



The HOME Investment Partnerships Program

Introduction

The HOME Investment Partnerships Program is a smaller (\$1.5 billion as of FY22) block grant program administered primarily by states and city governments. The program is designed to provide flexible funding for affordable housing.

HOME funds may be used for:

- Rehabilitation of owner-occupied housing;
- Assistance to homebuyers (including helping homebuyers rehabilitate, acquire, or build homes);
- Rental housing acquisition, rehabilitation, and construction; and
- Tenant-based rental assistance.

Housing developed with HOME funds is required to serve low-and-very-low-income people. For rental units, at least 90% of the families served must have incomes at or below 60% of the [area median income](#) (AMI). The remaining 10% of families served must have incomes at or below 80 percent of AMI. Families receiving homeownership assistance must have incomes at or below 80% of AMI. Every year, HUD publishes the applicable HOME income limits by area, adjusted for family size.

HOME-assisted rental units must have rents that do not exceed the applicable [HOME rent limits](#). HUD publishes the applicable HOME rent limits by area, adjusted for bedroom size on an annual basis. For projects with five or more HOME-assisted rental units, 20% of the units must be rented to very low-income families.

HOME-assisted homebuyers and rental housing must remain affordable for a long-term affordability period, [determined by the amount of per-unit HOME assistance or the nature of](#)

[the activity](#). HOME-assisted homebuyer housing is also subject to resale or recapture requirements.¹

The HOME program has a specific requirement that funds be allocated to certain nonprofit housing organizations, called Community Housing Development Organizations (CHDOs). CHDOs are private nonprofit, community-based service organizations that have obtained or intend to obtain paid staff with the capacity to develop affordable housing for the community it serves. CHDOs must be certified by participating jurisdictions. The minimum set-aside requirement for CHDOs is 15% of each jurisdiction's allocation, but in practice, the allocation is usually higher, averaging slightly more than 20% nationally. It is possible that HOME funds also go to other types of nonprofit housing developers that do not satisfy the geographic restrictions of CHDOs, but this data is not reported.

Because the wording of the HOME statute is so open-ended, requiring only that “the jurisdiction shall reserve not less than 15% percent of such funds for investment only in housing to be developed, sponsored, or owned by community housing development organizations” (42 USC §12771), HUD could elect to require a higher percent in its HOME regulations (24 CFR §92.300), or Congress could simply increase the required percentage to 50% (or higher) in the annual HOME appropriations language.

The HOME program received a one-time \$5 billion boost in the American Rescue Plan Act of 2021, with a focus on relieving homelessness. These funds may be used for, among other things, the “acquisition and development of non-congregate shelter units, all or a portion of which may be... converted to permanent affordable housing...” Although the minimum expenditure for CHDOs is waived for this portion of funds, this new appropriation is a significant opportunity for states and localities to support community based nonprofit acquisition of buildings to be used for rental housing.

Disbursement Methods

The HOME program is a formula block grant program. Congress appropriates funding to HUD for the HOME program in the annual appropriations process. HUD uses a formula to allocate 40% of funds directly to states and 60% directly to eligible localities. The formula takes into account factors such as occupied rental units with housing problems, population, the number of rental units occupied by poor households, and more.

Participating jurisdictions are states and localities that meet certain requirements to receive their own allocations of HOME funds. Localities can become participating jurisdictions if they are metropolitan cities or urban counties and meet funding thresholds. Localities may also form consortia to reach funding thresholds. To be a participating jurisdiction, localities must be eligible for a minimum amount of funding under the formula and then must dedicate a total of at least \$750,000 to affordable housing activities. States (including the District of Columbia and Puerto Rico) are automatically eligible to be participating jurisdictions. HUD awards grants directly to states and to localities or consortia. Jurisdictions that do not directly receive HOME funds may apply for funding from their state government. Generally, nonprofit

¹ <https://www.hud.gov/hudprograms/home-program>

organizations, local governments, local housing agencies, and state government agencies are eligible to apply for HOME funds from state governments. Local governments that directly administer HOME accept applications from organizations to determine which projects receive funding.

Local Governing Body

Participating jurisdictions oversee the program. A participating jurisdiction can administer HOME funds itself or can designate a public agency or a nonprofit (known as subrecipients) to administer all or part of the HOME program on its behalf. States may choose to provide funds to local governments to implement HOME programs. Local governments that are designated by a state to receive HOME funds are known as state recipients.²

General Federally Allowable and Prohibited Activities for Social Housing

Program-Wide Requirements & Restrictions

Participating jurisdictions are required to set aside at least 15% of their HOME allocation for investment in housing that will be owned, developed, or sponsored by community development housing organizations (CHDOs) which are private nonprofit organizations that meet certain requirements and have the capacity and experience to carry out affordable housing projects.

HOME funds may not be used to modernize public housing, provide tenant-based rental assistance under the Section 8 program, support ongoing operational costs of rental housing, paying back taxes or fees on properties assisted with HOME funds, and providing non-federal matching funds for any other federal program.

The HOME-assisted units in a rental housing project must be occupied by low-income households and must qualify as affordable housing. If the housing is not occupied by eligible tenants within six months after the project is completed, HUD will require the participating jurisdiction to submit marketing information and, if appropriate, submit a marketing plan. HUD will require the participating jurisdiction to repay HOME funds invested in any housing unit that has not been rented to eligible tenants 18 months after the date of project completion.

Rehabilitation of Existing Affordable Housing

Participating jurisdictions are required to give preference to rehabilitation of existing rental and owner-occupied units unless the jurisdiction determines that rehabilitation is not the

² 24 CFR 92.201(b)(2)

most cost-effective way to expand the supply of affordable housing and that the jurisdiction's housing needs cannot be met through rehabilitation of available stock.

Single-Family Purchase

HOME funds may be used to help homebuyers acquire, acquire and rehabilitate, or construct homes. Down payment assistance, loans, and loan guarantees to help people buy homes are eligible activities for HOME funds. Generally, HOME funds may be used for assistance only if the housing has an initial purchase price or after-rehabilitation value that does not exceed 95% of the median purchase price of the area.

The housing must be acquired by a homebuyer whose family qualifies as a low-income family, and the housing must be the principal residence of the family throughout the period. HOME-assisted housing is subject to affordability restrictions.

Multi-Family Purchase

HOME funds may be used to help developers or other housing organizations acquire affordable rental housing. Only the actual HOME-eligible development costs of the assisted units may be charged to the HOME program. This allows HOME funds to be spent on mixed-income projects.

Planning Grant/Loans

A participating jurisdiction may use up to 10 percent of its annual HOME allocation for planning and administrative costs.

Operations Grants/Loans

HOME funds may not be used to support ongoing operational costs of rental housing, but up to 5% of a participating jurisdiction's HOME allocation may be used for the operating expenses of community housing development organizations (CHDOs).³

Construction

HOME funds may be used to help developers or other housing organizations construct new affordable rental housing. Funds may be used to demolish existing structures, make utility connections, and make improvements to the project site.⁴

Land Acquisition

HOME funds may be used for acquiring property. Acquiring vacant land or demolishing existing buildings must be undertaken only with respect to a particular housing project intended to provide affordable housing.

³ 24 CFR §92.208(a)

⁴ 24 CFR §92.206(a)(3)

Testing & Abatement of Environmental Hazards

HOME funds may be used to pay for environmental review directly related to the project.

Tenant Services

HOME Funds may be used to provide tenant-based rental assistance. Participating jurisdictions must certify that rental assistance is an essential element of the Consolidated Plan. Specifically, HOME funds may be used to help renters with security deposits, rent, and under certain instances, utility payments.⁵ A contract term for tenant-based rental assistance funded by the HOME program cannot last for more than 24 months but may be renewed.⁶

Under a HUD waiver authorized by the CARES Act in response to the COVID-19 pandemic, HOME funds were temporarily allowed to be used for emergency tenant-based rental assistance. However, this emergency tenant-based rental assistance expired on September 30, 2021.

Application Process

The process for nonprofit organizations to receive HOME funds varies by jurisdiction. Some participating jurisdictions accept applications from nonprofit organizations and others to carry out eligible activities on an ongoing basis. Some participating jurisdictions also issue a Notice of Funding Availability (NOFA) for housing and community development projects.

⁵ Congressional Research Service, An Overview of the HOME Investment Partnerships Program, <https://sgp.fas.org/crs/misc/R40118.pdf>

⁶ 24 CFR §92.909(e)