DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

HOME Investment Partnerships Program

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2020 Appropriation	1,350,000	241,593	-	1,591,593	1,132,705	826,860
2021 Appropriation	1,350,000	458,106	4,950,000[a/]	6,758,106	1,494,662	1,161,979
2022 President's Budget	1,850,000	5,263,444	-	7,113,444	6,648,634	1,910,723
Change from 2021	500,000	4,805,338	(4,950,000)	355,338	5,153,972	748,744

a/ This number included $4.925 million of grant funds and $25 million of technical assistance funds from the American Rescue Plan Act.

PROGRAM PURPOSE

HOME is the primary Federal tool of States and local governments for the production of affordable rental and owner-occupied housing for low-income to extremely low-income families, including mixed-income housing and housing for homeless and persons with HIV/AIDS. It is an anchor of this nation's affordable housing finance system and can be an important factor for community revitalization. The program allows States and local governments the discretion to determine the type of housing product they will invest in, the location of the housing, and the segment of their low-income population to be served through these housing investments. For many States and local governments, HOME is the only reliable stream of affordable housing development funds available to them.

BUDGET OVERVIEW

The 2022 President's Budget requests $1.85 billion for the HOME Investment Partnerships Program, which is $500 million more than the 2021 enacted level. The Budget includes a new $100 million set-aside for a FirstHOME Downpayment Assistance initiative to States and insular areas to better ensure sustainable homeownership. The Administration recognizes the need to increase the production of and access to, affordable housing.

JUSTIFICATION

HOME Formula Grants

An appropriation of HOME funds at the requested funding level will strengthen and broaden the Federal housing safety net for people in need by providing safe, decent, and affordable housing to low-income households. Specifically, HOME funds at the requested level will increase the production of, and access to, affordable housing through the acquisition, new construction, and rehabilitation of affordable housing units for sale or rent. Further, many participating jurisdictions provide tenant-based rental assistance to extremely low-income households and special needs populations with their annual HOME allocations to serve the most vulnerable populations in their communities. An investment of HOME funds will result in the following over time:

- 14,985 units of affordable housing for new homebuyers;

- 12,939 units of newly constructed and rehabilitated affordable rental units;
- 7,366 units of owner-occupied rehabilitated housing for low-income homeowners; and
- 14,398 low-income households assisted with HOME tenant-based rental assistance.

Funding at the requested level would require HOME participating jurisdictions to provide $462.5 million in matching contributions and, based on historical leverage data, would result in approximately $8.3 billion in public and private leverage. In addition, the 2022 Budget of $1.85 billion for HOME would preserve or create approximately 33,060 jobs.

FirstHOME Downpayment Assistance

The FirstHOME Downpayment Assistance initiative is a newly-proposed set-aside within the HOME account that aims to support sustainable homeownership among first-generation, first-time homebuyers while piloting programmatic flexibilities and innovations in subsidy delivery.[1] HUD is requesting broad appropriations language with waiver authority to maintain flexibility in program design, but anticipates that this additional downpayment assistance funding would:

- Help participating borrowers achieve 10 percent equity in their homes at the time of closing (including with the assistance of other downpayment sources and sweat equity or personal resources, if necessary).
- Encourage participating jurisdictions to partner with community development financial institutions and other community lenders to match homebuyers with additional sources of downpayment assistance, leveraging Federal investments.
- Allow low- and moderate-income borrowers, who also experience homebuying challenges due to generational wealth disparities, to be better able to reach the ten percent equity, even in high-cost markets.

HUD proposes this initiative because homeownership is a proven method of building wealth but obtaining the resources to meet required downpayment and closing costs is the most significant obstacle to homeownership for potential first-time homebuyers who could otherwise afford the monthly costs of owning a home. The funds enable jurisdictions to increase homeownership opportunities, especially among households of color, who generally have lower rates of homeownership compared to the national average. The home equity established at the time of purchase through downpayment creates housing stability from the start, as evidence suggests that equity of 10 percent or greater reduces the likelihood of default and foreclosure.

HOME funds are critically needed, as documented by HUD's 2017 survey results in the *Worst Case Housing Needs: 2019 Report to Congress*.[2] The number of renter households with worst case needs decreased to 7.7 million in 2017 from 8.3 million in 2015. These are households that do not receive government housing assistance and pay more than one-half of their incomes toward rent, and/or those that live in severely inadequate conditions. In 2017, only 59 affordable units were available per 100 very low-income renter households, and only 40 units were available per 100 extremely low-income renter households.

---

[1] Though not a requirement for participation, the FirstHOME DPA program is designed to pair with a new Home Equity Accelerator Loan pilot product in FHA, designed to lower barriers for first-time buyers and furthering the aim of sustainable homeownership.

[2] Worst Case Housing Needs: 2019 Report to Congress. https://www.huduser.gov/portal/sites/default/files/pdf/worst-case-housing-needs-2020.pdf

With the exception of the proposed FirstHOME Downpayment Assistance initiative, all HOME funds must be used to benefit families and individuals who qualify as low-income (i.e., households with incomes at or below 80 percent of Area Median Income (AMI)). Historically, however, 83 percent of HOME rental units have beneficiaries with incomes at or below 50 percent AMI. The investment of HOME funds in rental projects increases the affordability for families at the very lowest income levels by requiring long-term income targeting and affordable rents.

HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits (LIHTC) or other Federal, State, or local housing projects feasible. For example, approximately 55 percent of 66,414 completed HOME-assisted rental units were part of LIHTC projects from 2015-2020.

HOME funds have also played an important role in the Rental Assistance Demonstration program (RAD). Since 2013, $176 million of HOME funds have helped to preserve affordable units and secure long term rental assistance, thus furthering HUD's mission of increasing the production of and access to affordable housing.

HOME Program Outcomes

- Completed 1,333,913 affordable units in the past 29 years, of which 546,914 were for new homebuyers, 256,234 were for owner-occupied rehabilitated housing and 530,765 were new and rehabilitated rental units.
- Provided 389,520 low-income families in the past 29 years with tenant-based rental assistance, of which 97 percent qualified as very low-income (i.e., income at or below 50 percent of the AMI.)
- Forty-four percent of those assisted with affordable rental housing were extremely low-income families (i.e., income at or below 30 percent of the AMI.)
- Leveraged $158.6 billion of other funds for affordable housing, with a leveraging ratio of 4.5:1 (i.e., $4.50 of private or other public dollars for each HOME dollar invested in rental and homebuyer projects).
- The average HOME cost per unit assisted for the past five years of the HOME program is $44,665, a small investment yielding significant results.

Evaluating the Effectiveness of the Program

Each year HUD field offices conduct a risk assessment of all formula and competitive grantees based on several factors, including size of formula grant, complexity of activities undertaken, management capacity, and length of time since last monitoring visit. Based on the risk assessment results, field offices target staff resources to monitor grantees that pose the greatest risk of fraud, waste, abuse and mismanagement. This monitoring includes a HUD assessment of the grantee's policies and procedures governing sub-recipient management, financial management, eligible activities, allowable costs, written agreements, match requirements, and beneficiary data. It also includes a review of specific project files and on-site inspection of selected sample project(s).

HUD has developed a range of innovative tools and system improvements over the years to improve HOME oversight and to assist grantees to better manage their programs. These tools help to track program funds, to rate and rank grantee performance, and to identify and lower risk in the HOME program – most are publicly available on HOME's website. For example, the Open Activities Report, which identifies, at the state and local level, the progress of individual HOME projects until the projects are completed.

HOME Investment Partnerships Program Allocations by State for 2020 and 2021 Enacted Budget Authority and the

2022 Budget Request

(Dollars in Thousands)

STATE or TERRITORY	Actual FY 2020	Actual FY 2021	Estimate FY 2022	ARP Actual FY 2021
Alabama	17,638	17,558	23,160	64,746
Alaska	3,715	3,743	3,952	7,697
Arizona	22,616	22,709	29,409	83,258
Arkansas	11,779	11,824	15,612	43,745
California	184,009	182,063	235,295	667,163
Colorado	18,414	18,251	23,651	67,023
Connecticut	15,265	15,670	20,523	57,768
Delaware	4,543	4,581	5,025	11,095
District of Columbia	5,585	5,574	7,302	19,315
Florida	68,401	68,621	88,813	251,669
Georgia	37,908	38,083	50,012	140,400
Hawaii	6,059	6,045	6,901	17,534
Idaho	6,018	6,052	8,073	22,397
Illinois	55,982	55,601	72,086	203,978
Indiana	26,315	26,335	34,573	96,992
Iowa	11,616	11,529	15,216	42,538
Kansas	10,746	10,672	14,023	39,319
Kentucky	19,067	19,244	25,484	71,060
Louisiana	18,851	19,041	24,945	70,124
Maine	5,805	5,681	7,518	20,981
Maryland	18,427	18,572	24,150	68,182
Massachusetts	33,764	34,066	44,154	124,950
Michigan	41,051	40,989	53,472	150,643
Minnesota	18,295	18,153	23,733	66,762
Mississippi	11,961	11,927	15,906	44,130
Missouri	24,039	24,026	31,482	88,420
Montana	4,147	4,067	5,390	15,021
Nebraska	7,419	7,434	9,756	27,375
Nevada	11,219	11,394	13,753	37,098
New Hampshire	4,944	4,881	6,472	18,033
New Jersey	35,346	35,760	46,032	130,875
New Mexico	7,733	7,797	10,303	28,767
New York	126,852	126,864	163,686	464,682
North Carolina	37,371	37,358	48,882	137,414
North Dakota	3,489	3,465	3,595	9,466
Ohio	54,467	54,592	71,151	200,721
Oklahoma	14,532	14,654	19,275	53,996
Oregon	18,244	18,131	23,585	66,707
Pennsylvania	56,388	56,237	72,918	206,462

HOME Investment Partnerships Program Allocations by State, Continued

STATE or TERRITORY	Actual FY 2020	Actual FY 2021	Estimate FY 2022	ARP Actual FY 2021
Rhode Island	6,254	6,278	8,246	23,129
South Carolina	17,000	16,995	22,112	62,466
South Dakota	3,500	3,504	4,006	11,133
Tennessee	25,412	25,363	33,171	93,423
Texas	92,591	93,527	121,560	343,538
Utah	8,057	8,031	10,492	29,523
Vermont	3,464	3,411	3,980	11,065
Virginia	26,272	26,394	34,286	96,983
Washington	26,989	26,771	34,615	98,113
West Virginia	7,628	7,668	10,114	28,291
Wisconsin	24,542	24,463	31,971	89,966
Wyoming	3,500	3,500	3,500	7,391
Puerto Rico	22,071	22,149	29,179	81,623
Subtotal Formula Grants	1,347,300	1,347,300	1,746,500	4,915,150
Insular Areas	2,700	2,700	3,500	9,850
Downpayment Assistance	-	-	99,250	-
Downpayment Insular Areas	-	-	750	-
American Rescue Plan TA	-	-	-	25,000
TOTALS	1,350,000	1,350,000	1,850,000	4,950,000

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2020 Budget Authority	2019 Carryover Into 2020	2020 Total Resources	2020 Obligations	2021 Appropriation	2020 Carryover Into 2021	2021 Total Resources	2022 President's Budget
Formula Grants	1,347,300	241,586	1,588,886	1,130,005	1,347,300	458,009	1,805,399	1,845,750
Insular Areas	2,700	-	2,700	2,700	2,700	-	2,700	4,250
Management Information Systems	-	3	3	-	-	3	3	-
Housing Counseling	-	4	4	-	-	4	4	-
Homeless Assistance and Supportive Services (ARP)	-	-	-	-	4,925,000	-	4,925,000	-
Homeless Assistance and Supportive Services (ARP) TA	-	-	-	-	25,000	-	25,000	-
Total	1,350,000	241,593	1,591,593	1,132,705	6,300,000	458,106	6,758,106	1,850,000

Notes:
The 2019 Carryover into 2020 column includes $2.767 million in recaptured funds.
The 2020 Carryover into 2021 column excludes $782 thousand of expired funds.
The 2022 President's Budget column includes $100 million for a FirstHOME Downpayment Assistance initiative, of which $99,250,000 is included in the Formula Grants row and $750,000 is included in the Insular Areas row, which is reflected as dollars in thousands.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Explanation

The 2022 President's Budget has the following changes to appropriations language from the 2021 enacted bill:

- Inserts a set-aside for a FirstHOME Downpayment initiative to States and insular areas to better ensure sustainable homeownership.
- Deletes statutory provisions that apply when the appropriation is below $1.5 billion.
- Inserts a provision to allow all remaining no-year Community Housing Development Organization funds to be allocated via the HOME formula rather than via competition.
- Extends the suspension of the 24-month commitment period for HOME funds for another year so that the funds remain with the jurisdiction.
- Extends the waiver of the provision that requires Community Housing Development Organization funds to be recaptured if they remain uncommitted after 24 months and allows the funds to remain with the participating jurisdiction and convert to HOME formula funds for an additional year.

APPROPRIATIONS LANGUAGE

The 2022 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

For the HOME Investment Partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. 12721 et seq.), [$1,350,000,000]*$1,850,000,000*, to remain available until September 30, [2024]*2025*: *Provided, That of the amount made available under this heading, up to $100,000,000 shall be for awards to States and insular areas for assistance to homebuyers as authorized under section 212(a)(1) of such Act (42 U.S.C. 12742(a)(1), in addition to amounts otherwise available for such purpose: Provided further, That amounts made available under the preceding proviso shall be allocated in the same manner as amounts under this heading, except that amounts that would have been reserved and allocated to units of general local government within the State pursuant to section 217 of such Act (42 U.S.C. 12747) shall be provided to the State: Provided further, That the Secretary may waive or specify alternative requirements for any provision of such Act in connection with the use of amounts made available under the previous two provisos (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment) upon a finding that any such waivers or alternative requirements are necessary to expedite or facilitate the use of amounts awarded pursuant to the preceding provisos: Provided further*, That notwithstanding [the amount made available under this heading, the threshold reduction requirements in sections 216(10) and 217(b)(4) of such Act shall not apply to allocations of such amount]*section 231(b) of such Act (42 U.S.C. 12771(b)), all unobligated balances remaining from amounts recaptured pursuant to such section that remain available until expended shall be combined with amounts made available under this heading and allocated in accordance with the formula under section 217(b)(1)(A) of such Act (42 U.S.C. 12747(b)(1)(A))*: *Provided further*, That [the Department shall notify grantees of their formula allocations within 60 days after enactment of this Act: *Provided further*, That]section 218(g) of such Act (42 U.S.C. 12748(g)) shall not apply with respect to the right of a jurisdiction to draw funds from its HOME Investment Trust Fund that otherwise expired or would expire in 2016, 2017, 2018, 2019, 2020, 2021, 2022, [or]2023*, or 2024* under that section: *Provided further*, That section 231(b) of such Act (42 U.S.C. 12771(b)) shall not apply to uninvested funds that otherwise were deducted or would be deducted from the line of credit in the participating jurisdiction's HOME Investment Trust Fund in 2018, 2019, 2020, 2021, 2022, [or]2023*, or 2024* under that section. *(Department of Housing and Urban Development Appropriations Act, 2021.)*