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Introduction

The HOME Investment Partnerships Program is a federal block grant program that provides funding to states and eligible localities to be used exclusively for affordable housing activities to benefit low-income households.¹ Federal funds are distributed by the U.S. Department of Housing and Urban Development (HUD) to participating jurisdictions—states and eligible localities—by formula. HOME funds may be used for new construction or rehabilitation of rental housing, new construction or rehabilitation of owner-occupied housing, assistance to homebuyers, and tenant-based rental assistance.

On May 29, 2024, HUD published a Notice of Proposed Rulemaking related to the HOME program.² The final rule was published in the *Federal Register* on January 6, 2025.³ The effective date for most of the rule’s provisions was April 20, 2025, with the exception of the tenancy addenda and the increase in the maximum per-unit subsidy limit for projects that meet green building standards, both of which have a delayed effective date of October 30, 2025.⁴

The final rule represents the first major regulatory update since 2013, and includes several significant changes to the 2013 regulations and subsequent updates (hereinafter, “the 2013 regulations”). There are also several notable differences between the proposed and final rules, prompted by public comment on the proposed rule. This report summarizes the major provisions of the final rule.

Tenancy Addenda

Delayed Effective Date

The tenancy addenda provisions described in this section, which revise 24 C.F.R. §92.253 (tenant protections and selection), have a delayed effective date of October 30, 2025. See 90 *Federal Register* 16085-16087.

Eligible uses of HOME funds for rental housing include rental housing development activities and tenant-based rental assistance, including security deposit assistance. The final rule includes three distinct tenancy addenda for each of HOME rental housing, HOME tenant-based rental assistance (TBRA), and HOME security deposit assistance. These tenancy addenda, which would be appended to lease agreements, are intended to establish new and revised protections for tenants in HOME-assisted rental housing. The final rule revises the proposed rule, which proposed applying uniform tenant protections to all HOME-assisted rental housing tenants and HOME TBRA recipients. HUD states that the text of the final rule allows for protections tailored to the form of assistance being received.⁵ These tenant protections would only apply to projects for

¹ For more details, see CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by Henry G. Watson.

² U.S. Department of Housing and Urban Development, “HOME Investment Partnerships Program: Program Updates and Streamlining,” 89 *Federal Register* 46618-46680, May 29, 2024.

³ U.S. Department of Housing and Urban Development, “HOME Investment Partnerships Program: Program Updates and Streamlining,” 90 *Federal Register* 746-895, January 6, 2025.

⁴ U.S. Department of Housing and Urban Development, “HOME Investment Partnerships Program: Program Updates and Streamlining-Delay of Effective Date, Withdrawal, and Correction,” 90 *Federal Register* 16085-16087, April 17, 2025.

⁵ 90 *Federal Register* 758, January 6, 2025.

which HOME funds were committed on or after the rule's effective date; they would not apply retroactively to existing HOME projects.

Rental Housing Tenancy Addendum

The rental housing tenancy addendum lays out tenant protections for residents of all rental housing that receives HOME funding for its construction, rehabilitation, or acquisition on or after the rule's effective date. The tenancy addendum includes the following new protections for tenants of rental housing assisted with HOME funds:⁶

- The owner shall maintain the physical condition of the unit and project, including uninterrupted utility service in projects with owner-controlled utility services. If there is a life-threatening deficiency impacting a tenant that cannot be repaired within one day, the tenant shall promptly be relocated to other physically suitable lodging at no additional cost until repairs are complete. Owners shall not charge tenants for "normal wear and tear or damage."
- Tenants shall be able to organize, create tenant associations, convene meetings, distribute literature, and post information.
- Security deposits must be refundable and no greater than two months' rent. Surety bonds, security deposit insurance, and similar instruments may not be used in lieu of or in addition to a security deposit.
- Except for shared housing (a unit occupied by two or more families), the tenant's household shall have the right to exclusive use and occupancy of the leased unit. A family may reside in the unit with a foster child, foster adult, and/or live-in aide. Unless there is reasonable cause to believe that an emergency exists, the owner may only enter the housing unit if reasonable advance notification is provided and only for the purposes of inspections, maintenance, improvements, repairs, or showing the unit for re-leasing.
- Tenants are protected against unreasonable interference or retaliation, including but not limited to unreasonable interference with the tenant's safety or peaceful enjoyment of a rental housing unit or the common areas of the rental housing project.
- Tenants must be notified 30 days before a sale or foreclosure and 5 days before changes in ownership or property management.
- Owners will keep all records containing personally identifying information secure and confidential.
- Owners shall operate housing in accordance with all applicable nondiscrimination and equal opportunity requirements, including the Violence Against Women Act (VAWA). Prior regulation required rental housing assisted with HOME funds to incorporate the VAWA lease term/addendum into the written lease.⁷

The 2013 regulations included protections related to termination of tenancy for tenants of rental housing assisted with HOME funds. Under the 2013 regulations, an owner may not terminate the tenancy of any tenant or household member, or refuse to renew a lease, except for serious or repeated violation of the terms and conditions of the lease; violation of applicable federal, state,

⁶ For more details, see 90 *Federal Register* 876-881.

⁷ 92 C.F.R. §253(a), January 6, 2025.

or local law; completion of the tenancy period for transitional housing or failure to follow any required transitional housing supportive services plan; or other good cause.⁸ The owner must serve written notice at least 30 days before the termination of tenancy.⁹

The final rule includes a revision of the phrase “terms and conditions of the lease” to “*material* terms and conditions of the lease,” with HUD finding that “minor lease violations, especially when easily curable or already cured, should not provide the basis for a termination of tenancy or refusal to renew tenancy in a HOME rental housing project.”¹⁰ The final rule also adds a clarification that these provisions apply to any individual household member. The rule provides several examples of “other good cause” including “threats to safety and property.” The final rule includes the same 30-day notice period for termination of tenancy present in the 2013 regulations.¹¹ The final rule includes an exception to the 30-day notice period if the termination of tenancy or refusal to renew is due to a direct threat to the safety of the tenants or employees of the housing, or an imminent and serious threat to the property, unless otherwise required by law. The rule also includes a requirement that owners seeking to evict must institute a civil court proceeding and may not perform a *constructive eviction* such as locking a tenant out of their unit.

The 2013 regulations included several tenant protections in the form of prohibited lease terms.¹² These existing protections are also included in the new rental housing tenancy addendum:

- Tenants shall not be required by the owner to agree to be sued, to admit guilt, or agree to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- Owners may not take, hold, or sell personal property of a household member without notice and a court decision.
- The tenant may hold the owner or the owner’s agents legally responsible for any action or failure to act.
- The owner may not institute a lawsuit against the tenant without providing notice to the tenant.
- Owners may not evict the tenant or household members without instituting a civil court proceeding.
- The tenant has the right to a jury trial.
- The tenant has the right to appeal a court a decision in connection with the lease.
- The tenant is only chargeable with the cost of legal actions if the tenant loses in a court proceeding and the court so orders.¹³
- Tenants may not be required to accept supportive services unless they are living in transitional housing with required supportive services.

⁸ 92 C.F.R. §253(c), January 6, 2025.

⁹ 92 C.F.R. §253(c), January 6, 2025.

¹⁰ 90 *Federal Register* 761, January 6, 2025.

¹¹ HUD decided to withdraw a proposal to extend the notice period to 60 days in response to public comment.

¹² 92 C.F.R. §253(b), January 6, 2025.

¹³ The phrase “and the court so orders” is only present in the new tenancy addendum, not the prohibited lease terms in prior regulation.

Tenant-Based Rental Assistance Tenancy Addendum

The tenancy addendum for tenant-based rental assistance is substantially similar to the tenancy addendum for rental housing, including provisions related to termination of tenancy, with three exceptions. HUD intends for these exceptions to avoid discouraging private owners from accepting tenants with HOME tenant-based rental assistance.¹⁴ First, the tenant-based rental assistance tenancy addendum does not include the requirement to relocate tenants if life-threatening property deficiencies cannot be repaired within one day. Second, it does not include the provision allowing tenants to organize. Third, it includes a waiver to the prohibition on surety bonds, security deposit insurance, and other security deposit alternatives if the tenant is already in a lease and has already fulfilled the lease's security deposit requirements before they enter into a rental assistance contract. The HOME tenant-based rental assistance tenancy addendum would terminate upon the termination of the rental assistance contract.

Security Deposit Assistance Tenancy Addendum

The tenancy addendum for tenants receiving only one-time security deposit assistance from the HOME program is nearly identical to the prohibited lease terms in the 2013 regulations.¹⁵ The security deposit tenancy addendum does not include any of the additional provisions present in the other tenancy addendums. HUD states that security deposit assistance is “fundamentally different” from other types of HOME assistance because it is primarily intended as one-time emergency assistance rather than long-term assistance.¹⁶

Maximum Per-Unit Subsidy Limits

Delayed Effective Date

The increase to the maximum per-unit subsidy limit for projects that meet a green building standard, revising 24 C.F.R. §92.250, has a delayed effective date of October 30, 2025. All other revisions to 24 C.F.R. §92.250 described below had an effective date of April 20, 2025. See 90 *Federal Register* 16085-16087.

HUD sets a maximum amount of HOME dollars that can be applied to each assisted unit. The Cranston-Gonzalez National Affordable Housing Act of 1990 (P.L. 101-625), as amended, directs HUD to base maximum per-unit subsidy amounts on the Section 221(d)(3) mortgage insurance program for elevator-type projects. After that program was discontinued in 2013, HUD published an interim policy in 2015 that identified the Section 234 Condominium Housing Insurance Program as an alternative.¹⁷ The National Affordable Housing Act also authorized HUD to increase the per-unit subsidy limit in any High Cost Area¹⁸ by an additional 140% of those limits,

¹⁴ 90 *Federal Register* 758, January 6, 2025.

¹⁵ See 92 C.F.R. §253(b), January 6, 2025. Note that the new security deposit assistance tenancy addendum revises 92 C.F.R. §253(b)(8) (January 6, 2025) to specify that a tenant is only chargeable for the cost of legal actions if the tenant loses in a court proceeding “and the court so orders.”

¹⁶ 90 *Federal Register* 759, January 6, 2025.

¹⁷ These Section 234 limits are published annually in the *Federal Register*. For calendar year 2025, see HUD, Office of the Assistant Secretary for Housing—Federal Housing Commissioner, “Annual Indexing of Basic Statutory Mortgage Limits for Multifamily Housing Programs,” 89 *Federal Register* 107155-107156, December 31, 2024.

¹⁸ There is not a statutory determination of *High Cost Areas*. The Office of Multifamily Production develops and annually updates a list of High Cost Percentages (up to 270%) and High Cost Areas, which are published as Mortgagee Letters, available online at https://www.hud.gov/program_offices/administration/hudclips/letters/mortgagee.

making the ceiling for a HOME maximum per-unit subsidy limit 240% of the Section 234 Condominium Housing Insurance Program for elevator-type projects.

The final rule includes a provision allowing HUD to establish a new methodology for determining maximum per-unit subsidy limits, to be published in the *Federal Register* at a later date. In the interim, the final rule includes an increase to the maximum per-unit subsidy limits in designated High Cost Areas to 270% of the Section 234 limits as of the rule's effective date. This increase is based on a HUD determination that Congress intended the adjusted Section 221(d)(3) limitations to establish a floor, rather than a cap, for the maximum subsidy amount. The change to a 270% multiplier would bring HOME's maximum per-unit costs into alignment with the maximum mortgage amounts for the FHA multifamily mortgage insurance programs.¹⁹

The final rule also includes a provision allowing states and local governments that receive HOME funds to exceed the maximum per-unit subsidy by an additional 10% for projects that meet one of the green building standards identified by HUD and published in the *Federal Register*.

Period of Affordability

HOME-assisted units must be affordable to low-income households,²⁰ and must continue to be occupied by low-income households and remain affordable to such households for a given *period of affordability*, with the exception of homeowner rehabilitation projects. Both the 2013 regulations and the 2025 final rule state that all newly constructed rental housing—or acquisitions of newly constructed rental housing—must remain affordable for at least 20 years. Minimum periods of affordability for rental rehabilitation, rental acquisition, homebuyer acquisition, and homebuyer new construction projects vary based on the per-unit amount of HOME funds expended on the project. The final rule includes adjustments to the thresholds for this variation so as to account for rising costs, as shown in **Table 1**.

Table 1. Minimum Periods of Affordability for HOME-Assisted Rental Rehabilitation, Rental Acquisition, Homebuyer Acquisition, and Homebuyer New Construction

Amount of Per-Unit HOME Assistance	Period of Affordability in 2013 Regulation	Period of Affordability After 2025 Final Rule
Less than \$15,000	5 years	5 years
\$15,000 to \$25,000	10 years	5 years
\$25,001 to \$40,000	10 years	10 years
\$40,001 to \$50,000	15 years	10 years
Greater than \$50,000	15 years	15 years

Source: Comparison by CRS of 24 C.F.R. §92.252 and 24 C.F.R. §92.254 before and after revisions made in 90 *Federal Register* 874 and 90 *Federal Register* 882.

During periods of affordability, HOME-assisted rental housing units have maximum rents based on the lesser of HUD-calculated fair market rents or a percentage of area median income. However, the final rule states that if a tenant is using a federal, state, or local rental assistance or subsidy program, the project owner may accept the total of the tenant's rent contribution and the

¹⁹ The statutory exception for High Cost Areas was revised to 270% from 240% for FHA multifamily housing programs by the Consolidated Appropriations Act, 2008 (P.L. 110-161).

²⁰ Specific income-targeting requirements depend on the type of HOME assistance. For additional information, see CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by Henry G. Watson.

full permissible assistance or subsidy payment, even if that total exceeds the maximum HOME rent. In other words, the final rule states that HOME rent limits do not apply to rental assistance or subsidy payments made by federal, state, or local programs (limits on the maximum tenant contribution to rent still apply).²¹ This regulatory change stems from the Housing and Economic Recovery Act of 2008 (P.L. 110-289).²²

The final rule also includes a revision to the 2013 regulation that projects need to demonstrate that operating costs “significantly exceed” operating revenue as evidence that a HOME project is no longer financially viable and thereby eligible for certain types of relief. Rather, the final rule states that owners may demonstrate that operating costs “exceed” operating revenue, the owner is unable to pay for necessary expenses, or the project reserves are insufficient to operate the project.

Homebuyer Housing

If a homebuyer receives homebuyer assistance (such as downpayment assistance) from the HOME program but does not continue to reside in that housing as their principal residence for the duration of the period of affordability (see **Table 1**), the participating jurisdiction must follow certain resale requirements. The housing must be sold at a price that both ensures “fair return on investment” to the original HOME-assisted owner and “affordability to a reasonable range of low-income homebuyers.” Otherwise, some of the proceeds of the sale must be returned to the participating jurisdiction in order to cover the HOME funds that were invested in the home. The final rule offers new guidance on defining “fair return on investment” by providing four examples of compliant formulas:

- Itemized formula: bases the fair return on common and clearly defined factors that increase or decrease property value.
- Appraisal formula: bases the fair return on the adjusted difference between the current appraised value and the initial appraised value.
- Index formula: bases the fair return on a clearly defined, publicly accessible index such as the change in median household income.
- Fixed-rate formula: bases the fair return on a fixed percentage rate per year of ownership.

The intent of providing these formulas is to assist participating jurisdictions that found it difficult to create compliant resale formulas; the final rule includes a provision whereby participating jurisdictions may design their own resale provisions, subject to HUD review and approval.

The final rule also includes revisions to certain deadlines related to homebuyer housing. The deadline for sale of a homebuyer unit acquired, rehabilitated, or constructed with HOME funds is extended from 9 months to 12 months. Additionally, the final rule states that homebuyers receiving HOME assistance have 6 months to meet the participating jurisdiction’s property standards, with an extension of up to 12 months from acquisition, rather than requiring the home to meet all property standards at the time of purchase.

²¹ For further discussion of the reasoning for and implications of this regulatory change, see 89 *Federal Register* 46632-46633.

²² See §2835(a).

Streamlining Participation in the HOME Program

The final rule includes several provisions that HUD describes as streamlining procedures and simplifying requirements to facilitate participation in the HOME program for certain types of entities or certain types of housing.

Small-Scale Housing

The final rule defines “small-scale housing” as one-to-four-unit rental housing projects—either managed on the same site or on multiple sites—such as Accessory Dwelling Units (ADUs), duplexes, and triplexes. The final rule provides that participating jurisdictions may permit owners of small-scale housing to re-examine tenant incomes every three years, instead of annually, during the period of affordability. The rule includes a waiver of the requirement that tenants be selected from a written waiting list for small-scale housing.

Community Land Trusts

A Community Land Trust (CLT) is a landowning entity that places restrictions on ownership and resale of housing built on the land to preserve affordability. A key mechanism by which CLTs can preserve housing affordability is by exercising a preemptive purchase option: when housing built on land owned by the CLT is put up for sale, the CLT may purchase the housing to prevent the loss of units to the open market. The right of CLTs to a preemptive option to purchase a HOME-funded homebuyer unit from the homeowner at resale or in lieu of foreclosure was codified in statute in the Consolidated Appropriations Act, 2016 (P.L. 114-113).²³ To address this statutory provision, the final rule provides a working definition of “Community Land Trust” as a nonprofit organization that

- has as its primary purposes acquiring, developing, or holding land to provide housing that is permanently affordable to low-income persons;
- is not sponsored or controlled by a for-profit organization;
- uses a lease, covenant, agreement, or other enforceable mechanisms to require housing and related improvements on land held by the Community Land Trust to be affordable to low-income persons for at least 30 years; and
- retains a right of first refusal or preemptive right to purchase the housing and related improvements on land held by the Community Land Trust to maintain long-term affordability.

The final rule states that housing purchased by qualifying Community Land Trusts within the period of affordability will continue to be considered affordable housing.

Community-Housing Development Organizations

The HOME statute requires each participating jurisdiction to reserve at least 15% of its HOME funding for Community Housing Development Organizations (CHDOs): private nonprofit organizations that meet certain legal and organizational requirements.

CHDOs are required to maintain accountability to low-income community residents. Under the 2013 regulations, CHDOs could only fulfill this requirement by including low-income

²³ 129 Stat. 2878.

community residents, or elected representatives of low-income neighborhood organizations, on their governing boards. The final rule provides that the requirement may alternatively be fulfilled by designees of certain nonprofit organizations serving on the board.

CHDOs must also have a demonstrated capacity for carrying out housing projects. Under the 2013 regulations, CHDOs were required to have paid employees with housing development experience, and demonstrated capacity for carrying out housing projects assisted with HOME funds specifically. The final rule states that CHDOs may demonstrate their capacity based on experience with programs other than HOME—such as Low-Income Housing Tax Credits or the Federal Home Loan Bank Affordable Housing Program. Additionally, the final rule states that the experience of paid employees may be supplemented by board members or officers who are volunteers.

The final rule also states that CHDOs may share developer responsibilities with private, non-CHDO partners, provided that the CHDO remains “in charge” of all aspects of the development process.

Other Provisions

The final rule additionally includes the following selected provisions:

- The definition of “eligible HOME costs” is expanded in the final rule to include several additional soft costs: professional services required for HUD environmental reviews or other environmental studies or fees; any legal fees in addition to attorney’s fees; accounting fees; filing fees for zoning or planning review and approval; and “other lender required third-party reporting fees.”
- Participating jurisdictions may accept National Standards for the Physical Inspection of Real Estate (NSPIRE) Inspections performed for another funding source (including the Low-Income Housing Tax Credit) for the project in lieu of conducting their own inspections. The NSPIRE protocol was established in 2023 to align and consolidate the inspection regulations used to evaluate HUD housing and is currently applicable to a number of HUD-assisted properties. The compliance date for NSPIRE has been extended to October 1, 2025, for the HOME program, as well as several other HUD programs, although Public Housing Agencies, PJs, and other grantees are encouraged to implement NSPIRE at their earliest convenience.
- In addition to the previously required HUD Utility Schedule Model, participating jurisdictions may also use the utility allowance established by the applicable local public housing authority, or another method approved by HUD, to determine utility allowances.
- Participating jurisdictions may redetermine income eligibility for HOME tenant-based rental assistance at the time of contract renewal (up to 24 months) instead of annually.
- Participating jurisdictions may establish financial hardship exceptions to tenant minimum rent contributions for tenants receiving HOME tenant-based rental assistance.

- Smoke and carbon monoxide detection requirements are added to HOME property standards, tailored to the type of HOME activity and work being performed. These changes would bring HOME into alignment with other forms of federally assisted housing that had carbon monoxide detection requirements codified by the Consolidated Appropriations Act, 2021 (P.L. 116-260)²⁴ and smoke detection requirements codified by the Consolidated Appropriations Act, 2023 (P.L. 117-328).²⁵

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²⁴ 134 Stat. 2162 (2020).

²⁵ 136 Stat. 4459 (2022).