

Section II. Program Policies

A. Applicant Eligibility

1) *Primary Residence*

The applicant must intend to occupy the property to be purchased as his/her primary residence. To conclude that this will be the case, the Subrecipient should review with and have the applicant sign HOP Form #4 Assistance Agreement. The Subrecipient should also review all paperwork and reconcile address and ownership data. Please note that if the homebuyer fails to meet the primary residence conditions during the required ownership and occupancy period, but retains ownership of the property, the full amount of the HOME Loan is due to AHFC within 30 days of notification of noncompliance.

2) *Income Eligibility and Determination (24 CFR 92.203)*

- a) To qualify, the assisted family's household annual income may not exceed 80% of the area median income, as established by the U.S. Department of Housing and Urban Development (HUD), adjusted for family size, at the time funds are invested in the property (HOP loan closing). Every year, HUD publishes new income limits. The AHFC HOME Program Manager will notify Subrecipients of the new limits and their effective date.
- b) When determining whether a homebuyer is income-eligible, the Subrecipient must use the definition of annual income as stated in 24 CFR 92.203(b)(3) as the "Adjusted gross income as defined for the purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax purposes." The Subrecipient shall use the same definition for all applicants. If HOME funds are used to assist a homebuyer who has entered into a contract to purchase housing to be constructed, the homebuyer must qualify as a low-income family at the time the contract is signed [24 CFR 92.254 (a)(5)(ii)(8)].
- c) The Subrecipient must determine annual income by examining source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family, as explained in more detail in the "Technical Guide for Determining Income and Allowances for the HOME Program" (HUD, Third Edition, January, 2005). Third party documentation is the preferred method of verification.
- d) Annual income must be calculated by projecting the prevailing rate of homebuyer income 12 months forward from the time the homebuyer is determined to be income eligible. The Subrecipients shall utilize the income calculation worksheet in determining eligibility; the income calculation worksheet should include the preparer's signature and date that the household was determined to be eligible. Annual income must include all earned income from family (household) members over the age of 18 and all taxable income such as a PFDs or Native Dividends over \$5,000. All household members' income who will reside in the residence at

least 50% of the time must be counted. A useful tool, for determining income is the HOMEfront income calculator which can be found on the HUD website at <http://www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/calculator.cfm>.

The income inclusions and exclusions allowed under the IRS 1040 definition of income are subject to change from tax year to tax year. The income calculation worksheet in the “Technical Guide for Determining Income and Allowances for the HOME Program” is a general representation of the IRS Form 1040, and does not reflect all updated inclusions and exclusions each tax year. Subrecipients are advised to consult the IRS website for the most current version of this form at www.irs.gov.

- e) The Subrecipient must re-verify a homebuyer’s income eligibility if more than 180 days has elapsed since the Subrecipient initially determined the income eligibility of the homebuyer. [24 CFR 92.203(d)(2)]
- f) The Subrecipient must adhere to its liquid asset limitation established, if any.
- g) Unborn children may be counted in household size.

3) Existing Property-Ownership Restriction

The applicant at time of application or at the time of HOP loan closing, will not own any other residential property. Residential property for this purpose includes houses, mobile homes, condominiums, residential buildings and other types of dwelling units. This requirement does not include a recreational cabin owned by the homebuyer. Generally, the Subrecipient should conclude that a property owned by homebuyer is not a recreational cabin if it is located in a community (generally accepted city or village boundaries), or where it has a history of being a rental property. In exceptional circumstances this requirement can be waived by submitting an appeal to the HOME Program Manager.

4) Residency and Citizenship

All HOP loan applicants must either be a U.S. citizen or have permanent resident alien status and must reside in the State of Alaska at the time of application.

5) Past Due Child Support (15 AAC 150.050)

The applicant must not be delinquent (in arrearage) on any child support obligation. The Subrecipient must send AHFC Form UND-22 or the Verification Form #04-0950 (found on CSED’s website) to the Child Support Enforcement Division to verify this fact.

6) Minimum Homebuyer Contribution

The applicant must contribute at least \$1,000 towards their earnest money agreement, closing costs, or to the downpayment on their home. In exceptional circumstances this requirement can be waived by submitting an appeal to the HOME Program Manager.

7) Homebuyer Counseling (REVISED 2012)

- a) Homebuyers receiving HOME assistance must agree to participate in a homebuyer counseling program. A homebuyer counseling program must be conducted for a minimum of eight (8) hours by a certified counselor (the AHFC HomeChoice class meets this requirement). If an applicant is not able to attend an AHFC HomeChoice class in their community, Subrecipients may inquire about the availability of the home-study course. Send an email request to the AHFC HOME Program Manager that includes the following information: applicants name, address and the reason they need to take the home-study course.
- b) Subject matter for homebuyer counseling may include, but is not limited to, the following:
 - i. Instruction in financial management;
 - ii. Homebuyer education;
 - iii. Credit management; and
 - iv. Job training and/or placement.
- c) The Subrecipient must retain documentation in the Project File pertaining to attendance, counseling, and/or training used to guide the homebuyer toward homeownership.

8) Homeowner's Insurance (REVISED 2012)

- a) Homebuyers receiving HOP assistance must agree to list AHFC as a loss of payee on their homeowner's insurance for the duration of the affordability period. The Subrecipient's files must include documentation verifying this fact.
- b) The policy must contain the insurance industry's standard loan clause. Such clause must provide notification to the named loss payee at least ten (10) days before any reduction in coverage or cancellation of the policy.
 - i. A mortgagee clause that amounts to a mere loss payable clause is not acceptable.
 - ii. A mortgagee clause should read "Name of Servicer, its successors and assigns."

B. Property Eligibility

1) Primary Residence

The HOP assisted property must be the primary residence of an income-eligible homebuyer.

2) Purchase Price Limitation

The HOP assisted property must have a purchase price, after completion of any necessary improvements to meet minimum property standards, which does not exceed the "pre-stimulus" Section 203(b) mortgage and are located in Section IV. Attachments and Resources.

3) Ownership of Property

- a) Properties which are purchased with the assistance of HOP program funds must obtain ownership of the property through:
 - i. fee simple ownership, or
 - ii. 99 year leasehold interest with a remaining lease term which exceeds the term of all loans obtained for the purpose of purchasing the property by at least five (5) years. For purposes of housing located on trust or restricted Indian lands, homeownership includes leases of 50 years.

- b) All eligible HOP projects must involve the transfer of title at time of closing. For example, HOP funds may not be used to pay off an owner-builder construction loan because there is no transfer of title.

4) Property Type

- a) Eligible property types include:
 - i. single-family residential stick built,
 - ii. manufactured (mobile),
 - iii. modular,
 - iv. zero-lot line,
 - v. condominium dwelling, or
 - vi. other equivalent form of property approved by AHFC.

- b) Condominiums must be on AHFC's Common Interest Community (Condo) Project List located at: http://www.ahfc.us/loans/condo_project_list.cfm . Condominiums that are listed as "inactive" are not eligible for AHFC/ HOP financing.

- c) The purchase of a two to four unit properties (or greater) are not eligible.

- d) Units must be existing dwellings or units that are under construction (the foundation has been completed and inspected) on the date the HOP Application is submitted to the Subrecipient. For new construction properties, the Subrecipient must submit an inspection report (PUR-102) and the applicant's dated HOP Application in conjunction with the Project Set-Up form. Properties where construction has not commenced require a different level of environmental review. AHFC will consider waiver requests. Waiver requests must include:
 - a. the name(s) of the Subrecipients lead staff(s) that will be preparing the environmental review record, and
 - b. a confirmation from the Subrecipient's Executive Director that a purchase agreement is not in place, or
 - c. a copy of the "non-legally binding agreement" that includes language such as "notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by AHFC's determination

to proceed with, modify or cancel the project based on the results of a subsequent environmental review.”(See pg. 10 of HUD Notice CPD-01-11)

5) Property Standards

- a) Properties which are purchased with the assistance of HOP program funds must meet all applicable current State and local codes, ordinances, and zoning ordinances prior to the closing. If there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401. [24 CFR 92.251(a)(2)]
- b) In accordance with Alaska Statute (AS) 18.56.300, residential housing constructed on or after July 1, 1992, must undergo an approved inspection process to be eligible for HOP financing. The minimum number of inspections, documentation, and other requirements are outlined at http://www.ahfc.us/home/builder_guide.cfm and <http://www.ahfc.us/iceimages/reference/const-insp-guidelines.pdf>. AHFC requires that the "authorized inspector" complete Form PUR-102 to certify compliance with the law and AHFC's Construction Inspection Guidelines. Approved municipalities issue "Certificates of Occupancy" instead of completing Form PUR-102. Residential housing located in approved municipalities are exempt. However, such housing is subject to the building codes adopted and enforced by the approved municipality.
- c) If newly constructed the home must meet the applicable standard under 15 AAC 155.010 and 15 AAC 155.030. The statute applies to residential buildings that were constructed after December 31, 1991. Any residence that was built after December 31, 1994 must be assigned a "four-star plus" or higher rating. All residences that meet the State of Alaska's standards comply with the Model Energy Code, a HOME Investment Partnerships Program requirement. A PUR-101 can be used as verification and can often be found on the Department of Natural Resources, Records Office (<http://dnr.alaska.gov/ssd/recoff/searchRO.cfm>) website. If there is not a recorded document on the property, the Subrecipient must conduct an energy inspection or have the homeowner conduct an energy inspection. An energy inspection is an eligible HOME program project cost, if it is ordered and billed by the Subrecipient. The home must meet these standards before the closing of the loan. Waivers can be requested if the repairs will be made to the unit within six months of closing.
- d) The Subrecipient must conduct or contract with an outside entity to perform home inspections. The property inspection must be completed by a person who is approved or certified to perform residential inspections with the State of Alaska under AS 08.18 is an architect registered under AS 08.48, or is an registered under AS 08.48(please see <http://touchngo.com/lglcntr/akstats/Statutes/Title08/Chapter48.htm>). The Subrecipient must verify that the contractor is licensed by conducting a search at <http://www.dced.state.ak.us/occ/> or by downloading an entire listing of State certified home inspectors on this website. This information should be kept on file. The Subrecipient cannot rely on an inspection conducted by a third party such as a homebuyer inspections or FHA appraisers. If necessary, Subrecipients shall discuss recommended repairs with the homebuyer, and include necessary repairs as requirements in an amended earnest money

agreement. All repairs included in the earnest money agreement must be evidenced as completed before closing.

- e) If the home is a manufactured housing unit (mobile home) it must meet the following conditions:
 - i. Be situated on a permanent foundation (except when the unit owner leases the lot on which their unit sits).
 - ii. Be connected to permanent utility hook-ups.
 - iii. Be located on fee-simple, land-trust, or long-term (99 year) ground lease land or for housing located on trust or restricted Indian lands, the land must have a lease of 50 years (for lots owned by the unit owner on which the manufactured unit sits).
 - iv. Must meet the Manufactured Home Construction or Safety Standards (http://www.access.gpo.gov/nara/cfr/waisidx_01/24cfr3280_01.html). Every home constructed after June 15, 1976 will already meet these construction standards.

6) Non-Displacement Requirements (REVISED 2012)

- a) To prevent conflicts with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, the implementing regulations at 49 CFR Part 24; and the HOME provisions for relocation assistance (24 CFR part 92.535), HOME funds may not be provided to a homebuyer purchasing a property that will result in the displacement of a non-owner occupant of the property being purchased.
- b) The Subrecipient must receive a certification from the owner (seller) that lists of all individuals, owner and non-owner occupants, that have occupied the property within ninety (90) days of the purchase offer by requiring completion of HOP Form #8 Seller's Occupancy Certification form.
- c) If the property has been occupied within the ninety (90) days prior to the date of the **purchase offer**, by anyone other than the legal owner of the property being purchased, the Subrecipient must determine that no one will be displaced by the transaction. The Subrecipient must verify HOP eligibility based on the completed HOP Form #8 Seller's Occupancy Certification form. The Subrecipient must review the executed HOP Form #8 Seller's Occupancy Certification form to determine whether the proposed purchase will result in the displacement of a person(s). Displacement triggers relocation assistance; relocation assistance is not an eligible HOP activity. Displaced Person and Persons Not Displaced are defined at 49 CFR 24.2.
- d) To insure no individuals begin to rent the property after the sales agreement is signed but before loan closing, a provision must be included in the purchase offer that prohibits any tenant, other than the HOP eligible buyer household, from occupying the property before the sale is completed. If it has been determined that no one has been displaced from the property ninety (90) days prior to the purchase offer, but the seller does intend to rent the property to a tenant prior to the sale, please contact the HOME Program Manager for guidance on issuing a Move-In Notice to the tenant prior to occupancy and execution of the lease (See HUD Handbook 1378, Appendix 29).

7) Voluntary Sales Disclosure

- a) To assure that the owner is not being involuntarily displaced, the owner (seller) shall be provided with HOP Form #9 Voluntary Sale Disclosure along with the purchase offer. HOP Form #9 Voluntary Sale Disclosure letter must state that the sale is a voluntary, arm's-length transaction, no eminent domain along with the buyer's estimate of fair-market value [49 CFR 24.101(b)]. The notification should inform the seller that if he/she does not wish to sell the property, the buyer, the Subrecipient, and AHFC shall not take any further actions to acquire it. The Project File must indicate the manner in which this notice was delivered (i.e., certified mail, return receipt requested, or have the owner (seller) sign and date a copy of the notice to certify receipt).
- b) If there is already a purchase offer in place at the time of application, that fact should be noted in the file and the Voluntary Sales Disclosure executed as soon as possible.
- c) Per the Voluntary Sales Disclosure, the Subrecipient must ensure that the owner (seller) is informed of the appraised value before closing. The Subrecipient must document in the program file utilizing HOP Form #10 Appraised Value Receipt Certification that the owner (seller) was informed of the appraised value **and** that they intend to proceed with the sale. In place of HOP Form #10, the "Appraised Value Receipt Certification" clause may be included in the sales contract; this must be documented in the project file.

8) Environmental Review

- a) Eligible properties must not be in conflict with environmental regulations established in the National Environmental Policy Act (NEPA) of 1969. HOP assistance is not subject to compliance with NEPA or related Federal laws and authorities so long as the assistance is for **existing dwelling units or units under construction**. If units are not already built or the foundation of a new house is not already in place then, at minimum, compliance with the other Federal laws and authorities (and possibly NEPA) are required; in these instances, contact the HOME Program Manager for assistance in preparing the environmental review.
- b) AHFC staff will complete an environmental review for each HOP loan. The Subrecipient is directed to forward documents including HOP Form #6 Environmental Review Record Form and supporting documentation to the AHFC HOME Program Manager. Refer to HUD's website for guidance on completing Environmental Reviews at:
<http://www.hud.gov/local/shared/working/r10/environment/alaska.cfm?state=ak>
AHFC will notify the Subrecipient to proceed with a project approval notice.

9) Lead-Based Paint Poisoning Prevention Act (REVISED 2012)

Homes built prior to 1978 are subject to the provisions of 24 CFR Part 35—Lead-Based Paint Poisoning Prevention in Certain Residential Structures. No project may be funded until it complies with the lead-based paint policies and regulations. To ensure compliance with this Act, the

subrecipient must follow the procedures set forth.

a) **Lead Hazard Information Notice.** In accordance with 24 CFR 35.125, provide all potential homebuyers of pre-1978 housing with the lead hazard information pamphlet developed by EPA, HUD and the Consumer Product Safety Commission pursuant to section 406 of the Toxic Substances Control Act (15 USC 2686). The pamphlet is entitled “Protect Your Family from Lead in your Home” (EPA747-K-99-001 June 2003). The packet may be ordered through 1-800-424-LEAD or accessed at <http://www.epa.gov/lead/pubs/brochure.htm>. The pamphlet is also provided in Spanish and other languages. The AHFC HOME Program Manager may also have some copies available for distribution. The subrecipient must obtain written certification by the potential homebuyer that he or she has received this pamphlet, including the date the pamphlet was received and reviewed. Evidence of this must be retained in the project file. Utilizing HOP Form #11 Lead Based Paint Notification is one way a subrecipient can confirm distribution and receipt of the pamphlet.

b) **Age of House.** Identify and document the age of the housing to be assisted. For all homes built before January 1, 1978, the following steps must be taken. (See 24 CFR Part 35 for more detail.) For all homes built on or after January 1, 1978, the following steps are not required.

i. Visual Assessment. An individual who has successfully completed the internet-available visual assessment training course (see website below) must complete a Visual Assessment of all painted surfaces in order to identify deteriorated paint. Deteriorated paint is defined as any interior or exterior paint or other coating that is peeling, chipping, chalking or cracking, or any paint or coating located on an interior or exterior surface or fixture that is otherwise damaged or separated from the substrate. The subrecipient must keep a written record in the project file indicating that the visual assessment was completed, who completed it and if there were any findings.

Additional information is also available at the following <http://www.hud.gov/offices/lead/training/visualassessment/h00101.htm>.

ii. Paint Stabilization. The housing unit must pass the visual assessment described above upon first try, or else paint stabilization of each deteriorated paint surface must be accomplished in accordance with 24 CFR 35.1330(a) and (b). These requirements are summarized below:

- A. Current occupants shall be protected during the course of the work in accordance with 35.1345 (see regulations for complete requirements);
- B. Interim control treatments must be used to stabilize deteriorated lead-based paint as described in 24 CFR 35.1330(b) (see regulations for complete requirements);

- C. All paint stabilization shall incorporate the use of safe work practices in accordance with 35.1350 (see regulations for complete requirements); and,
- D. Clearance testing shall be performed by a certified risk assessor, certified lead-based paint inspector, or a certified clearance technician at the conclusion of interim control (paint stabilization) activities, in accordance with 35.1340 (see regulations for complete requirements).

Because there is no funding available for these steps, **it is highly recommended that Subrecipients permanently disqualify from the HOP program any homes that do not pass the visual assessment upon first try when the deteriorated paint and affected area exceeds the de minimus levels as defined at 24 CFR 35.130 and provided for you here:**

(d) De minimis levels. Safe work practices are not required when maintenance or hazard reduction activities do not disturb painted surfaces that total more than:

- (1) 20 square feet (2 square meters) on exterior surfaces;*
- (2) 2 square feet (0.2 square meters) in any one interior room or space; or*
- (3) 10 percent of the total surface area on an interior or exterior type of component with a small surface area. Examples include window sills, baseboards, and trim.*

If the affected area does not exceed de minimus levels, safe work practices and clearance is not required per 35.1340(b) and 35.1350(d). The Disclosure and Notification requirements at 24 CFR Part A do apply. However, please note that a Notice of Evaluation or Presumption is not required if **only a visual assessment** is conducted (24 CFR 35.125). A visual assessment is not considered a method of lead hazard evaluation under the regulation. If only a visual assessment is required by this part, and no evaluation is performed, a notice of evaluation or presumption is not required. Subrecipients must be cognizant of what kind of inspections are conducted.

When conducting a visual assessment, it would be advantageous for the assessor to note on the inspection form whether or not there are any affected areas and whether or not the area(s) exceeds the de minimus. Please note, re-inspection of the affected area is required to determine final compliance.

C. Funding Provisions and Limitations

1) **Minimum Assistance**

The minimum amount of HOP assistance provided to a qualifying homebuyer must equal \$1,250.

2) **Maximum Assistance**

The maximum amount of HOP assistance for downpayment, closing cost and gap financing (principal buy-down) may not exceed \$30,000.

3) **Purchase Price Limitation**

In no event may the total financing provided (primary loan plus any secondary financing, including HOP assistance) result in the purchase of a property with a purchase price that exceeds the “pre-stimulus” Single Family Mortgage Limits under Section 203(b) of the National Housing Act for the type of single-family housing for the area, as determined by HUD.

4) **Primary Mortgage and Lender Restrictions (REVISED 2012)**

- a) HOP funds may only be used in conjunction with fixed interest rate and term, fully amortizing, first deed of trust loans. In no event may HOP funds be used to assist a homebuyer whose primary loan is a non-traditional product with features such as owner financing, interest only, variable interest rates and/or terms, or balloon payments. In addition, HOP clients are required to work with an AHFC approved lender; other lenders may originate AHFC loans in partnership with an approved lender. A list of AHFC approved lenders is located at http://www.ahfc.us/loans/approved_lenders.cfm. In certain circumstances this requirement can be waived by submitting an appeal to the HOP Program Manager.
- b) Federal government lenders are eligible after the Subrecipient has performed a subsidy layering review. The Subrecipient may not commit any more HOP funds, in combination with other governmental assistance, than is necessary to make the home affordable.

5) **Subsidy Layering Review**

- a) Subrecipients must conduct a subsidy layering review for each project. A positive determination by the Subrecipient in each of the following key evaluation points is required to pass the subsidy layering review:
 - i. A determination that the total available funding (both private and public) does not exceed the total purchase price of the home;
 - ii. A determination that the closing costs are customary and reasonable in terms of industry standards;
 - iii. A determination that the applicants are not receiving excessive profit or windfalls from the sale (no cash back to borrower at closing). Cash back to the borrower that is \$100.00 or less does not need to be returned to AHFC.

6) Loan Ratio and Underwriting Requirements [Consolidated and Further Continuing Appropriations Act of 2012 (P.L 112-55)] (NEW 2012)

Loan Ratio	Threshold Requirement
Minimum Total Monthly First Mortgage Payment Ratio	Minimum of 25% (24% for USDA RD) of household income as qualified by primary lender
Maximum Total Monthly First Mortgage Payment (Front End Ratio-PITI)	Maximum of 33% of household income as qualified by primary lender
Maximum Total Monthly Obligation Ratio (Back End Ratio-MOTI)	Maximum of 43% of household income as qualified by primary lender

- a) For the purposes of determining compliance with HOP debt ratio requirements, the Subrecipient will use the household's income as qualified by the primary lender. Ratios should be calculated with the proposed HOP allocation in the project.
- b) The total monthly first mortgage payment includes: monthly primary mortgage payment of principle, interest, taxes and insurance (PITI); any secondary financing payments; space rent and Homeowner's/ Condominium Association dues less any amount designated for utilities. AHFC's Common Interest Community (Condo) Project List identifies the amount of dues that go towards utilities.
- c) The total monthly obligations are defined as the total monthly obligations of principle, interest, taxes, insurance and any other monthly installment and revolving obligations that extend beyond ten months (MOTI).
- d) The minimum debt-ratio percentage may vary slightly above or below these limits due to recalculation of mortgage payments at time of closing.

Subrecipients must submit the Lender's completed Fannie Mae Form 1008, or USDA's "Eligibility Summary", respectively, with the Project Set-Up Form to verify that the HOP debt ratio limits have been satisfied.

D. Eligible Activities and Costs

1) **General**

- a) Project soft costs may not exceed fifteen percent (15%) of the project hard costs. If the inspection costs alone exceed this percentage please contact the HOME Program Manager for a Waiver. Administrative costs may not exceed ten percent (10%) of all project costs.
- b) At the time of the loan closing, no cash in excess of \$100.00 may go back to the borrower; the Subrecipient must ensure that excess HOP funds, regardless of the amount, are returned to AHFC. HOP loan documents must reflect the adjusted amount of HOP funds invested in the property; loan modification documents must be executed if necessary. In those instances where the excess funds are \$100.00 or LESS, HOP loan documents do not need to be amended.

2) **Project Hard Costs: Homebuyer Assistance**

- a) Downpayment assistance, not to exceed two percent (2%) of the purchase price or appraised value, or \$3,800 whichever is less.
- b) Buyer closing costs, not to exceed \$3,000. HOP funds may not be used to pay for closing costs which are typically considered seller costs. These include, but may not be limited to, appraisal fees, owner's title insurance, as-built survey costs, sales (realtor) commissions, and re-sale certificate (if applicable).
- c) Principal buy down (soft seconds), if necessary to achieve affordability, on the first mortgage in an amount not to exceed \$30,000 is subject to the Funding Provisions and Limitations specified in this Policy and Procedure Manual. In order to be eligible for buy down assistance the homebuyer's mortgage payment can not be less than 25% of the household's income as qualified by the primary lender or 24% of the household's income if the primary lender is USDA Rural Development. AHFC will do a subsidy review of all projects and approve principal buy down costs based on the following formula estimation: $\text{Monthly PITI} > \text{Income as qualified by the lender} / 12 \text{ months} \times 25\% \text{ (24\% as applicable)}$.

3) **Project Soft Costs**

- a) Appraisals. If an appraisal is already included in the buyer or sellers closing costs, then an appraisal is not an eligible activity.
- b) Credit Report. If your program uses this to determine eligibility for the HOP program you may submit this cost as an eligible expense.
- c) Inspection costs attributed to ensuring that the property meets the HOP property standards.
- d) Homebuyer counseling services that are conducted by the Subrecipient or an entity (excluding AHFC) that the Subrecipient contracts with to provide these services to potential homebuyers.

A signed statement from the homebuyer that they received the service or a timesheet from the person conducting the counseling will be accepted as appropriate documentation of the costs incurred. No more than \$30.00 per hour can be billed for counseling services.

4) Eligible Administrative Costs

- a) Reasonable costs of overall program management, oversight, coordination, monitoring, and evaluation. Such costs include, but are not necessarily limited to, necessary expenditures for the following:
 - i. Salaries, wages, and related costs of the Subrecipient's staff. In charging costs to this category the Subrecipient may either include the entire salary, wages, and related costs allocable to the program of each person whose primary responsibilities with regard to the program involves program administration assignments, or the pro-rated share of the salary, wages, and related costs of each person whose job includes any program administration assignments. The Subrecipient may use only one of these methods.
 - ii. Program administration including the following types of assignments:
 - A. Developing systems and schedules for ensuring compliance with program requirements.
 - B. Monitoring HOP-assisted housing for progress and compliance with program requirements, including program audits.
 - C. Preparing reports and other documents related to the program for submission to AHFC.
 - D. Coordinating the resolution of audit and monitor findings.
 - E. Evaluating program results against stated objectives.
 - F. Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in A. through E. above.
 - iii. Travel costs incurred for official business in carrying out the program.
 - iv. Administrative services performed under third party contracts or agreements, including such services as general legal services, accounting services, and audit services.
 - v. Other costs for goods and services required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space.
 - vi. Staff and overhead directly related to carrying out a project(s), such as work specification preparation, client and loan processing, inspections, or other services related to assisting HOP recipients. This may additionally include the costs of initial assessment/inspection for proposed projects which are later determined to be ineligible for the program.
 - vii. Public information, including the provision of information and other resources to residents and citizen organizations participating in the planning, implementation, or assessment of projects being assisted with HOP funds.
 - viii. Program marketing costs.
 - ix. Fair Housing Activities that affirmatively further fair housing.
 - x. Indirect costs may be charged to the HOP program under a cost allocation plan prepared in accordance with OMB Circulars A-87 or A-122, as applicable.

- b) Eligible Costs for Projects that Contain Greater Opportunity for Affordable Living (GOAL) or Homeownership Development Program (HDP) Subsidies:
 - i. Additional HOME funds that are used in conjunction with GOAL or HDP subsidies are only eligible for the hard costs of downpayment and closing cost assistance as defined in this manual. [Section II. D. 2. a) and b)]

E. HOP Assistance Terms

1) General Terms

- a) Homebuyer Assistance is subject to all applicable terms, conditions, and requirements specified in this Policy and Procedure Manual.
- b) Homebuyer Assistance includes all of the projects hard and soft costs.
- c) All HOP project funds provided to the homebuyer must be repaid immediately to AHFC in the event the project is terminated by the homebuyer for any reason, prior to project completion.
- d) HOP homebuyer assistance programs must choose to operate either under the “recapture” or “resale” affordability restrictions. However, in order to operate under the “resale” affordability restrictions the project must be approved to utilize “resale” under GOAL or the HDP.
- e) HOP homebuyers are not eligible for and shall not apply for or receive any funding under AHFC’s New Home Rebate program. The eligibility criterion for AHFC’s New HOME Rebate program are:
 - a. Purchaser of a newly constructed 5 Star Plus home.
 - b. Must have been purchased on or after April 5, 2008
 - c. Not more than one year old at time of sale
 - d. For the original owner
 - e. 5 Star Plus energy rating

Subrecipients shall inform all HOP participants that are potentially eligible for AHFC’s New Home Rebate of this policy; HOP participants shall warrant that they will not apply for the AHFC New Home Rebate by executing the HOP Assistance Agreement.

2) Affordability Restrictions – Recapture Option

- a) Under the “recapture” option, HOP homebuyer assistance must be provided to qualifying homebuyers in the form of a conditionally-forgivable loan. Homebuyers receiving HOP assistance must execute the Note (HOP Form # 14), Deed of Trust (HOP Form #15) securing the property as collateral for the loan, an Assistance Agreement (HOP Form #4) which details applicable HOP requirements, a Subordination Agreement (HOME Form #1) and other

documents specified within this Policy and Procedure Manual or by the Subrecipient and/or AHFC pertaining to the processing of the HOP activity.

- b) The HOP loan amount shall be equal to 100% of the HOP funds provided to the homebuyer.
- c) The loan shall have an interest rate of zero (0) percent.
- d) An Alta title insurance policy shall be obtained for the HOP Deed of Trust.
- e) The **HOME Affordability Period** (also known as the **Ownership and Occupancy Period**) is the required timeframe that the HOP homebuyer must continue to own and occupy the assisted property as their primary residence. [24 CFR 92.254(a)(4)] AHFC has adopted the minimum affordability provisions as required by the HOME Investment Partnerships Program. Beginning on the date that AHFC has entered the project completion information in HUD’s disbursement and information system, the borrower is required to own and occupy the assisted property as their primary residence as follows:

Assistance Amount (direct homebuyer subsidy)	HOME Affordability Period [24 CFR 92.254(a)(4)]
Under \$15,000	5 years
\$15,000 to \$30,000	10 years

AHFC will notify the HOP homebuyer in writing to inform them of the date the Affordability Period commences. Generally, AHFC will close the project in HUD’s disbursement and information system within three (3) weeks of receipt and final approval of the Subrecipients project close-out documents.

- f) For every **full** year the homeowner continues to own the home and make it his or her primary residence during the HOME Affordability Period, the loan will be forgiven by a maximum of \$2,000 or 20% of the loan, whichever is less. This is known as the **Forgiveness Period**. Of the maximum \$30,000 in assistance, up to the first \$10,000 will be provided to the homebuyer as a forgivable loan.

Forgiveness Period (starts at AHFC closeout)	Forgiveness Amount
1 Full Year	20% of HOP assistance or \$2,000, whichever is less
2 Full Years	20% of HOP assistance or \$2,000, whichever is less
3 Full Years	20% of HOP assistance or \$2,000, whichever is less
4 Full Years	20% of HOP assistance or \$2,000, whichever is less
5 Full Years	20% of HOP assistance or \$2,000, whichever is less

5 Years +	Any remaining HOP assistance (the amount in excess of \$10,000) will be provided to the homebuyer as a loan with 0% interest, repayable at time of sale.
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Any remaining HOP assistance (the amount in excess of \$10,000) will be provided to the homebuyer as a loan with 0% interest, repayable at time of sale. In the case of a sale (voluntary or otherwise) the maximum amount of funds subject to recapture is limited to whatever net proceeds are available (if any). Net proceeds are calculated by the sales price less any superior non-HOME loan(s) or repayments less customary seller closing costs.

In certain instances, AHFC will subordinate the HOP loan to another party. Please see AHFC's Subordination Policy for specific details. The Subordination Agreement (HOME Form #1) should be provided to every homebuyer in conjunction with the Assistance Agreement (HOP Form #4).

- g) Under the recapture option in the event that the homebuyer sells the property during the required ownership and occupancy period as stated above, a pro-rata amount of the original HOP loan provided shall become immediately due and payable. The amount subject to recapture is the total HOP assistance provided the homeowner, less the pro-rata amount of the first \$10,000 forgiven per the terms described above plus any amounts unforgiven. To calculate the pro-rata amount due and payable, use each full year, rounded down to the nearest full year, of ownership and occupancy. For instance, a homebuyer who owned and occupied the property for two years and seven months would be given credit only for two full years.
- h) If the homeowner fails to occupy the property as their primary residence during the HOME Affordability Period, but retains ownership of the property, the entire principal amount is due to AHFC within 30 days.
- i) AHFC complies with the HOME Investment Partnerships Program affordability regulations through internal controls. Funds paid off to AHFC during the HOME Affordability Period are considered recaptured funds. Pay-offs occurring after the HOME Affordability Period has been completed are considered program income. The Subrecipient should inform HOP applicants that AHFC will monitor the primary residence requirement during the HOME Affordability Period. AHFC may employ various methods to ensure that homebuyers are in compliance. These methods include, but may not be limited to, receipt of certified letters by the homebuyer at the assisted property, review of public records, and review homeowner's insurance policy. The Subrecipient must ensure that the homeowner lists AHFC as a loss of payee on the homeowner's insurance for the duration of the affordability period.

3) Resale Option: To be used in Conjunction with GOAL and HDP Projects Only

- a) Under the resale option, the period of affordability must be secured through a GOAL/ HDP Note, Deed of Trust and/or Ground Lease. Homebuyers receiving HOP assistance must execute a Note, and Deed of Trust securing the property as collateral for the loan, an Assistance Agreement which details applicable HOP requirements, and other documents specified within this Policy and Procedure Manual or by the Subrecipient and/or AHFC pertaining to the processing of the HOP activity.

- b) The resale model requires that when the homeowner sells the home, he or she sells it for a restricted price to a low income household. HOP funds used in conjunction with approved GOAL/ HDP Development subsidy may only be used to provide closing cost and downpayment assistance. For purposes of the HOP program, acceptable buyer-driven programs must include the following features:
 - i. Lease restrictions remain in place at a minimum for the HOME Investment Partnerships affordability period. A sample lease must be approved by AHFC before it will approve any HOP loans. The lease must specify first right of refusal, the homeowner's maximum share of appreciation, resale formula, and other restrictions described below.
 - ii. The HOP assistance provided towards down payment and closing costs must be identified in the land lease as a subsidy that will remain with the home in any subsequent sales. This will be accomplished through the resale formula restricting the home's future sales price. (A sample resale formula will be provided by AHFC in the NOFA.) The HOP applicant may propose changes to it for AHFC approval that do not change the basic intent of the resale formula.
 - iii. The resale formula may allow the homeowner to realize a maximum of 50 percent of the home's (market) appreciation. (Increased home value due to the homeowner's capital investment in the home may be retained in full by the homeowner.)
 - iv. The remaining market appreciation (at least 50%) must be factored into the resale formula to reduce the home's subsequent sales price, making the home increasingly more affordable over the lease period.
 - v. The Subrecipient must agree to exercise a right of first refusal in any subsequent sales of the home in order to facilitate sales.
 - vi. The Subrecipient must agree to verify incomes of the original homebuyer and any subsequent homebuyers, and provide documentation of income verification to AHFC during the affordability period.

- c) The conditionally forgivable HOP loan shall be subject to the following terms and conditions:
 - i. The HOP loan amount shall be equal to 100% of the HOP funds provided to the homebuyer.
 - ii. The loan shall have an interest rate of zero (0) percent.
 - iii. An Alta title insurance policy shall be obtained for the HOP Deed of Trust.

- d) Beginning on the date that AHFC has entered the project completion information in HUD's disbursement and information system, the minimum required ownership and occupancy (affordability period) is as follows:

Total HOME investment amount per-unit (developer subsidy + homebuyer subsidy)	HOME Affordability Period [24 CFR 92.254(a)(4)]
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
More than \$40,000	15 years

- e) During the required ownership and occupancy period above, the Deed Restriction must enforce a resale agreement restricting sale of the property during the ownership and occupancy period to households meeting the same income requirements as applied to the applicant during the first sale (see Applicant Eligibility in Section II. A.). The resale agreement must also include a resale formula, approved in advance by AHFC, that assures a fair return on the owner's investment and that the sales price is affordable to the new purchaser. These covenants run with the property, and apply to subsequent owners and sales during the entire period of affordability.
- f) Under the "resale" option, in the event that the homebuyer sells the Property during the required ownership and occupancy period, the property must be sold to a qualifying low-income household for an affordable price, as specified in the resale agreement. The Subrecipient that has chosen the "resale" option for the program is responsible for verifying the subsequent buyers' income during the ownership and occupancy period, and assuring the original resale, ownership and occupancy provisions are binding with the subsequent homeowners until the original ownership and occupancy period is over.
- g) In the event that a transfer of title is the result of divorce where one of the original homeowners retains title to the assisted property, such a transfer will not be considered a transfer that triggers the resale formula. However, all other title transfers, including title transfers due to inheritance, do trigger resale restrictions. If the heir to a home-assisted property is found to be over-income, he or she may either sell the property to a qualifying low income household in accordance with the resale restrictions/formula, or retain the property in his or her ownership and pay back the amount of assistance to AHFC that would be due and payable if the property had operated under the "recapture" program. The option to revert to "recapture" is only available to heirs of property who are not low income, and wish to retain the property, and is not available to households wishing to sell the property to over-income households.

4) HOP Subordination Policy

- a) The Subordination Policy (HOME Form #1) should be provided to every homebuyer in conjunction with the Assistance Agreement (HOP Form #4) and must be executed by the HOP assisted homebuyer at the time of closing.

- b) The Subordination of a loan made by AHFC under the HOP program is granted at the discretion of AHFC and in accordance with this Policy and Procedures Manual, and only after consideration of a recommendation made by the AHFC Loan Servicing Department and HOME Program Manager. Factors considered for subordination include the homeowner's current primary residence, the appraised value of the property for which the mortgage will be subordinated, the outstanding balance of all mortgages, the proposed use of the proceeds of the new mortgage, impact on the HOME programs, the needs of the applicant, and other pertinent facts. A request for subordination of a HOP loan must be in writing and demonstrate that the new mortgage to which HOP will subordinate is for one or more of the following purposes:
- i. Refinance an existing mortgage to obtain a reduced (fixed) interest rate resulting in a lower monthly payment for the borrower (No cash out);
 - ii. Refinance an existing mortgage to obtain a comparable (fixed) interest rate and extended payment terms resulting in a lower monthly payment for the borrower (No cash out);
 - iii. Obtain a home equity loan for the sole purpose of improving the premises for which AHFC had made the original HOP loan;
 - iv. Refinance an existing mortgage to halt foreclosure proceedings by a lender or halt tax deed foreclosure proceedings; and/or,
 - v. Obtain a loan to pay for medical emergencies not covered by insurance.
 - vi. For any of the above circumstances, actual customary and reasonable costs required to close the new loan may be included in the new principal mortgage.

5) Subordination Limitations

- a) It is the duty of Alaska Housing Finance Corporation to manage its HOP loan portfolio in a responsible manner, not subject tax dollars to unnecessary risk, and maintain the integrity of the program's intent to assist low income homeowners in housing. As such, AHFC will not consider requests to subordinate for cash out for the consolidation of consumer debt, such as credit cards, vehicles, or other "cash to homeowner" transactions including reverse mortgages. In no case will AHFC agree to subordinate in a transaction where the Loan to Value ratio (including outstanding HOP dollars) exceeds 100% of the appraised property value.
- b) At the time of the subordination request, the premises for which Alaska Housing Finance Corporation made the original HOP loan must also be and remain the household's primary residence throughout the period of affordability .

6) Servicing HOP Loans

- a) It is the responsibility of the Subrecipient to ensure that all HOP loan documents are executed in accordance with the AHFC HOME Loan Processing Guide in order to preserve the legal integrity of the lien and to ensure that loans can be serviced.
- b) It is the responsibility of the AHFC Mortgage Department to service all HOP loans that utilize the "Recapture" provisions once they have been completed and the Subrecipient has submitted all necessary completion documentation. The AHFC Servicing Department can be

reached at (907) 330-8202. If a HOP loan can not be serviced due to deficiencies in the paperwork it is the Subrecipient's responsibility to correct these errors, so that the loan can be serviced by AHFC.

- c) The Subrecipient will have fifteen (15) calendar days after receiving notification from AHFC of loan document deficiencies to provide AHFC with acceptable original corrective or loan modification documents; extensions may be granted with good cause. AHFC MAY STOP PAYMENT ON YOUR GRANT if corrective documents are not received within above mentioned timeframe OR if a Subrecipient has more three or more loans with outstanding deficiencies.
- d) The AHFC may terminate the grant if the Subrecipient has three or more client files with unresolved deficiencies exceeding (90) days and/or an error rate in excess of forty percent of the annual submissions.

F. Subrecipient Internal Policies

Subrecipients must develop and effectively implement the following policies. In addition, the Subrecipient must develop a written procedure for amending and waiving these policies.

1) Procurement Policy

15 AAC 154.715 purchasing practices and procedures, included in your grant agreement; 24 CFR Part 84, HOME Program procurement; and, OMB Circular No. A-110 located at <http://www.whitehouse.gov/OMB/circulars/>

2) Application Acceptance and Waiting List Policy

The Subrecipient must develop a written policy for accepting applications, reviewing applications, and placing potential homeowners on a waiting list.

3) Homebuyer Appeal Policy

The Subrecipient must establish procedures for accepting and reviewing appeals from the applicant regarding ineligibility determinations, including, but not limited to, review of the application by the Subrecipient's executive director and/or an appeals committee. The appeals procedure should further include the ability, if requested by the applicant, to appeal to AHFC HOME Program staff, if the Subrecipient's initial appeals review is upheld.

4) Principal Buy Down Policy

- a) The Subrecipient is responsible to ensuring that HOP funds are distributed effectively, efficiently, and based on the needs of the communities they are serving. Subrecipients must develop a policy that provides guidance on the distribution of principal buy down assistance (soft seconds). In addition to developing a principal buy down policy, the Subrecipient must perform a subsidy layering review of each project when determining the HOP subsidy amount [see Section II., C., 6] .

It is suggested that Subrecipients consider the following factors:

- i. Individual assistance;
- ii. Other subsidy resources available; and
- iii. If and when it is appropriate for a lender to include the buy-down when qualifying a potential homebuyer for a property.

5) Priority Policy

A priority policy, if the Subrecipient chooses to impose additional priorities other than the ones outlined below in the Program Priority Applicants Section.

6) Liquid Asset Limitation

The Subrecipient has the responsibility of choosing whether or not to implement a liquid asset limitation.

7) Application Forms

In order to best serve each specific community and population, the Subrecipient has the responsibility of creating their own application form. However, it must collect the following information: the name of the applicant, the homes physical address, social security number, the name of the head of household, the annual family income, a contact phone number, ethnicity and racial data as defined by HUD, household type as defined by HUD, dwelling type, residential status, priority information as applicable, and a reasonable request accommodation statement. The application will be reviewed for compliance when AHFC monitors the Subrecipient.

8) Program Priority Applicants

- a) AHFC requires that Subrecipients provide a priority to Housing Choice Voucher Homeownership Program Participants. In order to consider these participants as a priority they must already have received a Voucher certificate from AHFC and a letter of commitment from a lender.
- b) Subrecipients may develop their own priority policy based on specific needs they feel are unmet in the communities they serve. If a Subrecipient chooses to target a specific group, they must have their policy approved in writing by the HOME Program Manager.

G. Other Federal Laws

1) Affirmative Marketing and Outreach Requirements

The Subrecipient must administer the HOME program in accordance with Affirmative Marketing requirements, including that the Subrecipient establish an Affirmative Marketing Plan (utilizing HUD form-935.2) which details:

- a) Methods for informing the public and homebuyers of the availability of the HOP program, including the proposed types of commercial media and community contacts to be used. Methods of informing the public and homebuyers should include those that are likely to inform

and solicit applications from persons in the housing market (“service”) area who are not likely to apply for the housing assistance without special outreach (e.g., use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies). At a minimum, a Subrecipient’s outreach efforts and selection procedures should include the following:

- i. Publication in a newspaper of general circulation in the area in which HOP activities are proposed, notifying potential eligible homebuyers of the opportunity to apply for the homebuyer assistance, and soliciting applications for HOP activities. The notice should, at a minimum, include the following:
 - A. Instructions as to with whom and where the homebuyer must apply.
 - B. Minimum eligibility criteria, i.e., income restriction, value limitation, etc.
 - C. A fixed period of time (for example, 45 days) in which potential eligible homebuyers should apply for assistance.
 - D. AHFC HOME Program recognition as the source of program funding; and
 - E. All advertising should contain an equal housing opportunity logotype, statement, and slogan as means of educating the homeseeking public that the property is available to all persons regardless of race, color, religion, sex, handicap, familial status, or national origin. It should be printed on all applicable correspondence, notices and advertising, press releases and solicitations for renters, and written communication to fair housing and other groups. The choice of logotype, statement or slogan will depend on the type of media used. If Subrecipient is also a recipient of NAHASDA funds, or otherwise generally viewed as an organization dealing primarily with one ethnic or racial group, advertisements should specify that the program is open to ALL Alaskans.

Slogan: “Equal Housing Opportunity” (usually placed under the logo)

Logos and slogans can be downloaded at

<http://www.hud.gov/library/bookshelf15/hudgraphics/fheologo.cfm>

Size of Advertisement	Size of Logo Type in Inches
½ page or larger	2X2
1/8 page up to ½ page	1X1
4 column inches to 1/8 page	½ x ½
Less than 4 column inches	Do not use

The statement, “Home loans are provided without regards to race, color, religion, sex, national origin, handicap or familial status.”

- ii. Based on applications received by the Subrecipient in response to the public notice and other marketing efforts, the Subrecipient should prioritize the applications received,

based on a written policy they have established for this purpose. Project set-ups should reflect, as closely as possible, the prioritization of applications.

iii. In the event insufficient eligible homebuyers are identified through this application process to commit and expend all funds available, the Subrecipient may elect to re-advertise the public notice, or utilize remaining available funds on a first-come, first-serve basis. Records must be retained by the Subrecipient regarding all applications received, and application prioritization, approval or denial.

b) Annually assess the success of its Affirmative Marketing Plan and take corrective actions where it is determined that affirmative marketing requirements have not been met. The Subrecipient's Affirmative Marketing Plan and annual assessment conclusions must be retained at the Subrecipient's administrative offices, and made available to AHFC staff upon request.

2) *Establish a MBE/WBE plan*

a) Minority and Women's Business Enterprise Act requirements apply to all contracts which the Subrecipient may enter into associated with the HOME Program.

b) At a minimum, the Subrecipient's MBE/WBE Action Plan should:

- i. Create an in-house list of minority and women-owned business enterprises interested in providing services and/or supplies.
- ii. Use the minority and women-owned business contractor list to ensure that bids are received from such enterprises qualified to perform the needed work.
- iii. Implement an outreach program designed to inform minority and women-owned business enterprises of present and future contract opportunities.
- iv. Establish minority and women-owned business utilization goals covering contracts for services/supplies that have an estimated value above \$25,000 and contain items that can be subcontracted.
- v. Assist contractors and potential contractors to identify qualified minority and women-owned business enterprises to participate as subcontractors.

3) *Equal Opportunity and Fair Housing*

a) Subrecipients must adhere to Federal Equal Opportunity and Fair Housing laws.

b) Equal Opportunity. No person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with HOME funds.

c) The requirements of the Fair Housing Act (42 U.S.C. 3601-20) and implementing regulations at 24 CFR Part 100; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1958-1963 Comp., p.652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing) and implementing regulations at 24 CFR Part 107; and title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR Part 1.

- d) The prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and implementing regulations at 24 CFR Part 146, and the prohibitions against discrimination against handicapped individuals under section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8.
- e) Requirements of Executive Order 11246 (3 CFR 1964-65, Comp., p. 339) (Equal Employment Opportunity) and implementing regulations issued at 41 CFR Chapter 60.
- f) The requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) the purpose of which is to ensure that employment and other economic opportunities generated by Federal assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very-low income persons, particularly those who are recipients of government assistance for housing. Section 3 only applies to development activities and does not apply to downpayment assistance or acquisition.
- g) The requirements of Executive Orders 11625 and 12432 (concerning Minority Business Enterprise) and 12138 (concerning Women's Business Enterprise). Consistent with HUD's responsibilities under these Orders, Subrecipients must make efforts to encourage the use of minority and women's business enterprises in connection with HOME-funded activities.

4) *Debarment and Suspension*

- a) A Subrecipient, including its principals, may not be presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in any Federal programs. In addition, the Subrecipient is responsible to ensure that each contractor and subcontractor performing work on the assisted housing is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in any Federal programs.
- b) A Subrecipient may rely on a web search conducted at <http://epls.gov/> to certify that the contractor is not currently on the federal excluded parties list. The Subrecipient needs to have a printout version of the screen stating that the contractor was not found in the database.

5) *Drug Free Workplace*

The Subrecipient must administer the HOP program in accordance with the Drug Free Workplace Act of 1988 (41 U.S.C. 701). This Act requires that the Subrecipient:

- a) Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Subrecipient's workplace and specifying the actions that will be taken against employees for violation of such prohibition.
- b) Establish an ongoing drug-free awareness program to inform employees about:
 - i. The dangers of drug abuse in the workplace;
 - ii. The applicant's policy of maintaining a drug-free workplace;

- iii. Any available drug counseling, rehabilitation, and employee assistance programs; and
 - iv. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- c) Make it a requirement that each employee to be engaged in the performance of the HOME funded activity be given a copy of the statement required by paragraph a), and that evidence of such notification be retained in the employee's personnel file.
- d) Notify the employee in the statement required by paragraph a) that, as a condition of employment under the HOME funded activity, the employee will:
- i. Abide by the terms of the statement; and
 - ii. Notify the employer in writing of his or her conviction for a violation of the criminal drug statute occurring in the workplace no later than five calendar days after such conviction.
- e) Notify the agency in writing, within ten calendar days after receiving notice under subparagraph d)ii. from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title to every program officer or other designee whose program activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of the affected HOME funds.
- f) Take one of the following actions, within 30 calendar days of receiving notice under subparagraph d)ii., with respect to any employee who is so convicted:
- i. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - ii. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by Federal, State, or local health, law enforcement, or other appropriate agency.
- g) Make a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs a), b), c), d), e), and f).
- h) Provide the street address, city, county, state, and zip code for the site or sites where the performance of work in connection with the HOME funds will take place. For some applicants who have functions carried out by employees in several departments or offices, more than one location may need to be specified. It is further recognized that some applicants who become HOME fund recipients may add or change sites as a result of changes to program activities during the course of the HOME funded activities. Applicants, in such cases, are required to advise AHFC by submitting a revised "Place of Performance" form. The period covered by the certification extends until all funds under the specific HOME funding have been expended.

6) Conflict of Interest

In the procurement of property and services, the Subrecipient must adhere to the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively. In all cases not covered by 24 CFR 85.36 and 24 CFR 84.42, the provisions of 24 CFR Part 92.356 apply.

7) Uniform Administrative Requirements

- a) Non-Profit Subrecipients must comply with the following uniform administrative requirements:
 - i. OMB Circular No. A-122;
 - ii. 24 CFR Part 84.2, 84.5, 84.13 - 84.16, 84.21, 84.22, 84.26 - 84.28, 84.30, 84.31, 84.34 - 84.37, 84.40 - 84.48, 84.51, 84.60 - 84.62, 84.72, and 84.73.
- b) Governmental Subrecipients (public agencies) must comply with the following uniform administrative requirements:
 - i. OMB Circular No. A-87;
 - ii. 24 CFR Part 85.6, 85.12, 85.20, 85.22, 85.26, 85.32 - 85.34, 85.36, 85.44, 85.51, and 85.52.
- c) OMB Circulars referenced here may be obtained from: Executive Office of the President, Publication Service, 725 17th Street, N.W., Suite G-2200, Washington, DC 20503; telephone (202) 395-7332. Or through the Internet: <http://www.whitehouse.gov/omb/circulars/>

8) Subrecipient Audits

- a) Per Federal regulation, AHFC is required to monitor the performance of each Subrecipient annually, in accordance with the Subrecipient Agreement and this Policy and Procedure Manual. In accordance with this requirement, AHFC will:
 - i. Perform periodic inspections of approved projects. Project inspection will focus on assurance proper home inspections were conducted and all necessary improvements were made prior to closing. In addition, up to 20% of all approved projects may be inspected. However, AHFC reserves the right to inspect a greater percentage of the projects in the event that inspections reveal consistent errors in meeting required property standards.
 - ii. Conduct an annual on-site program compliance review to evaluate and provide guidance to the Subrecipient regarding the Subrecipient's performance of activities required under the Subrecipient Agreement and this Policy and Procedure Manual.

H. Record Keeping

1) General

Subrecipients shall be responsible to establish and maintain sufficient records to enable AHFC and/or HUD to determine whether the Subrecipient has met the requirements of the Subrecipient Agreement and the Policies and Procedures outlined in this Manual. Additionally, financial, administrative, project and program files must contain the information prescribed by AHFC in this Manual.

2) *Period of Record Retention*

- a) Records must be retained by the Subrecipient for the most recent five year period, except as follows:
- i. Documents which impose resale or recapture restrictions must be retained for five years after the resale of recapture restrictions terminate;
 - ii. Written agreements must be retained for five years after the agreement terminates;
 - iii. If any litigation, claim, negotiation, audit, or other action has been started before the expiration of the regular period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.

3) *Access to Records*

The Subrecipient must provide AHFC, HUD, the Comptroller General of the United States, or any of their representatives, with reasonable access to all and any pertinent books, documents, papers or other records pertaining to the Subrecipient's administration of HOP funds provided by AHFC, in order to make audits, examinations, excerpts, and transcripts.