



February 5, 2024

Principal Deputy Assistant Secretary McFadden  
Office of Community Planning and Development  
Department of Housing and Urban Development  
457 7<sup>th</sup> Street SW  
Washington, DC 20410

**RE: Recommendation for Improvements to HOME Program**

Dear Marion,

Thank you for making the time to meet with me and my staff on January 19 to discuss ways that HUD can improve the HOME program. As you are aware, the HOME program provides extremely valuable resources to communities, but there are regulatory barriers that limit its ability to be used effectively for homeownership promotion. As you approach a HOME rulemaking effort, and in the spirit of continued partnership with your office, we offer these recommendations for actions HUD can take to provide the necessary flexibilities to enable this work.

Homeownership is a cornerstone of the work that NeighborWorks and our network do—for communities, for wealth building, and for equity. With extreme scarcity in housing supply and affordability at all-time lows, we need all available tools on the table, and we need them all sharpened and ready to go. One of the current programs we're running is the Accelerating Homeownership for People of Color grant program, which seeks to build the capacity of NeighborWorks network organizations and facilitate engagement between peer organizations to identify replicable models, tools and best practices. Many of these organizations have identified the need to provide down payment assistance (DPA) to help their homebuyers clear the final hurdles to homeownership. DPA helps level the playing field for homebuyers who don't have family wealth to rely on, often because of the very exclusionary systems that have governed access to homeownership in this country. HOME should be an important source of funding for these programs, but for a range of reasons, its utility as a DPA source has been limited. There are a few key reasons why.

The first major issue is the underwriting requirements. Current practice is that each Participating Jurisdiction (PJ) essentially develops its own underwriting standards, creating uncertainty and inconsistencies. By standardizing the underwriting, including adopting a consistent definition of which household income sources are counted, HUD could significantly reduce the legal risks associated with participation. We recommend adopting the QM standard, and creating a safe harbor for any first mortgage that meets QM standards to be presumed to have met the HOME underwriting requirements.

A second important safe harbor is around the “appropriateness” standard. This, too, creates significant confusion and complexity, both for program administrators and potential program beneficiaries. By creating a safe harbor for assistance amounts below a given threshold, (adjusted by market), HUD could significantly reduce these issues. The threshold could be determined as a percentage of the local median home value. A major benefit to this approach is that it would provide certainty of the assistance amount at the front end.

Another major impediment, particularly to buyers seeking housing in high opportunity areas, is the 95% of area median home price limitation. While the 95% threshold is statutory, there are several things HUD could do to provide additional flexibility. While we recognize that there may not be a better data source than FHA, this data provides an artificially low upper bound, given that FHA loan limits are significantly lower than those of the GSEs, and thereby only reflect a portion of the market. HUD could explore the use of an adjustment factor to more fully encompass the true market. In addition, because data inherently lags, HUD could consider an inflation factor to bring the standard into present circumstances. We recommend that HUD explore ways to provide these calculations to the PJs in a manner that creates consistency across locales and does not increase their burden. We predict that such an effort would also reduce burden for HUD, preempting the need for individual PJs to request review of their own market analyses.

HUD could consider applying a similar approach to defining “area” as it does in rental assistance, using Small Area Fair Market Rents as the model. By defining smaller units of geography, HUD could capture much more localized market dynamics. These changes could keep to the spirit and statutory requirements of the “modest housing” standard without unnecessarily restricting buyers from receiving subsidy towards a purchase in many high opportunity areas.

In addition, there is also an opportunity for program streamlining through elimination of duplicative property inspections. These inspections increase costs for newly constructed units. Rather than requiring inspection of newly constructed units, HUD could rely on a certificate of occupancy or certificate of completion from a local code enforcement agency or an inspection certifying compliance with HUD’s Uniform Physical Condition Standards.

Finally, there’s the issue of operational consistency across Field Offices. As an organization with a substantial Field operation, I understand how challenging it can be. The recommendations we’ve already discussed would certainly help the Field Offices to enhance consistency, but there’s also a need for additional guidance, training, and dispute resolution procedures. We appreciate your openness to engagement where specific issues arise, and we will be sure to bring them to your attention.

Your office has made significant progress in improving the federal tools available to housing and community development practitioners, and we look forward to continuing to partner with you on this important work. Please let us know if we can provide additional information on these recommendations, or if we can assist you in any other way.

Sincerely,

A handwritten signature in black ink that reads "Marietta Rodriguez". The signature is written in a cursive style with a large initial 'M' and a long, sweeping tail on the 'z'.

Marietta Rodriguez  
President & CEO